



SCIENCE BASED TARGETS INITIATIVE

NET-ZERO

CORPORATE STANDARD

SPEAKERS

Defining a Global Net-Zero Standard: Public Consultation on the SBTi Net-Zero Criteria



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UN Global Compact



AGENDA

Agenda item	Presenter
1. Welcome and introduction	Anna Kruip
2. Overview of SBTi and Net-Zero Standard Development	Paola Delgado
3. Net-Zero Standard Criteria	Andres Chang
4. Public Consultation: Key questions and Next Steps	Nate Aden
5. Q&A	
6. Wrap-up	Anna Kruip

INTRODUCTION

About the SBTi

Science Based Targets is an unprecedented collaboration between:

- CDP – *world's largest environmental disclosure platform*
- UN Global Compact – *world's largest sustainability platform*
- World Resources Institute – *largest environmental think-tank*
- WWF – *largest environmental NGO*

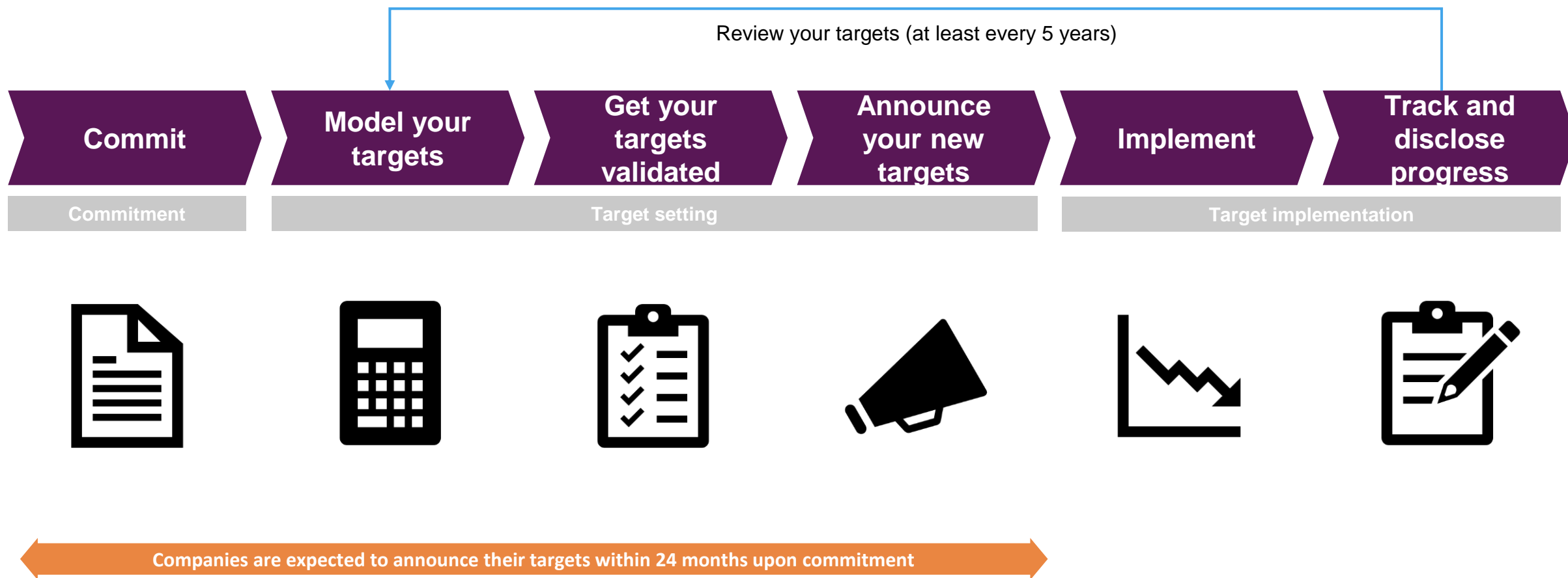
in collaboration with the We Mean Business Coalition, intending to embed the implementation of the Paris Agreement into the real economy by driving the adoption of science-based targets.



Our vision: Science-based GHG emission reduction target setting will become standard business practice and corporations will play a critical role in the transition towards a zero-carbon economy.

INTRODUCTION

About the SBTi



INTRODUCTION

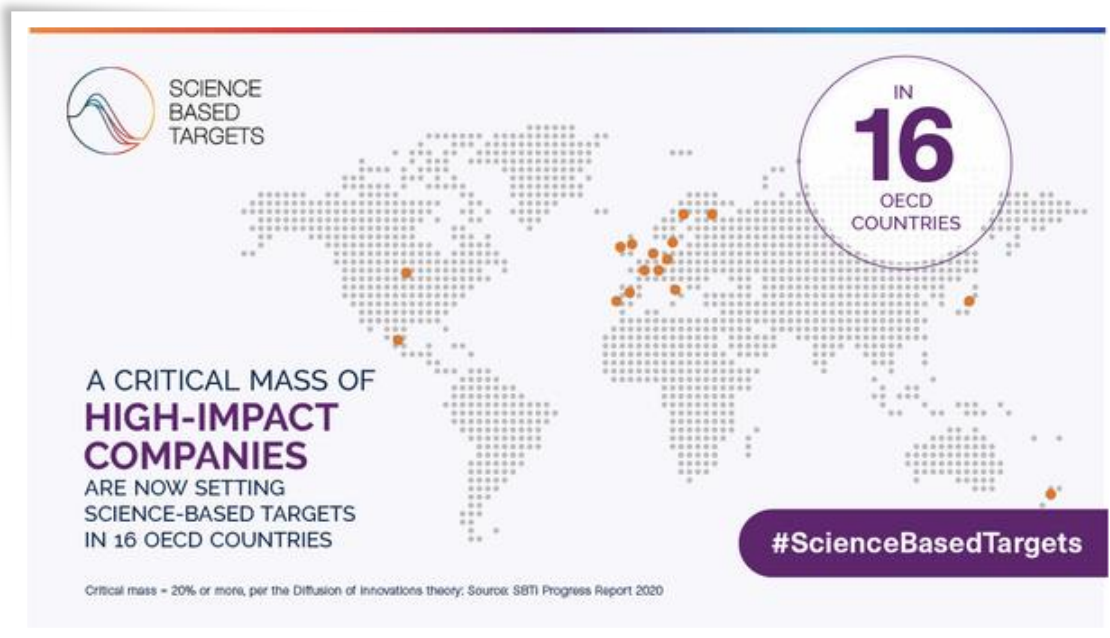
About the SBTi – Our progress to date



INTRODUCTION

About the SBTi – Our progress to date

2020 was a milestone year for science-based climate commitments.



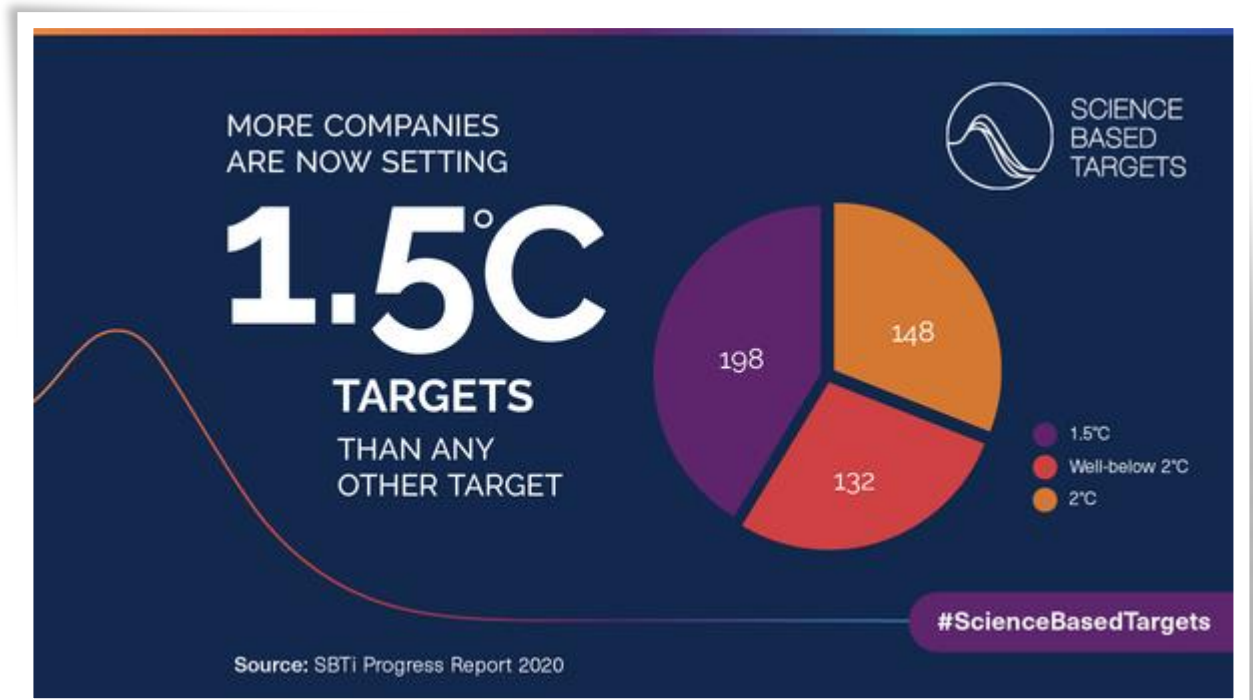
- ▶ The rate of adoption of science-based targets doubled in 2020 versus the period 2015-2019, with over 370 companies joining the SBTi in 2020 at an average rate of 31 per month in 2020.
- ▶ Companies that joined the SBTi in 2020 included Amazon, Facebook and Ford.
- ▶ Over 1,000 companies, making up 20% of global market capitalization, have now set, or committed to set, a science-based target.
- ▶ Progress has been particularly strong in developed economies: in 16 OECD countries, a critical mass of 20% of high-emitting companies setting science-based targets has now been reached. In 2020, this 20% threshold was also reached in six new sectors, including the high-emitting and hard to abate cement and concrete sector.

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About the SBTi – Our progress to date

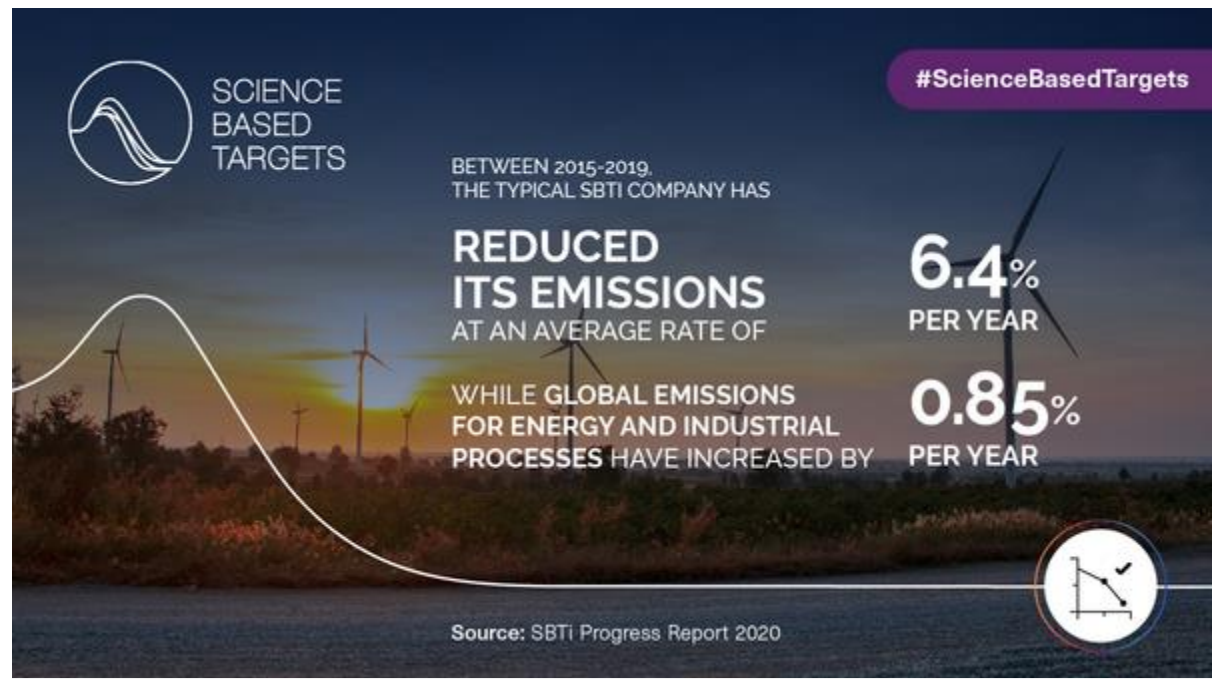
Corporate ambition is rising, with 1.5C the new normal.

- ▶ 41% of all companies with science based targets have 1.5°C-aligned scope 1 and 2 targets - now the most popular temperature classification.
- ▶ Hundreds of companies have now committed to achieving net-zero emissions by 2050 through the SBTi's Business Ambition for 1.5°C campaign. To back up their long-term vision and deliver large-scale emissions reductions in the shorter term, these companies are committing to 1.5°C-aligned targets across their whole value chain.



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About the SBTi – Our progress to date

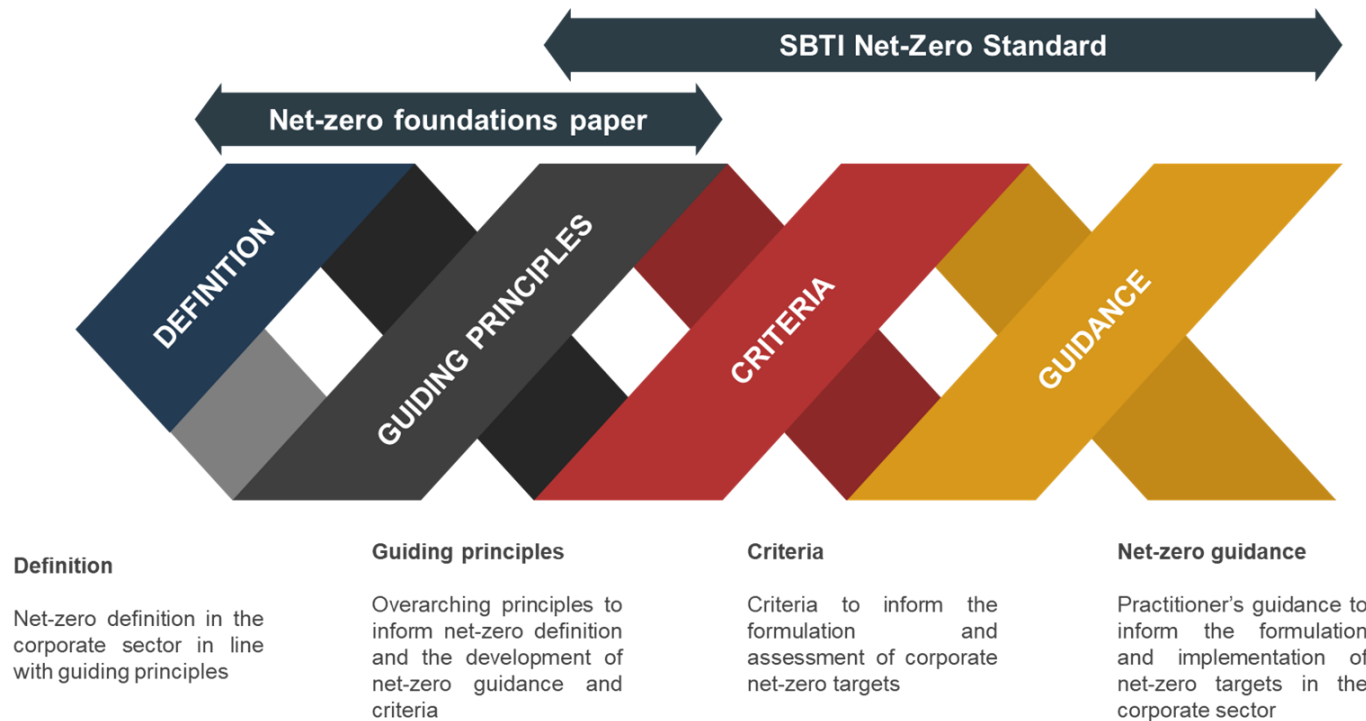


Companies with science-based targets are delivering on Paris-aligned ambition, with emissions reductions at scale.

- ▶ This is the first ever study to look at how setting science-based targets correlates with corporate emissions reductions and the extent to which companies are actually delivering on those targets;
- ▶ Companies with science-based targets have reduced their combined emissions by 25% since 2015, contrasting with an increase of 3.4% in global emissions from energy and industrial processes over the same period;
- ▶ The typical company with SBTs reduced direct (scope 1 and 2) emissions at a linear annual rate (6.4%) that exceeds the rate required under the SBTi's criteria to meet 1.5°C-aligned warming scenarios (4.2%).

INTRODUCTION

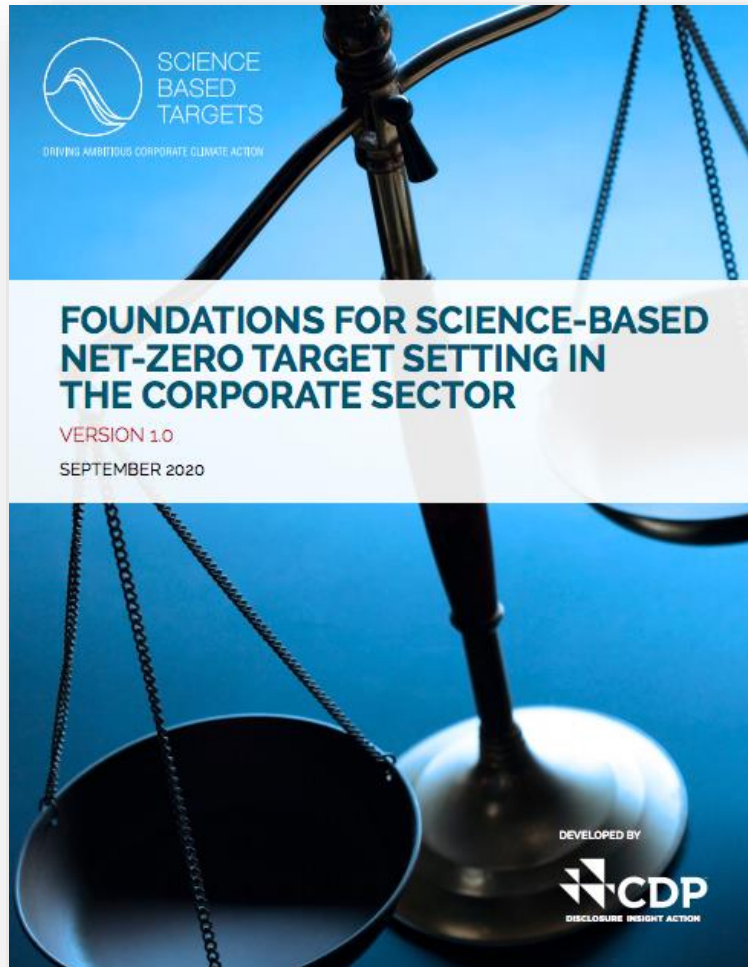
SBTi corporate net-zero standard



- The SBTi is conducting an inclusive, stakeholder-informed process to develop a framework to enable companies to set robust and credible net-zero targets in line with a 1.5°C future.
- It includes criteria and guidance, which will enable companies to have their targets validated by the SBTi.

INTRODUCTION

SBTi corporate net-zero standard



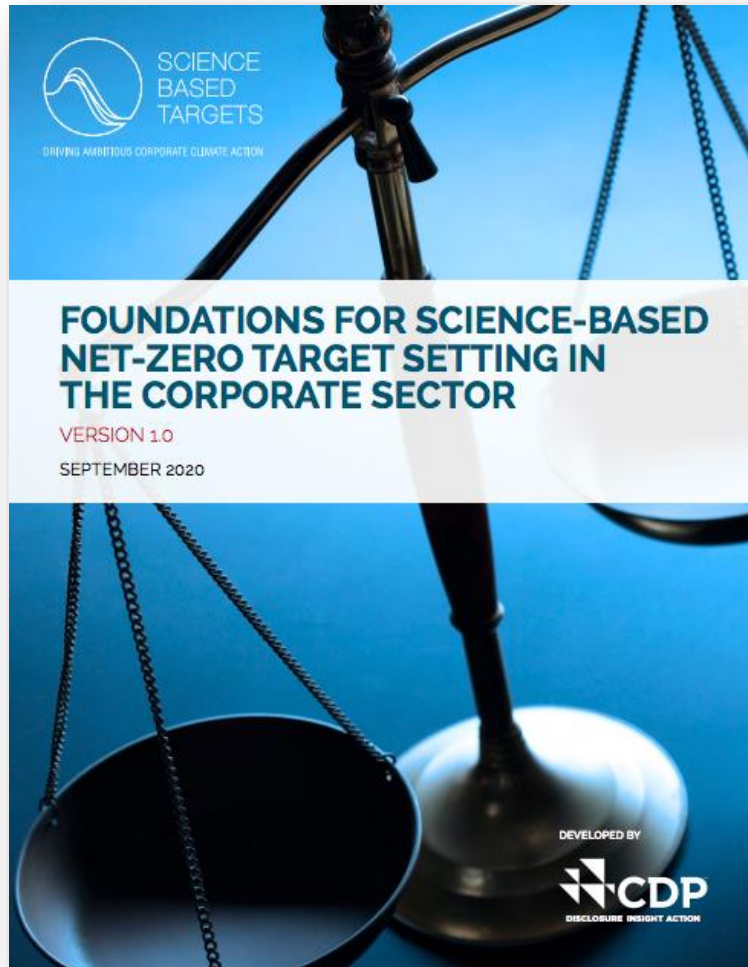
A REFRESHER FROM THE SBTI NET-ZERO FOUNDATIONS PAPER

DEFINING THE END STATE

- Reaching a state of no impact on the climate from GHG emissions
- Setting net-zero targets aligned with meeting societal climate goals requires:
 - Achieving a scale of value chain emissions reductions consistent with the depth of abatement in 1.5C pathways
 - Neutralising the impact of any residual emissions by permanently removing an equivalent volume of CO₂

INTRODUCTION

SBTi corporate net-zero standard



A REFRESHER FROM THE SBTI NET-ZERO FOUNDATIONS PAPER

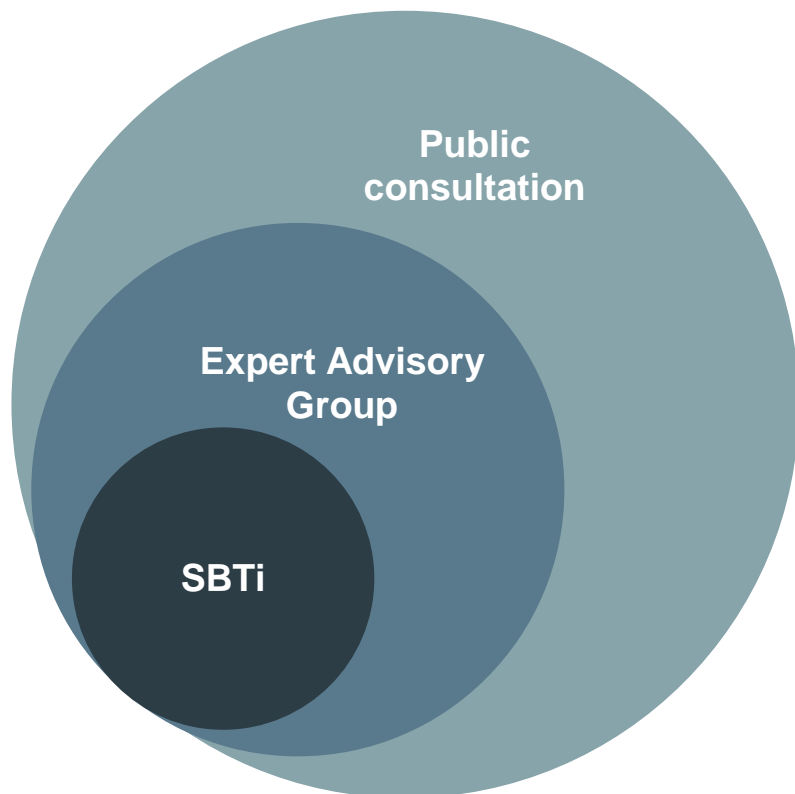
THE ROLE OF OFFSETTING

- In the transition to net-zero, companies are encouraged to compensate emissions while reducing value chain emissions at science-based rates
- At net-zero, companies with residual value chain emissions must neutralise those emissions with an equivalent amount of carbon removal. Certain removal offsets will be eligible
- Companies in land-intensive sectors should expect to align with specific criteria for nature-based removals in the value chain that are not interchangeable with removal offsets

INTRODUCTION

SBTi corporate net-zero standard

PROCESS TO DEVELOP THE SBTi NET-ZERO STANDARD



- The SBTi is following a balanced, transparent, and inclusive stakeholder process to develop the SBTi net-zero standard building upon the ISEAL Standard-Setting Code of Good Practice and the GHG Protocol standard setting process;
- As part of this process, the SBTi has convened an **Expert Advisory Group** with balanced representation from stakeholders to provide expert advice and direction throughout the development of the criteria;
- Additionally, two phases of public consultation are planned to gather feedback from a wider range of stakeholders
- Throughout the development process, the SBTi is engaging on a regular basis with our permanent advisory groups (TAG, SAG, etc.);
- Decisions are being developed through **building consensus** and all outputs are subject to comprehensive and rigorous reviews by stakeholders.

INTRODUCTION

SBTi corporate net-zero standard

SBTi Net-Zero Expert Advisory Group

Company representatives

Karol Gobjczynski	Ikea
Mischa Reppman	Swiss Re
Salla Sulasuo	DSM
Alexia Kelley	ENGIE
Richard Batten	JLL
Chris Bayliss	International Aluminium Institute
Valentina Lira	Viña Concha y Toro

Carbon market standards

Owen Hewlett	Gold Standard
Candace Vinke	Verra

Business-facing organisations

Emily Hickson	B Team
Giulio Berruti	BSR
Luca de Giovanetti / John Reves	WBCSD

Climate action mobilizers

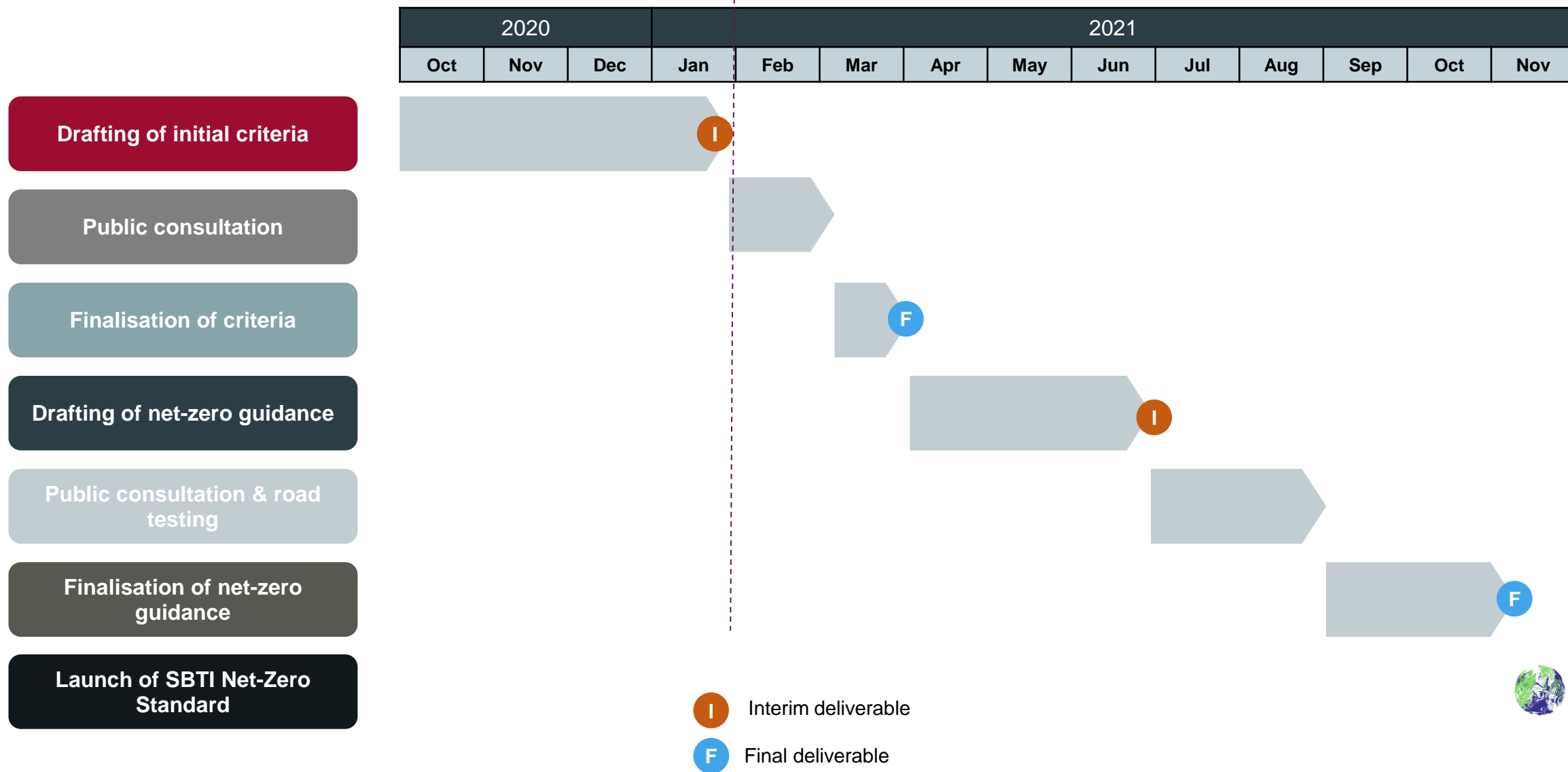
Jen Austin	High-Level Champions / We Mean Business
Ramiro Fernández	High-Level Champions / Fundación Avina
Jesica Andrews	Net-Zero Asset Owners Alliance

Civil society & academia

Derrick Broekhoff	Stockholm Environment Institute
Tom Hale	Oxford University
Robert Höglund	Oxfam
Stephan Singer	Climate Action Network
Sam van de Plas	Carbon Market Watch
Gary Cook	StandEarth
Carsten Warnecke	New Climate Institute

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SBTi corporate net-zero standard





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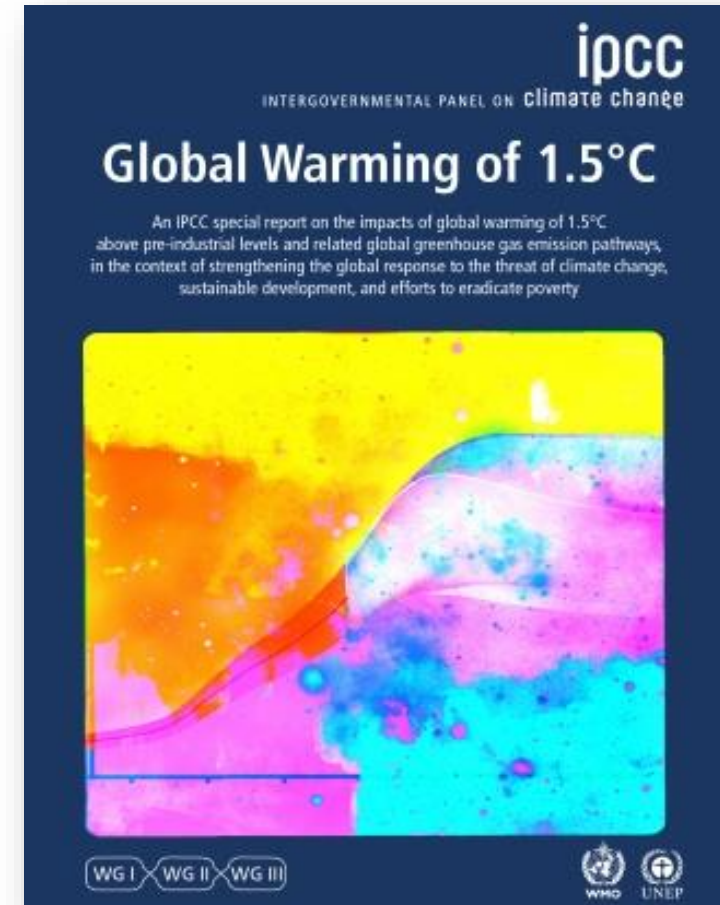
Net-Zero Criteria

NET-ZERO CRITERIA

The science of 1.5C

At a global level

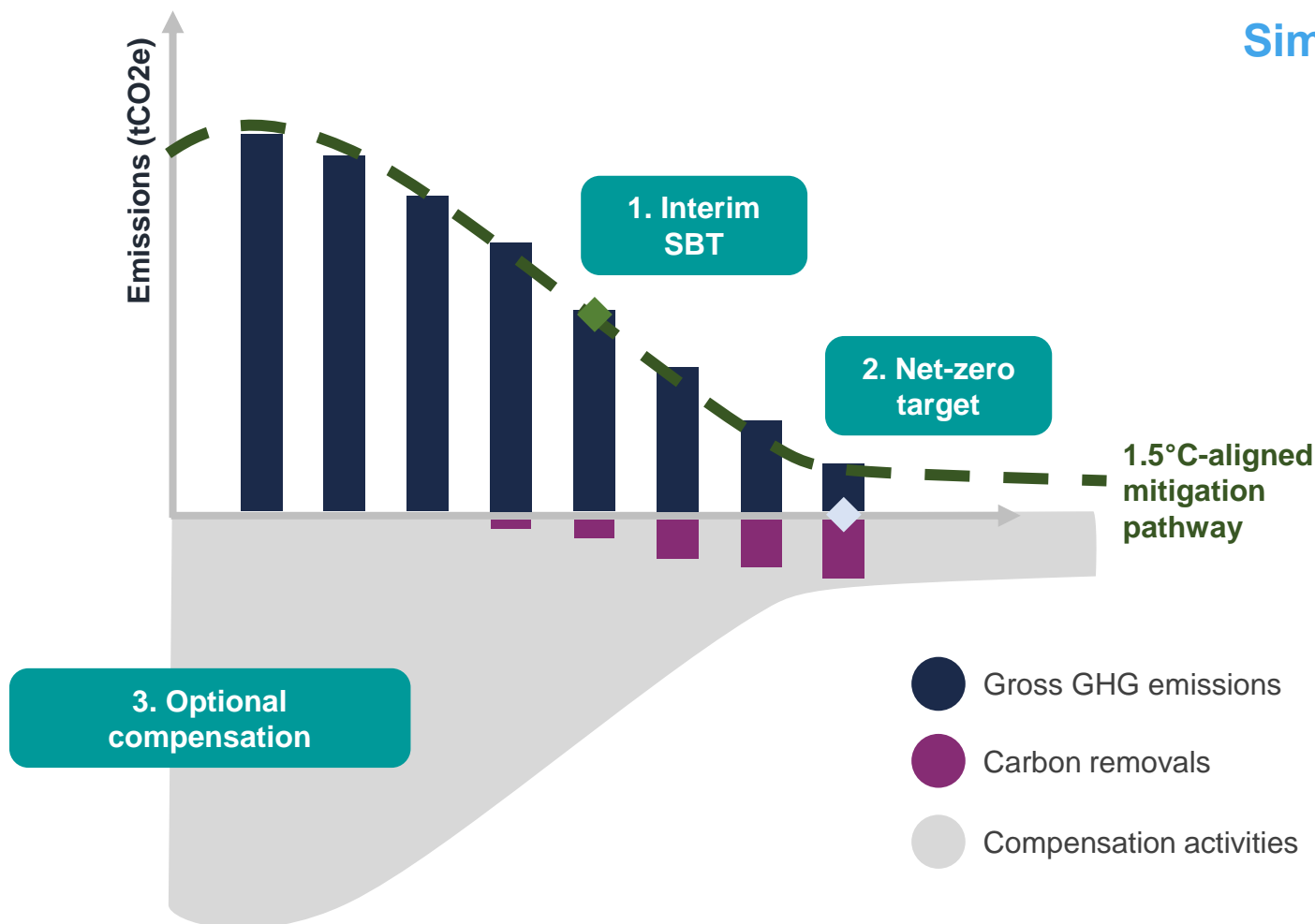
- Annual CO₂ emissions need to be reduced by about half by 2030 and reach net-zero by mid-century
- Deep cuts in non-CO₂ GHGs are also important
- Carbon removal will be needed, but it is no silver bullet
- This decade is the time to reduce emissions as rapidly as possible, while also engaging in “rapid learning” to improve society’s carbon removal capability



NET-ZERO CRITERIA

Overview

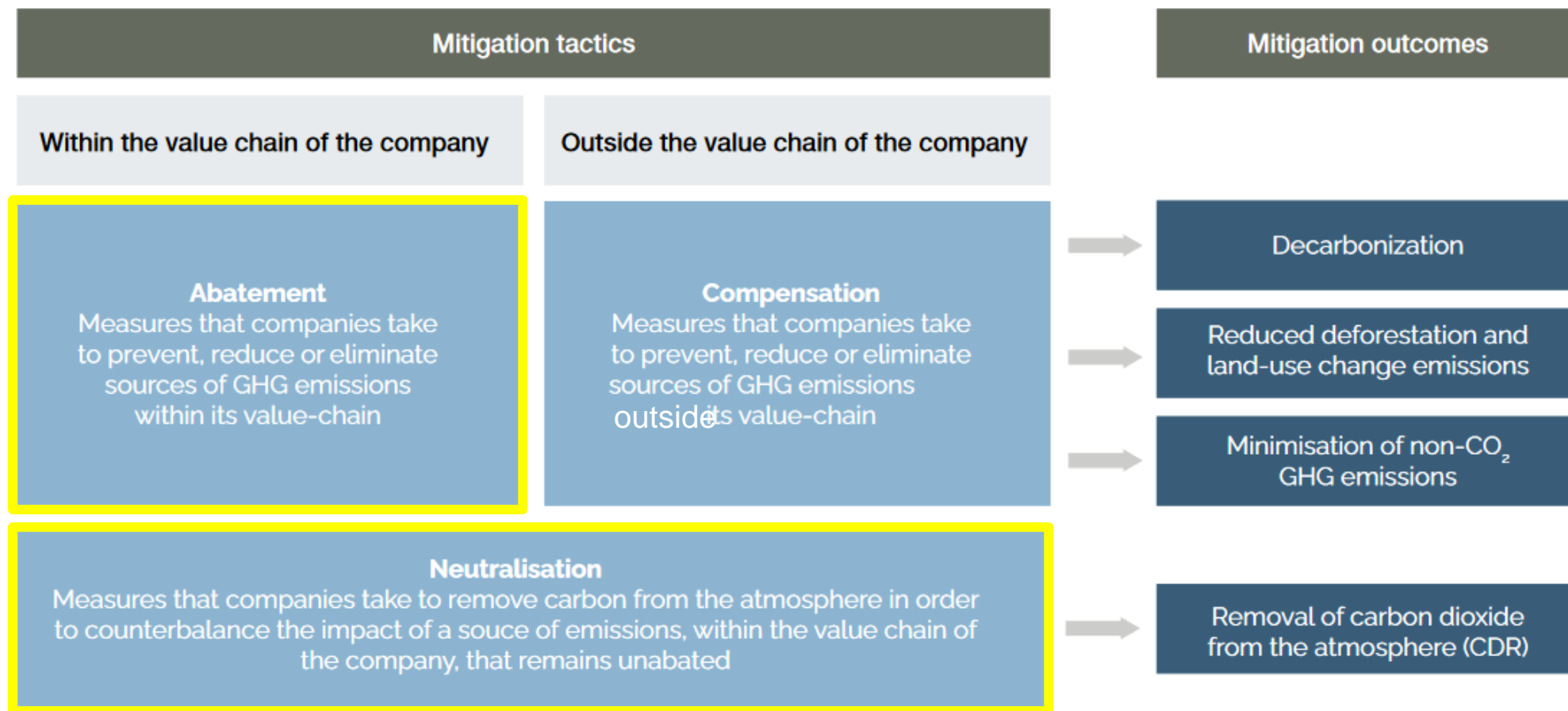
Simplified net-zero target trajectory



- 1. Interim science-based targets:** companies shall have interim SBTs that meet specific leadership criteria (e.g., target ambition and boundary)
- 2. Net-zero target:** targets shall include deep decarbonisation of value chain emissions paired and carbon removals that neutralise all unabated emissions
- 3. Optional compensation:** companies are encouraged to compensate for unabated emissions by providing annual support to projects, programs, and solutions that provide quantifiable benefits to climate, people, and nature

NET-ZERO CRITERIA

Overview



NET-ZERO CRITERIA

Overview



Net-Zero Criteria Table of Contents

GENERAL CRITERIA

- I. Net-Zero Target Timeframe and Milestones
- II. Greenhouse Gas Inventory

NET-ZERO TARGET CRITERIA

- III. Emissions Abatement: Ambition
- IV. Emissions Abatement: Target Boundary
- V. Neutralization

INTERIM TARGET CRITERIA

- VI. Interim Science-based Targets

COMMUNICATION, CLAIMS, AND VALIDITY CRITERIA

- VII. Target Formulation and Reporting
- VIII. Target Validity and Recalculation

APPENDIX: OPTIONAL COMPENSATION

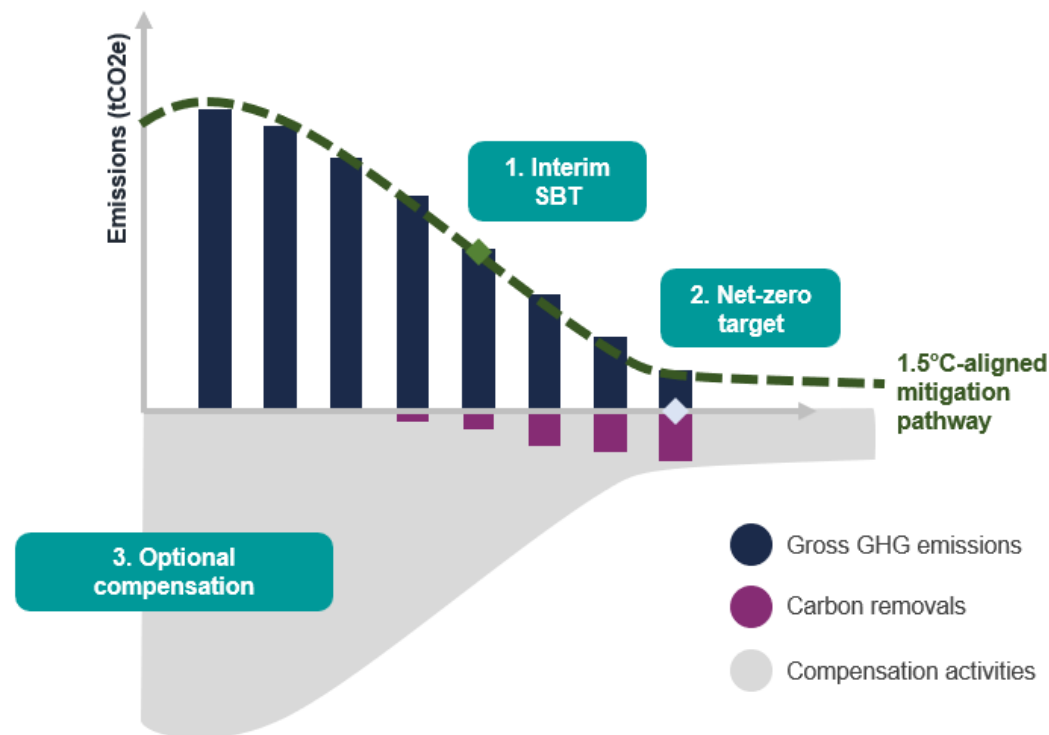
- IX. Compensation Actions

NET-ZERO CRITERIA

Key points

I. Net-zero Target Timeframe and Milestones

- The net-zero target year shall be no later than 2050
- If the net-zero target year is later than the maximum target year that is required for interim SBTs, interim SBTs are also required



NET-ZERO CRITERIA

Key points

III. Emissions Abatement: Ambition

- Value chain emissions need to be abated by an amount consistent with gross emissions reductions achieved at global net-zero in 1.5C-aligned pathways.
 - For example, if gross global emissions need to be reduced by 90% to limit warming to 1.5°C, a company using absolute contraction would also need to reduce its emissions by 90%
- General and sector- or activity-specific target-setting methods will be available in the Net-Zero Guidance.
- Both absolute and intensity targets are eligible

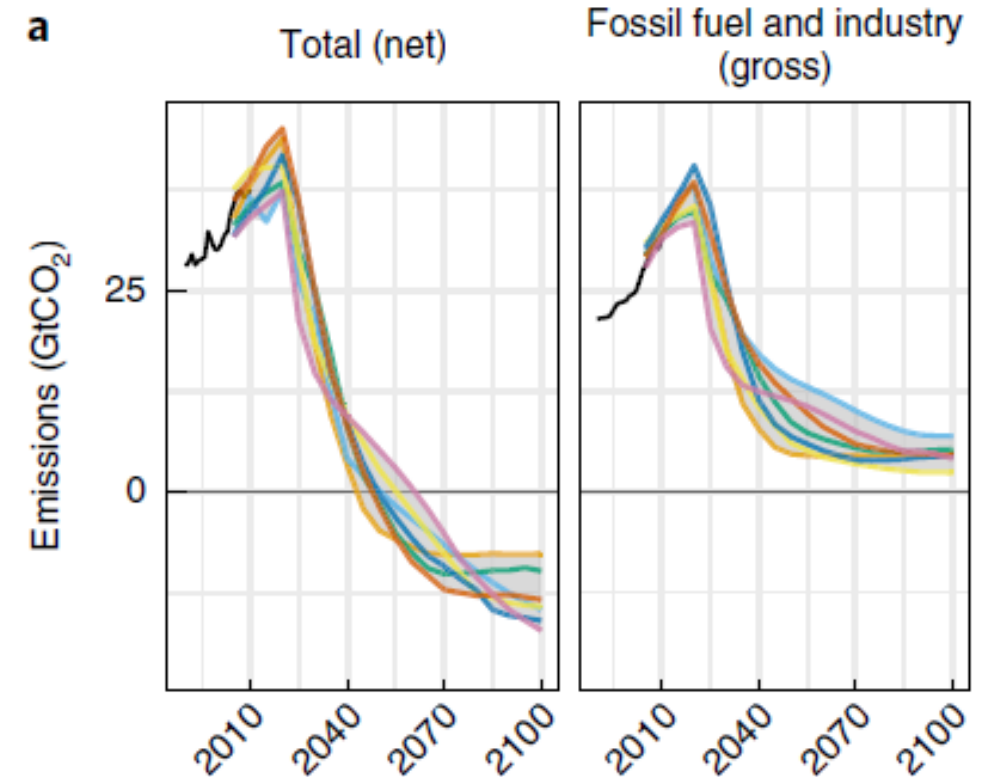


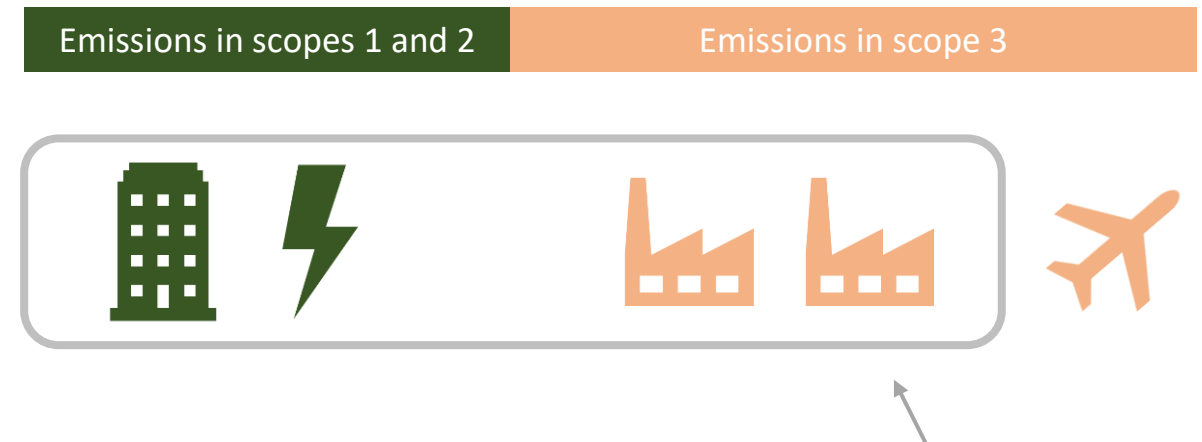
Figure from Luderer et al. (2018)

NET-ZERO CRITERIA

Key points

IV. Emissions Abatement: Target Boundary

- Emissions in scopes 1, 2, and 3 are required to be included in the emissions abatement boundary of net-zero targets
- Three approaches to determining minimum scope 3 boundary coverage are being considered



Which scope 3 emissions sources need to be covered by an emissions abatement target meeting the ambition criteria in Section III?

NET-ZERO CRITERIA

Key points

V. Neutralisation

- Companies shall set a target to neutralise all unabated value chain emissions with permanently removed carbon
- Neutralisation is not intended to lessen the need for companies to abate value chain emissions at a minimum determined science-based rate
- Direct emissions (scope 1) need to be neutralized with direct removals (scope 1) or removals acquired using contractual instruments (e.g., carbon removal “credits”). Companies shall demonstrate that all unabated indirect emissions (scopes 2 and 3) are uniquely neutralized
- The criteria do not explicitly differentiate between different carbon removal approaches; however, durability of storage is a key factor addressed by the criteria. A “first look” at how different carbon removal approaches could be affected by criteria is included in the consultation document

NET-ZERO CRITERIA

Key points

VI. Interim Science-based Targets

- If the timeframe of net-zero targets exceeds the maximum timeframe of SBTs, companies are also required to set interim SBTs
- Interim SBTs may need to meet conditions that go beyond the full range of options currently validated by the SBTi
 - Should the minimum ambition (scope 1 and 2) of interim SBTs be 1.5C or well-below 2C?
 - Should the minimum scope 3 target boundary of interim SBTs be changed?
 - Should the minimum scope 3 ambition be increased from its current minimum?
- The outcomes of this section of the criteria are planned to be integrated into general SBTi Criteria for all SBTs in 2022



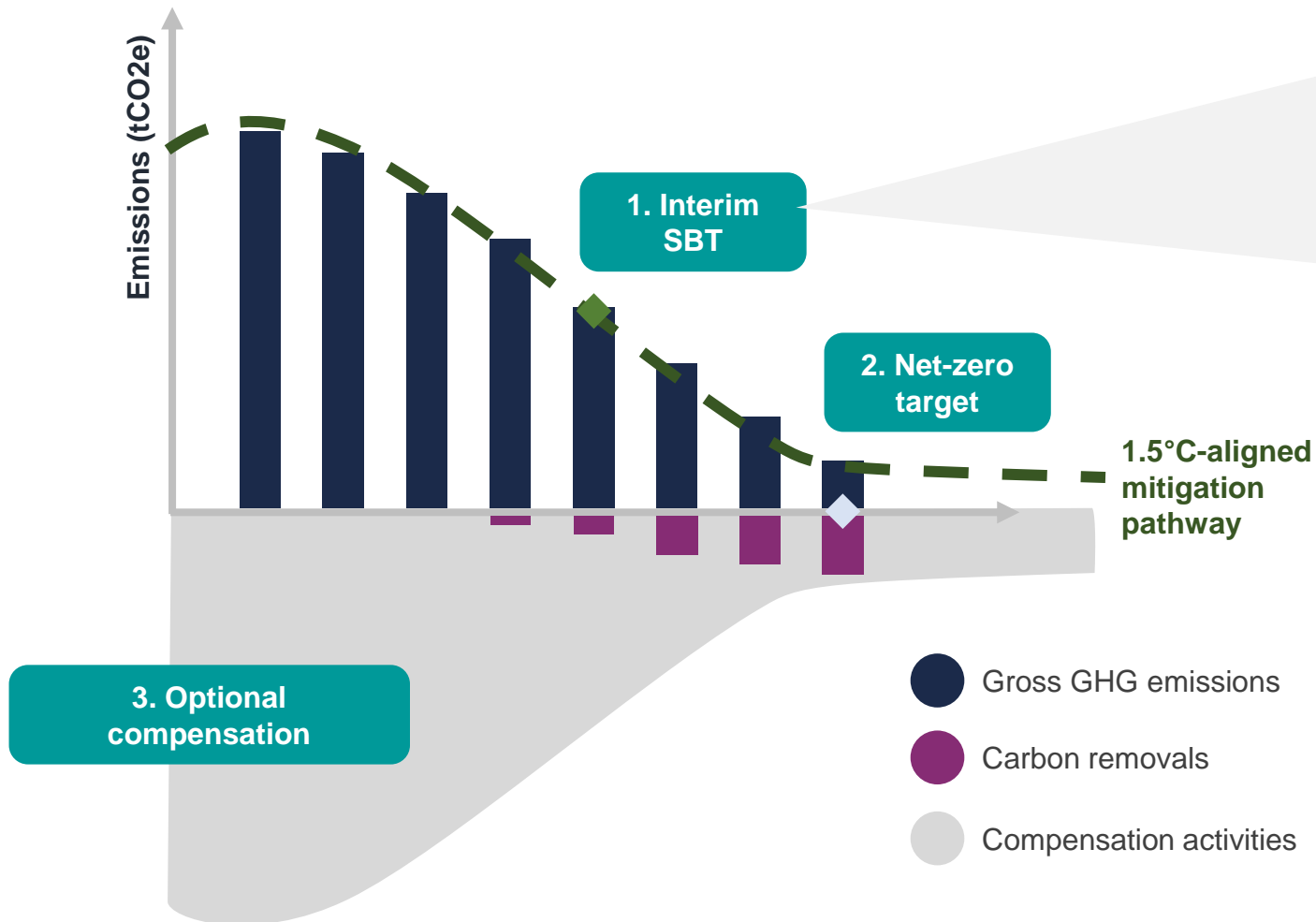
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Public Consultation: Key Questions and Next Steps

PUBLIC CONSULTATION

Key questions for consultation



Interim emissions abatement targets:

Timeframe

- a) 15 years
- b) 10 years

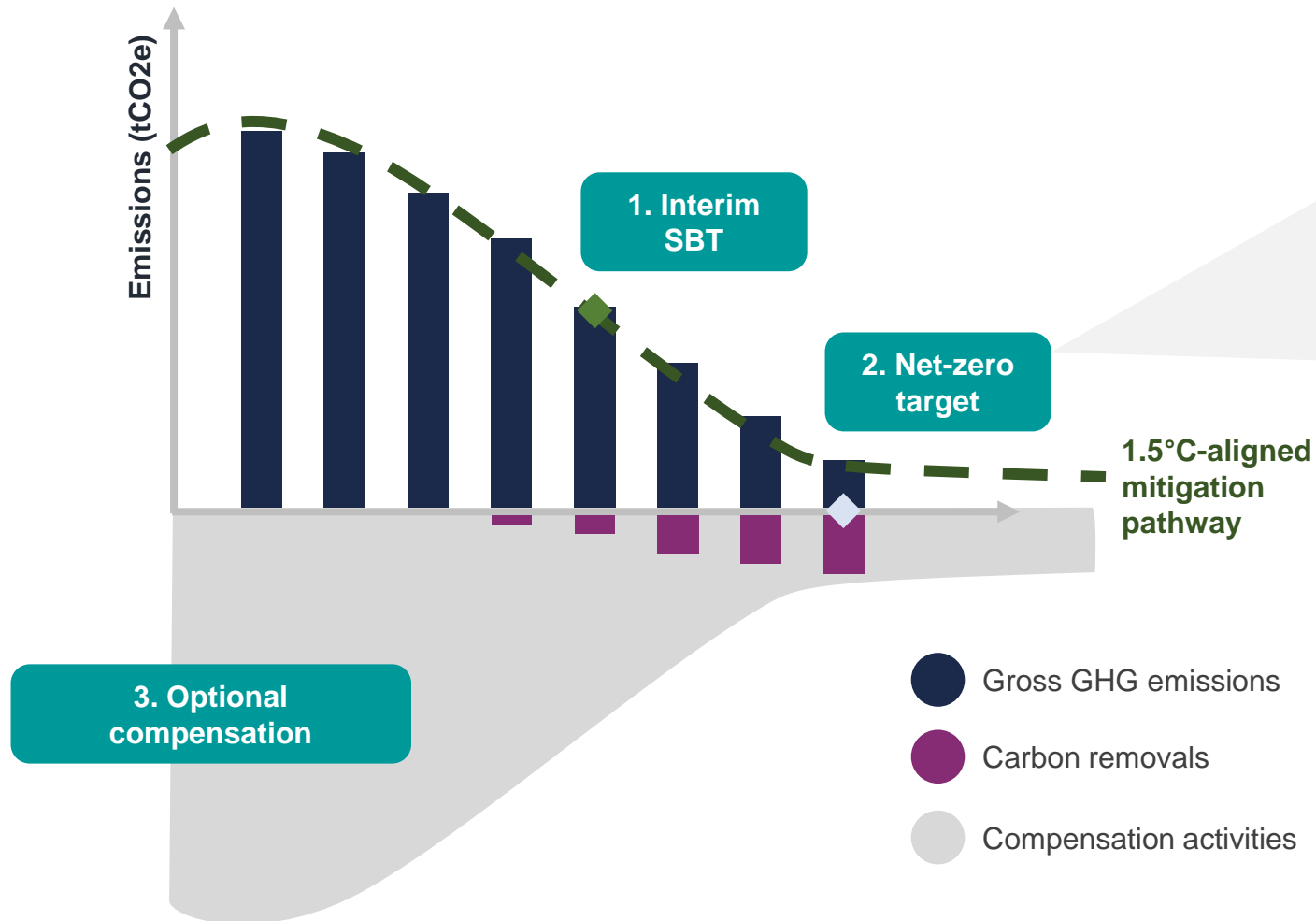
Level of ambition

- a) 1.5°C
- b) Well-below 2°C

Likely to affect SBTi criteria for 2022

PUBLIC CONSULTATION

Key questions for consultation



Emissions abatement in net-zero targets:

Target type

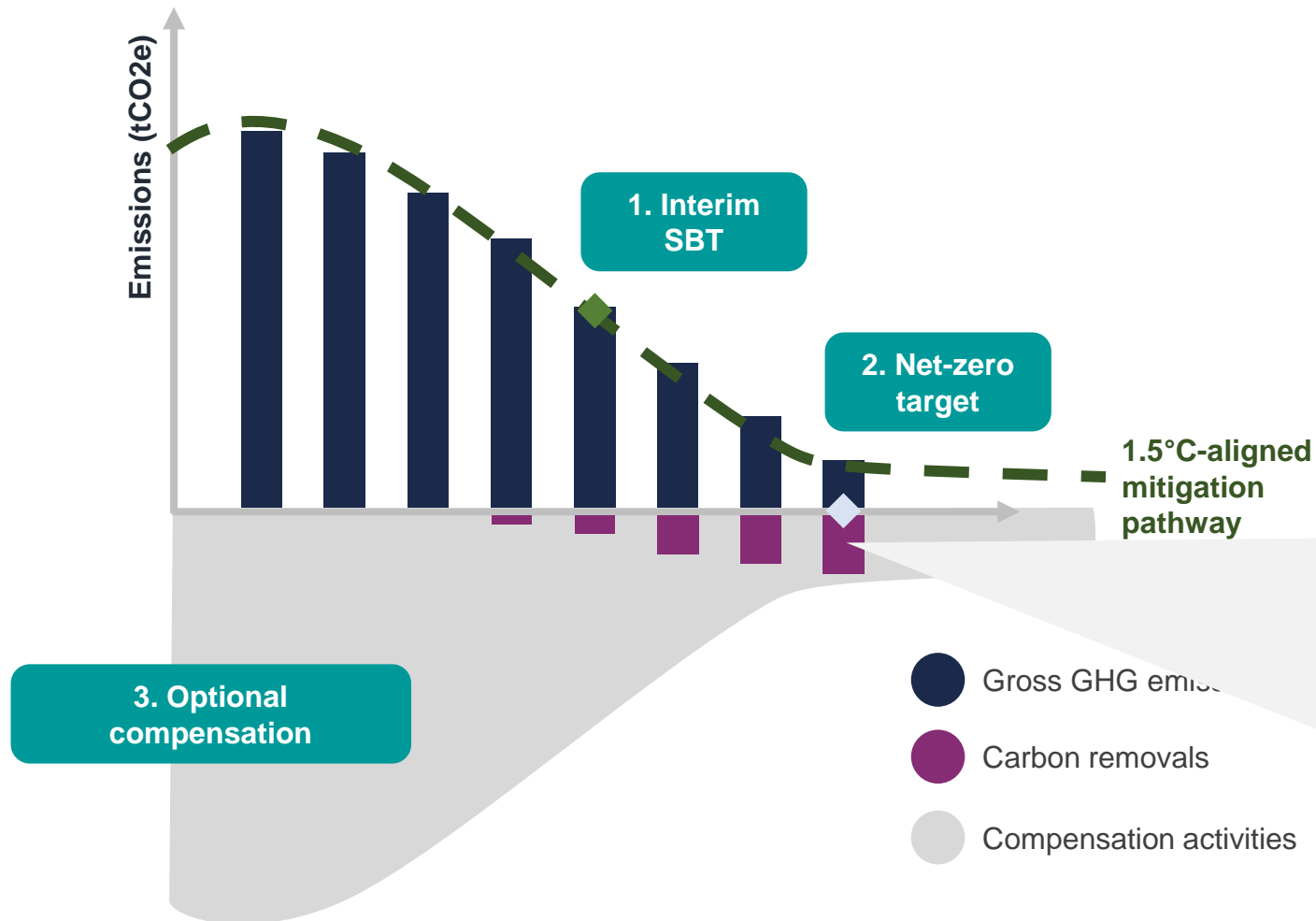
- a) Absolute emission reduction targets
- b) Intensity emission reduction targets
- c) Both

Target boundary (Scope 3)

- a) Covering 95% of S3 emissions
- b) Covering 67% of S3 emissions and other relevant categories
- c) Covering 95% S1, S2 and S3 emissions

PUBLIC CONSULTATION

Key questions for consultation



Neutralisation in net-zero targets:

Coverage

- a) All emissions in the value-chain;
- b) Emissions within the abatement target boundary

Quality conditions for carbon removal

- a) Permanence
- b) Double counting implications for neutralising direct and indirect residual emissions
- c) Vintage

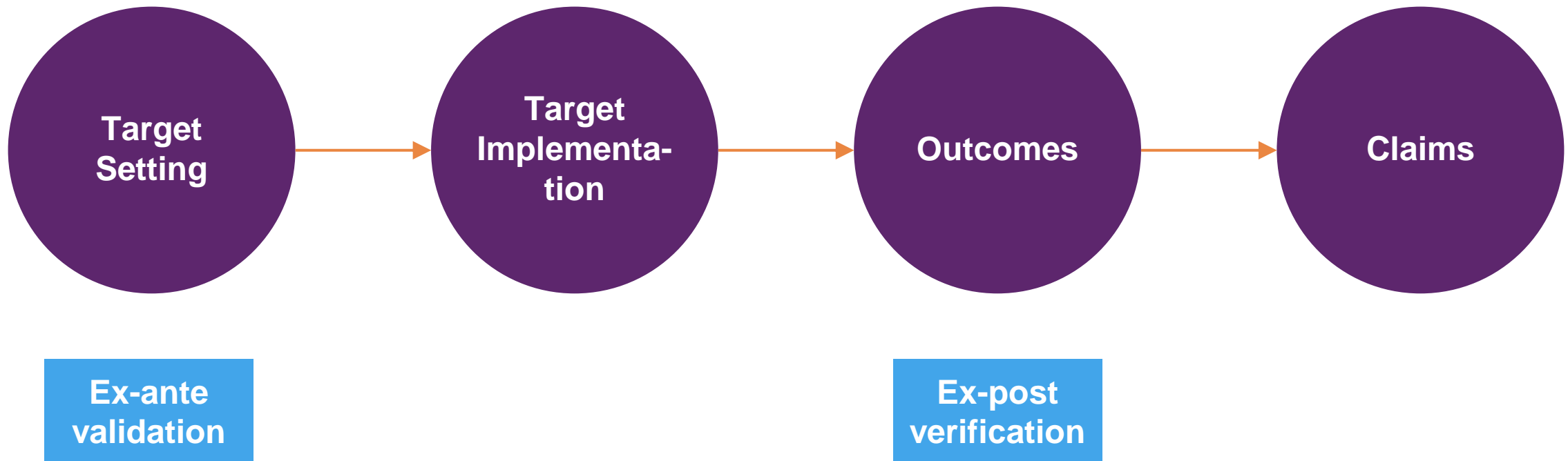
Interim CDR targets

- a) How to define interim carbon removal targets

PUBLIC CONSULTATION

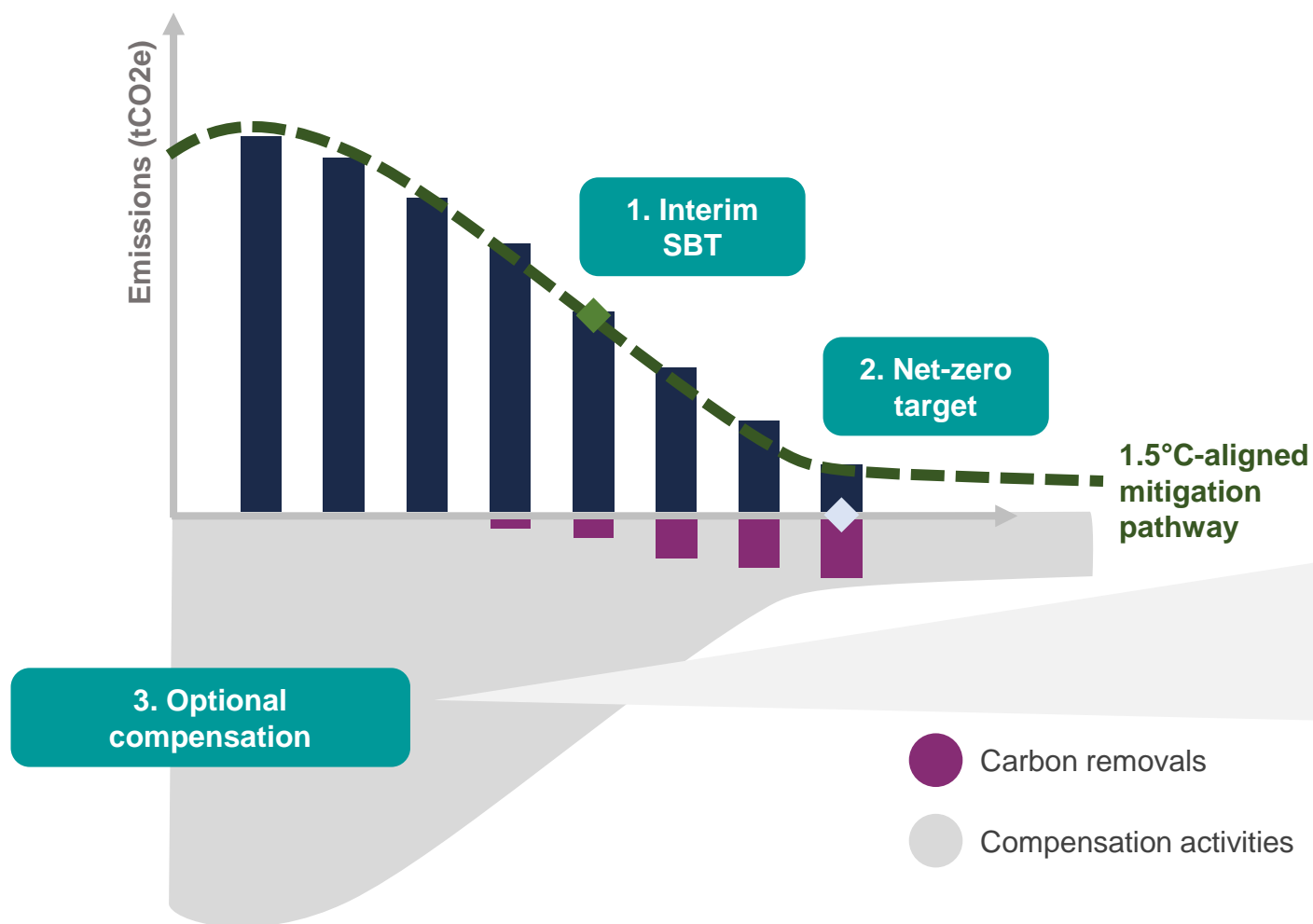
Key questions for consultation

Some of the relevant criteria will only be assessed at the implementation phase. How do we reflect those criteria at this stage? As criteria to be validated at a later stage? As recommendations?



PUBLIC CONSULTATION

Key questions for consultation



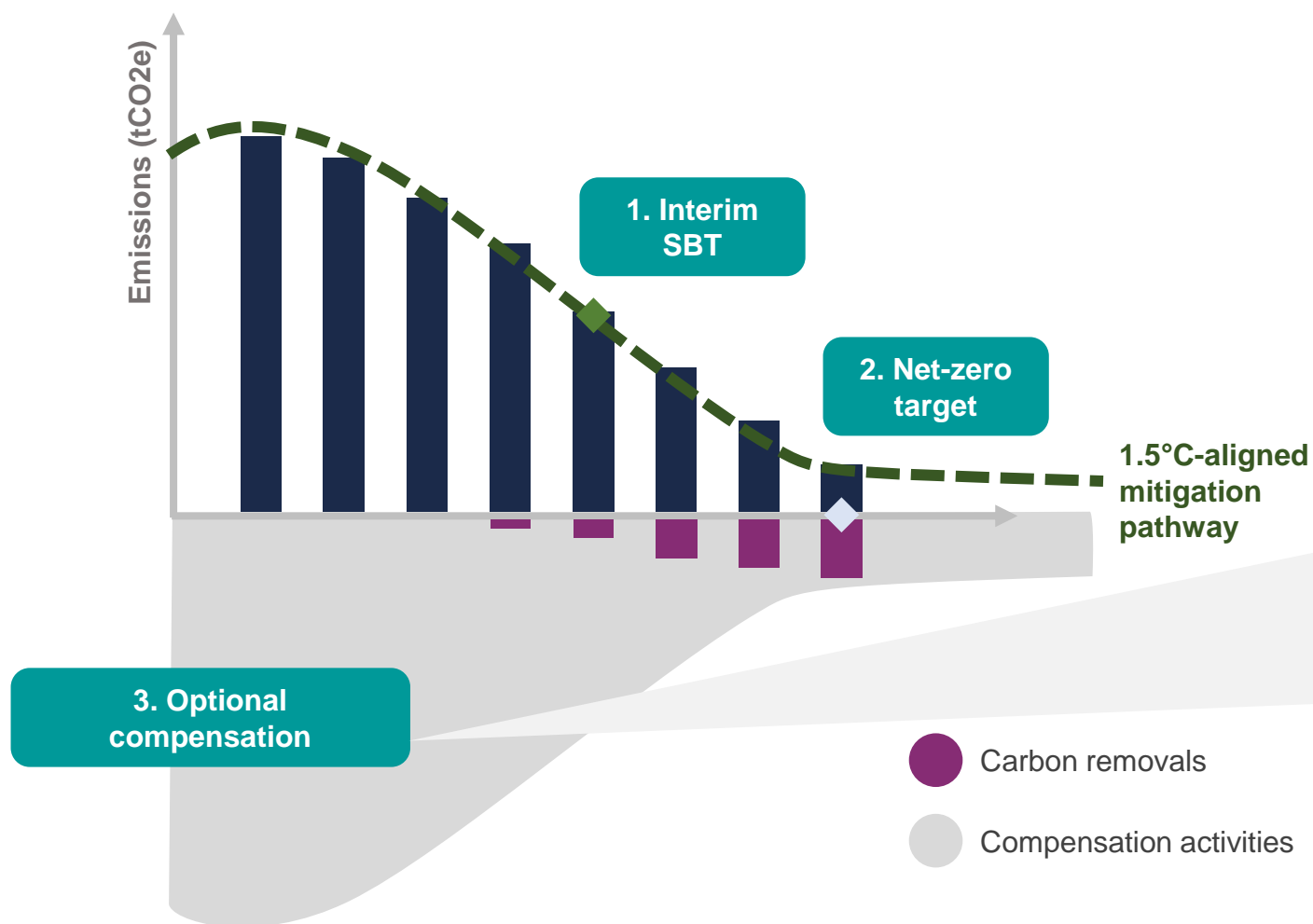
Compensation

Compensation refers to companies' actions or investments that mitigate GHG emissions beyond those mitigated by their SBTs and net-zero targets. Compensating for these emissions during the company's transition to net-zero can enhance the breadth and impact of companies' climate action strategies.

Under this model, would your company be interested in making a compensation commitment?

PUBLIC CONSULTATION

Key questions for consultation



Compensation

- Is it necessary to define a reference carbon price for financial commitments from companies?
- What quality and sustainability criteria are needed for compensation actions from companies?
- What is the best role for the SBTi in guiding the development of corporate finance commitments in the context of our net-zero framework?

PUBLIC CONSULTATION

Logistics



We invite you to provide your feedback on a global standard for net-zero criteria.

The SBTi Net-Zero Criteria Public Consultation will be open for one month **starting Jan 28th until Feb 26th**.

The Net-Zero Criteria document and Public Consultation Survey are located on the **SBTi Net-Zero webpage**:
sciencebasedtargets.org/net-zero

Please reach out to Paulina Tarrant with any questions:
Paulina.Tarrant@sciencebasedtargets.org



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Q&A



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Wrap-up

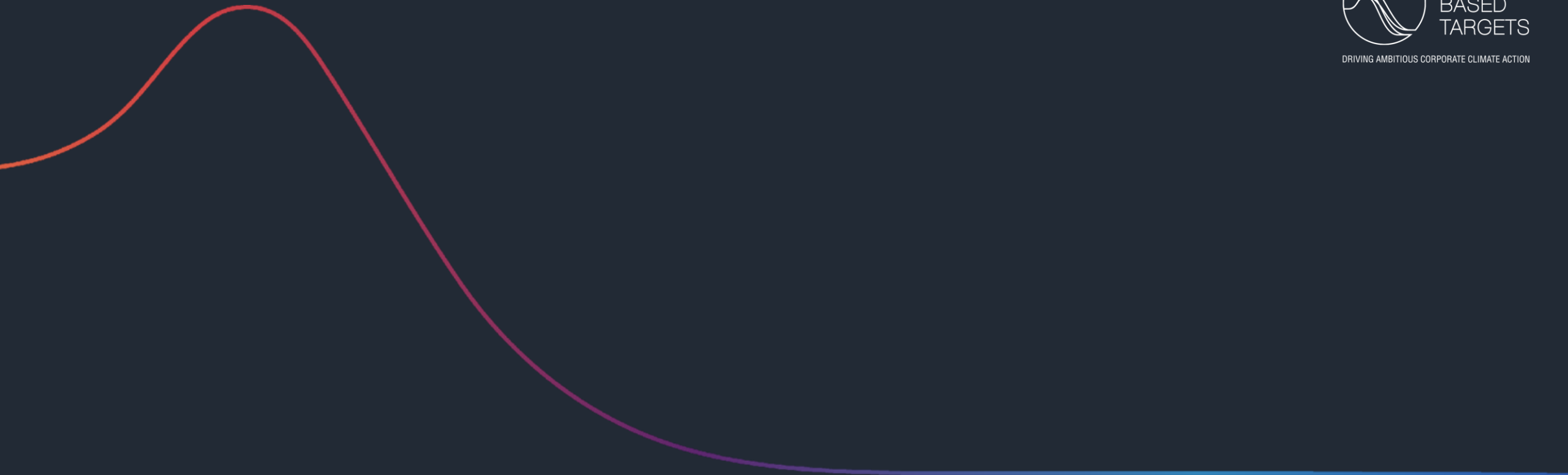
THANK YOU

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Please reach out to Paulina Tarrant with any questions: Paulina.Tarrant@sciencebasedtargets.org



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