The SBTi’s Net-Zero Standard

Pre-Launch Public Consultation Webinar

20/09/21
Welcome and housekeeping

Introduction to the SBTi
The SBTi is raising ambition to 1.5°C
Net-Zero Standard development process
Pre-launch public consultation
Q&A
Wrap-up
WELCOME & HOUSEKEEPING

- This event is being recorded.
- We will send all registrants a copy of the presentation and the recording.
- Please put your questions in the Q&A box. Some will be answered by text during the presentation and others verbally in the Q&A.
TODAY’S SPEAKERS – EASTERN HEMISPHERE

ALBERTO CARRILLO PINEDA
Managing Director & Co-Founder

LEA FINK
Global Manager, Commit to Action

EMMA WATSON
Senior Manager, Net-Zero
TODAY’S SPEAKERS – WESTERN HEMISPHERE

PAOLA DELGADO
Head of Engagement

EMMA WATSON
Senior Manager, Net-Zero

PAULINA TARRANT
Net-Zero Engagement Manager
Welcome and housekeeping

**Introduction to the SBTi**

The SBTi is raising ambition to 1.5°C

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The Science Based Targets initiative (SBTi) is a global body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science.
INTRODUCTION TO THE SBTi

PROGRESS TO DATE

To learn more about the progress of the initiative, consult the SBTi Progress Report 2020.
Companies with science-based targets are delivering emissions reductions at scale.

- Companies with science-based targets reduced emissions by **25% between 2015-2020**, compared with an increase of **3.4%** in global emissions from energy and industrial processes.

- The typical company with SBTs reduced direct (scope 1 and 2) emissions at a linear annual rate of **6.4%**. This **exceeds** the rate required by the SBTi’s criteria to meet 1.5°C scenarios (4.2%).

Source: [SBTi Progress Report 2020](https://www.sbtinitiative.org/report/).
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EVOLUTION OF SCIENCE-BASED TARGETS
DEVELOPMENT IN RESPONSE TO CLIMATE SCIENCE

May 2015

Oct 2018

Mar 2019

Jun 2019

Nov 2019

Sept 2020

Aug 2021

Nov 2021

LAUNCH OF THE SBTi

SBTi PUBLISHES NEW SUITE OF RESOURCES FOR 1.5°C ALIGNED SBTs

SBTi PUBLISHES NET ZERO DISCUSSION PAPER AND GATHERS FEEDBACK FROM STAKEHOLDERS

SBTi LAUNCHES THE BUSINESS AMBITION FOR 1.5°C CAMPAIGN

SBTi PUBLISHES NET ZERO DISCUSSION PAPER AND GATHERS FEEDBACK FROM STAKEHOLDERS

PUBLICATION OF IPCC SPECIAL REPORT, THE PHYSICAL SCIENCE BASIS

SBTi LAUNCHES THE BUSINESS AMBITION FOR 1.5°C CAMPAIGN

SBTi LAUNCHES FOUNDATIONS PAPER FOR SCIENCE-BASED NET-ZERO TARGET SETTING IN THE CORPORATE SECTOR AND NZ STANDARD DEVELOPMENT

COP26
66% of all science-based targets validated by the SBTi in 2021 have been 1.5°C-aligned for scope 1 and 2.

Hundreds of companies have now committed to achieving net-zero emissions by 2050 through the Business Ambition for 1.5°C campaign.

Source: SBTi - Our new 2021-2025 strategy.
On 15 July 2021, the SBTi unveiled its new strategy to increase minimum ambition in corporate target setting from well below 2°C to 1.5°C above pre-industrial levels.

The new strategy is in response to increasing urgency for climate action and the success of science-based targets to date.

All companies that submit targets from 15 July 2022 will need to align to the new criteria.
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There is a lack of clarity in what it means for a company to be “net-zero”

The SBTi is developing the first global net-zero standard for company target setting.

- 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.
Process to develop the SBTi Net-Zero Standard

- The SBTi is following a balanced, transparent, and inclusive stakeholder process to develop the 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;
- Two phases of public consultation have been included 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.
# Net-Zero Project Governance

## Executive Board
- Provide partner input on governance and strategy
- Actively engage in ratifying leadership and standard decisions

## Advisory bodies
- **Technical Advisory Group**: Diverse group of corporate sustainability experts – inputs only
- **Scientific Advisory Group**: Diverse group of climate change mitigation scientists – inputs only
- **Net Zero Expert Advisory Group**: Diverse group from civil society, academia and industry. Main consensus body for NZ criteria and key for external input.

## Project Execution team
- **NZ Project Team**: Coordinates the NZ development process across the multiple stakeholders driving the cadence from draft through to rollout
- **NZ Working Group**: Made up of the 4 Partner NGOs and setup for quality assurance and consensus building internally
- **SBTi Technical Team**: Internal technical team to develop methods and criteria

## Governing bodies
- **Steering Committee**: Operates as de-facto standards/tech board
- Final decision authority on technical criteria and methods
- To be replaced ultimately by an independent Standards Board
- **Managing Director**: Decision authority on strategy and implementation in consultation with the board

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1. Standards build on

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1. Standards build on
SBTi Net-Zero Project Overview

**Standard development**
- Net-zero target setting criteria
- Net-zero corporate manual
- Net-zero how-to-guide

**Technical development**
- Methods to determine residual emissions for different economic activities
- Net-zero target-setting tool
- Validation and integration of IEA NZ 2050 scenario

**Engagement**
- Road testing process
- Webinars
- 1:1 support
- Recruitment of first movers
- Building pipeline of adopters through BA1.5°C
- Public consultation
- EAG management

**Target validation**
- Development of target-validation resources (e.g. submission form, etc.)
- Pilot validation of road test companies
- Official validation of first adopters

**Communications**
- Media presence
- Social media drumbeat
- Blogs
- Case studies
- Newsletters

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The Net-Zero Standard – where are we in the process?

- Drafting of initial criteria
- 1st public consultation
- Refine criteria
- Draft Net-Zero guidance
- Road testing with companies
- Pre-launch public consultation
- Finalisation of NZ Standard
- Launch of NZ Standard

Standard launch date is planned for Thursday, 28th of October.
Almost 400 responses received from stakeholders during the first public consultation on the Net-Zero Criteria

347 Responses to the survey
39 Responses through e-mail and one-on-ones

### Industries

<table>
<thead>
<tr>
<th>Industry</th>
<th>Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance</td>
<td>17</td>
</tr>
<tr>
<td>Academic</td>
<td>6</td>
</tr>
<tr>
<td>Built environment</td>
<td>30</td>
</tr>
<tr>
<td>Chemicals</td>
<td>12</td>
</tr>
<tr>
<td>Consulting</td>
<td>66</td>
</tr>
<tr>
<td>Energy</td>
<td>27</td>
</tr>
<tr>
<td>Industry</td>
<td>45</td>
</tr>
<tr>
<td>Land intensive</td>
<td>28</td>
</tr>
<tr>
<td>Non-profit</td>
<td>44</td>
</tr>
<tr>
<td>Other</td>
<td>56</td>
</tr>
<tr>
<td>Transportation</td>
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### Geographies

- **North America**: 93 countries
- **Central & South America**: 20 countries
- **Europe**: 185 countries
- **Middle East & Africa**: 1 country
- **Asia Pacific**: 48 countries

### Commitments

- **Considering Business Ambition 1.5C**: 26%
- **Signed Business Ambition 1.5C**: 9%
- **Considering SBT**: 24%
- **Validated SBT**: 33%
- **NA/Unclear**: 8%

Source: Responses to 1st Public Consultation, February 2021, N = 347
### Key decisions based on the 1st public consultation summarized in 6 points

<table>
<thead>
<tr>
<th>Timeframe</th>
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<tbody>
<tr>
<td>Maximum target year will be reduced to 10 for near-term SBTs, but SBTi is considering to allow a 15-year timeframe for sectors where short-term emission reductions are limited by long asset lifespans.</td>
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<thead>
<tr>
<th>Near-term SBT</th>
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<tr>
<td>Minimum ambition of near-term SBTs will increase from WB2 °C to 1.5°C for scope 1 and scope 2, and when coverage of scope 3 is required, targets should at least be consistent with a well-below 2°C outcome</td>
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<thead>
<tr>
<th>Long-term SBT ambition</th>
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<tbody>
<tr>
<td>Both absolute and intensity targets will be allowed, as will combined scope targets. The SBTi has developed approaches for long-term SBT setting to determine residual emissions. These methods were being piloted during the road test.</td>
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<table>
<thead>
<tr>
<th>Long-term SBT boundary</th>
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<tbody>
<tr>
<td>As it is imperative that the residual emissions are based on the full company footprint, the full scope 3 target boundary must be covered for a true net-zero target to be set. Therefore, a requirement for at least 95% of scope 3 to be covered in the target boundaries was included, consistent with the treatment of scopes 1 and 2.</td>
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<th>Neutralisation</th>
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<tr>
<td>Criteria on neutralisation need further refinement. The SBTi is collaborating closely with EAG members and other stakeholders and conducting further research to explore this area in more detail. In the meantime, the requirement for companies to have an explicit, quantitative neutralisation target has been removed</td>
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<tr>
<th>Compensation</th>
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<tr>
<td>Recommendations on compensation need further refinement. Feedback revealed that the current model would not incentivize companies to set compensation targets. The SBTi is collaborating closely with EAG members and other stakeholders and conducting further research to explore this area in more detail.</td>
</tr>
</tbody>
</table>
Open feedback | 170+ stakeholders took the opportunity to write feedback

Stakeholders underline the importance of the work SBTi has done so far in the development of the Net-Zero Standard, and encourage SBTi to further simplify, create flexibility, and provide sector-specific guidance.

Selection of statements

- Corporate over-reliance on offsets in order to justify alignment with 1.5C is a risk to delivering 1.5C - one that has been highlighted by the IPCC. SBTi can play a key role in minimising this risk by limiting the amount that corporates can rely on offsets to deliver their short and medium-term targets to a minimum.

- The criteria should encourage industry to mobilize, rather than to analyze (...) the guidance needs more clarity around residual and hard to abate emissions, and how these definitions change over time, so that companies understand what they are getting into.

- Key thing is to try to keep some level of practicality which would encourage companies to set net zero targets.

- We believe current criteria would benefit from simplifying the language to cater not only to the scientific community (...) the current version of the document to be very valuable in terms of content but also difficult to digest.

- Please take the final decision on what science says and not what's easy or preferable by business. You are after all science-based targets and the guardian of the integrity of corporate climate agenda.
Net-Zero Standard Road Test Overview

84 companies participated in road-testing. 30 companies applied for pilot validation.

**Industries**

- Finance: 1
- Automotive: 3
- Aviation: 2
- Building: 7
- Chemicals: 2
- Construction: 5
- Energy: 6
- FMCG: 9
- Food and beverage: 9
- Mining: 1
- Other industry: 4
- Other transport: 3
- Pharmaceuticals: 3
- Professional services: 16
- Retail: 6
- Technology: 8

**Geographies**

- North America: 25
- Europe: 48
- Central & South America: 3
- Asia Pacific: 7
- Africa: 1

**Type of emissions**

- No residual emissions expected: 7%
- Significant downstream: 17%
- Significant upstream: 21%
- Hard-to-abate industrial: 13%
- Hard-to-abate transport: 4%
- Land-use intensive: 10%
- Unclear: 16%
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Three key objectives for the pre-launch public consultation

1. Gather feedback on the clarity, robustness and practicality of the criteria and guidance
2. Understand support for the SBTi’s direction of travel and focus on emissions abatement
3. Engage directly and indirectly with external stakeholders to build support and identify areas of improvement

The public consultation will run from Monday, 20th of September to Wednesday, 6th of October.
The key elements of the Net-Zero Standard

Near-term science-based target

Previously "science-based targets", aligned to NZ Standard and updated SBTi strategy

5-10 year reduction target in line with 1.5°C pathways to ensure immediate climate action.

Long-term science-based target

Long-term SBTs to align with reaching NZ

A target that should be achieved by 2050 to reach net-zero and limit global warming to 1.5°C. For most companies, this means reducing emissions by at least 90%.

Any residual emissions should be neutralised at net-zero (for most companies, a max. 10% of base year emissions).

In the transition to net-zero: Companies are encouraged to take action or make investments to mitigate emissions beyond their value chains, e.g., purchasing high-quality, jurisdictional REDD+ credits that support countries achieving their nationally determined contributions or direct air capture (DAC) and geologic storage.
The SBTi is undertaking further work to understand its role in incentivising beyond-value chain mitigation

First things first...

Emission reductions are key to transition to global net-zero

1

• Complete emission inventory following GHG Protocol
• Set near- and long-term science-based targets to reduce value-chain emissions
• Implementation of climate mitigation strategy
• Disclose target progress annually

...while also recognising need to go further

Investments and actions to mitigate emissions outside a company’s value chain can accelerate the transition to global net-zero.

2

• In the near-term, companies are encouraged to make or invest in a variety of mitigation actions that go further than their SBTs
• In the long-term, companies must neutralise all residual emissions with equivalent removals
We have developed guidance documents to assist the target setting process

Getting Started Guide

Step-by-step guide to setting near and long-term SBTs in alignment with the Net-Zero Standard

Includes information on:

- Planned 1.5°C pathways for near-term SBTs
- Near term SBT vs. long-term SBT requirements
- Sector-specific requirements for setting long-term science-based targets

Net-Zero Corporate Manual and Criteria


Includes information on:

- Terminology and updates to current SBTi criteria
- Mitigation pathways in the Net-Zero Standard
- Net-Zero criteria
- Updating and communicating targets
The Net-Zero Standard Criteria

The criteria are laid out into four sections within the Corporate Manual and describe the requirements for companies to set science-based targets as part of a net-zero commitment.

I Near-term Science-Based Targets
Lays out requirements for near-term science-based targets that supersede the requirements within the SBTi’s science-based target criteria.

II Long-term Science-Based Targets
Addresses long-term science-based target criteria on timeframe requirements, how much value chain emissions must be reduced to reach net-zero, and how companies should define emission reduction boundaries.

III Long-term SBT Ambition

IV Long-term SBT Boundary

V Beyond value chain mitigation
“Beyond value chain mitigation” refers to mitigation actions or investments that fall outside a company’s value chain.

VI Target Formulation and Reporting
The final section specifies official target wording that must be publicly available as well as reporting requirements.
The survey gathers feedback on three key areas:

- **Overall Net-Zero framework**
  Questions on the overall added value of the Net-Zero Standard

- **Feasibility and key challenges**
  Questions on feasibility and how the SBTi can help overcome some of the key challenges in adopting and implementing net-zero targets

- **Supporting materials**
  Questions on ease of use and clarity of the Net-Zero Standard documentation

Survey can be found at https://www.surveymonkey.co.uk/r/9TCV3QV
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JOIN THE GLOBAL LEADERS IN THE RACE TO ZERO

SIGN THE COMMITMENT BEFORE COP26
Thank you for listening!

We invite you to provide your feedback on the Net-Zero Standard. The public consultation will be open **September 20th until 6th of October.**

The Net-Zero Standard materials can be found on the SBTi Net-Zero webpage: [https://sciencebasedtargets.org/net-zero#resources](https://sciencebasedtargets.org/net-zero#resources).

The consultation survey can be found here [https://www.surveymonkey.co.uk/r/9TCV3QV](https://www.surveymonkey.co.uk/r/9TCV3QV)
Thank you!