SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

CONSULTATION DRAFT

MAIN CHANGES DOCUMENT: CHEMICALS SECTOR TARGET-SETTING CRITERIA

2nd PUBLIC CONSULTATION DRAFT

November 2024

ABOUT SBTi

The Science Based Targets initiative (SBTi) is a corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis.

We develop standards, tools and guidance which allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating below catastrophic levels and reach net-zero by 2050 at latest.

The SBTi is incorporated as a UK charity, with a subsidiary SBTi Services Limited, which hosts our target validation services (together with SBTi, the “SBTi Group”). Partner organizations who facilitated SBTi’s growth and development are CDP, the United Nations Global Compact, the We Mean Business Coalition, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

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“Science Based Targets initiative” and “SBTi” refer to the Science Based Targets initiative, a private company registered in England number 14960097 and registered as a UK Charity number 1205768.

VERSION HISTORY

Version	Change/update description	Release date	Effective dates
2nd Public Consultation Draft	• Publication of Main Changes Document: Chemicals Sector Target-Setting Criteria 2nd Public Consultation Draft	November 12, 2024	November 12, 2024

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1. INTRODUCTION

This document identifies the main changes made to the Chemicals Sector Guidance 1st Consultation Draft and includes a table that explains the key changes made in more detail, following the structure of the revised standard. Major topics on which stakeholder feedback was received but were not reflected in changes in the draft are also described in detail.

The Chemicals Sector Guidance has been revised between August and October 2024 to produce the 2nd Consultation Draft. The purpose of this revision was to reflect stakeholder feedback received during the first public consultation period.

The Chemicals Sector Target-Setting Criteria 2nd Consultation Draft is a revision to the 1st Public Consultation Draft, which underwent public consultation from May to July, 2024. The revised version of the 2nd Consultation Draft was approved by the SBTi's Chief Technical Officer (CTO) on November 5, 2024. It will be published for a second round of public consultation for a period of at least 45 days.

This document does not explain the changes of the Chemicals Sector Guidance 1st Consultation Draft completely and therefore does not substitute a comprehensive reading of the draft. This document accompanies but is not part of the Chemicals Sector Target-Setting Criteria.

2. SUMMARY OF MAIN CHANGES

A high-level summary of the key changes in the Chemicals Sector Target-Setting Criteria 2nd Consultation Draft are set out below:

- Revision of the document's name from "Chemicals Sector Guidance" to "Chemicals Sector Target-Setting Criteria".
- Revision of the document's structure to improve clarity and readability of the document.
- Minor revisions to text in the document to reflect specific feedback from stakeholders during the first public consultation period.
- Removal of criteria CHEM-C5 (scope 1 and 2 target setting for other emissions) and CHEM-C10 (scope 3 target setting for other emissions).
- Addition of materiality thresholds to the criteria based on the contribution of emissions from the applicable activity to the company's GHG inventory.
- Addition of new criteria to include options for combining targets set on different emission sources within the same scope of emissions using different target-setting methods.
- Revision of the pathway for the optional method for setting near and long-term targets on N_2O emissions in scope 3 category 11 from the use-phase of sold nitrogen fertilizers.
- Removal of criterion CHEM-C12 (long-term alternative feedstock targets)
- Additional guidance that clarifies that any sourced biogenic material must not be associated with deforestation.

- Addition of a new target-setting option to allow companies to account for alternative feedstocks from mechanically recycled materials within their alternative feedstock threshold target by using a different target threshold value.
- Addition of a new criterion that outlines the use of the mass balance accounting method for allocating the content of alternative materials within sold or purchased products, for the purposes of accurately calculating value chain GHG emissions.
- Reorganization of Annexes from the Chemicals Sector Target-Setting Criteria document into the Chemicals Sector Target-Setting Criteria Supplemental Data Memorandum.

3. OVERVIEW OF MAIN CHANGES IN THE CHEMICALS SECTOR TARGET-SETTING CRITERIA 2nd CONSULTATION DRAFT

The table below displays the key changes of the revision of the Chemicals Sector Target-Setting Criteria 2nd Consultation Draft from the 1st Consultation Draft of the same. Also included in the table are major topics of feedback received during the first public consultation period that did not lead to revisions to the draft. In these cases, rationale is provided for why the SBTi did not make revisions based on the feedback.

New requirements or content are indicated by “new” and the main changes to existing requirements, guidance or content are indicated by “modified”. Topics of feedback in which no changes were made are indicated by “no change”. Deletions are indicated by “removed” with the standard section or criterion number sourced from the Chemicals Sector Guidance 1st Consultation Draft.

Table 1. Summary of changes of Chemicals Sector Target-Setting Criteria 2nd Public Consultation Draft

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
Title	N/A	Modified	The document title has been updated from “Chemicals Sector Guidance” to “Chemicals Sector Target-Setting Criteria”. This title change reflects the normative content in the document and the project’s development as a standardized instrument in line with Footnote 2 in Paragraph 10 of the Standard Operating Procedure (SOP) for Development of SBTi Standards.
Multiple	Multiple	Modified	The format of the Chemicals Sector Target-Setting Criteria document has been revised to better reflect the SBTi’s template for new criteria. This includes new and revised sections, reorganization of text and a revised template for criteria.
Multiple	Multiple	Modified	Minor revisions to the text have been made based on specific stakeholder feedback, with the goal increasing clarity and readability.

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
Target setting for primary chemicals	Criteria CHEM-C1 through CHEM-C3 Ammonia, methanol, and HVC production SDA methods	No change	During the first public consultation, the SBTi received feedback that: ● The target boundary for the primary chemical SDA pathways should be on a “cradle-to-gate basis”, which would encompass both direct emissions from primary chemical production and upstream emissions from the feedstocks and fuels used to produce them. In the revised draft, the SBTi has not used a cradle-to-gate basis for the primary chemical SDA pathway boundaries because: ● Data is lacking on exact feedstock and fuel use, by year, for the NZE scenario. Such data would be needed to ensure upstream emissions included in the SDA target boundary are consistent with the production routes in the scenario. ● Data is lacking on projected pathways for upstream emissions from feedstocks and fuels used to produce primary chemicals. ● There remains a large amount of uncertainty in actual upstream emissions associated with common primary chemical feedstocks and fuels, such as natural gas and natural gas liquids (NGL). ● The SBTi ensures consistency between sectoral methods using the sectoral carbon budgets from the IEA NZE scenario. Therefore, sectoral SDA target pathways, which are designed to maintain carbon budgets for the covered emissions sources, should align with the exact sectoral boundary of the NZE to ensure consistency between sectors.

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
Target setting for primary chemicals	N/A	New	During the first public consultation, the SBTi received feedback that: • The target boundary for the primary chemical SDA pathways should be on a “cradle-to-gate basis”, which would encompass both direct emissions from primary chemical production and upstream emissions from the feedstocks and fuels used to produce them. In the revised draft, the SBTi has not revised the boundary of the primary chemical SDA targets to a “cradle-to-gate” basis. However, based on this feedback, the SBTi has included a new criterion that clarifies when, and how, companies may combine scope 3 targets set using the SDA method with scope 3 targets set using the absolute reduction method, if certain requirements are met. This includes targets set using the SDA method on scope 3 category 1 emissions from purchased primary chemicals, and targets set using the absolute reduction method on other sources of upstream emissions associated with the purchased primary chemicals (e.g. emissions from naphtha production used to produce primary chemicals). In this way, companies may develop a combined target that encompasses the full upstream emissions (cradle-to-gate) from purchased primary chemicals. Under the new criterion, any SDA targets must remain as a sub-target to ensure accountability to the underlying carbon budget and the projections made by the company when setting the SDA target. An example was also added demonstrating how this target combination would work in practice.
Multiple	Multiple	Modified	The SBTi has added materiality thresholds to each criteria to allow for a de minimis exemption from the criteria for companies that have only minor emissions associated with an activity for which a criteria applies.

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
N/A	N/A	New	During the first public consultation, the SBTi received feedback that: ● The draft included too many individual sub-targets that would decrease companies' flexibility in setting and achieving targets. ● Division of target setting between primary chemicals and non-primary chemicals adds complexity for companies that have diverse product portfolios. In the revised draft, the SBTi has included a new criterion that clarifies when, and how, companies may combine targets that are set using the SDA method with targets set using the absolute reduction method on scope 1 and 2 emissions, if certain requirements are met. Under the new criterion, any SDA targets must remain as a sub-target to ensure accountability to the underlying carbon budget and the projections made by the company when setting the SDA target. An example was also added demonstrating how this target combination would work in practice.

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
Target setting for primary chemicals	Criterion CHEM-C1 Ammonia production SDA method	No change	During the first public consultation, the SBTi received feedback that emissions from ammonia production used for energy purposes should be included within the SDA target boundary. The SBTi has not included such emissions within the target boundary because: ● Emissions and production volumes from ammonia intended for energy carrier purposes are not included within the data for ammonia production from the IEA NZE scenario, which is the basis for the proposed SDA pathway for ammonia. ● Within the IEA's NZE scenario, hydrogen and ammonia production for energy purposes is expected to grow. However, such production represents markets that are not significant today. This new demand is met via low/no carbon production technologies in the IEA NZE scenario. This implies that little to no additional emissions are generated by producing hydrogen and/or ammonia for these purposes. If, for example, a traditional natural gas-based ammonia plant shifts from producing ammonia for fertilizers to producing ammonia for fuels, the fertilizer demand will need to be met from elsewhere. It is important that the SDA pathways maintain the same physical activity basis as the underlying emissions scenario. In future work, the SBTi may investigate target-setting methods beyond traditional emission reduction targets that specifically recognize the role of low/no carbon hydrogen production, while ensuring its production still meets ambitious emissions intensity thresholds.

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
Target setting for primary chemicals	N/A	No change	During the first public consultation, the SBTi received feedback that: ● The lack of sector-specific target-setting methods for products other than primary chemicals does not recognize the limitations in emissions abatement potential available to other types of chemical production. ● Stakeholders suggested that the SBTi utilize the IEA NZE emissions scenario data for emissions from non-primary chemicals (calculated as the difference between total sector emissions and reported emissions from primary chemicals) to develop a sector-specific absolute reduction pathway for emissions from non-primary chemical production. In the revised draft, the SBTi has not included a sector-specific absolute reduction pathway for non-primary chemical emissions for several reasons: ● Modeling for non-primary chemicals in the NZE scenario is done using a less detailed method than for primary chemicals. ● Product demand is not (fully) taken into account. Demand and emissions are based on energy consumption only. ● The model does not account for process emissions from non-primary chemical production, as the emissions are calculated based on energy demand alone. ● The segment of “non-primary chemicals” is widely diverse, from intermediate chemicals (e.g. propylene oxide) to specialty chemicals and pharmaceuticals. A single decarbonization pathway applying to all of these products could lead to imbalance between companies based on their product mix. In future work the SBTi may develop additional sector-specific target-setting methods for additional chemical products if sufficient data is available. The SBTi also received several comments from stakeholders that support the current approach of using the SBTi’s cross-sector target criteria for targets set on emissions from non-primary chemical production.

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
Target setting for primary chemicals	Criterion CHEM-C5 Scope 1 and 2 target setting for other emissions	Removed	Criterion CHEM-C5 was removed from the draft. The criterion did not include sector-specific requirements, but rather referred to existing requirements from the SBTi Corporate Net-Zero Standard and Corporate Near-Term Criteria.
N/A	N/A	No change	During the first public consultation, the SBTi received feedback that: ● Sector-specific pathways should be developed for emissions from the generation of electricity for use in producing both primary chemicals and other chemicals. ● Sector-specific pathways for these emissions from power generation should be developed for both power obtained from the electric grid and power self-produced within chemical plans. In the revised draft, the SBTi has not developed sector-specific pathways for power generation because: ● There is a lack of chemicals sector-specific emissions scenarios for self-generated power. ● Electrolytic hydrogen-based production for methanol and ammonia begins to emerge in 2030 in the NZE scenario. Increases in electricity consumption for this production must come from renewable sources, which will not contribute to emissions, and will thus already be lower than the power sector emissions intensity. ● Self-generated power from waste heat and steam that originate from primary chemical production will be accounted for as heat and process-related emissions in the SDA target boundary. The SBTi also received several comments from stakeholders that support the current treatment of power-generation related emissions.

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
Target setting for scope 3 emissions	Criterion CHEM-C6 Scope 3 category 1 emissions from purchased primary chemicals	No change	During the first public consultation, the SBTi received feedback that mandatory coverage of scope 3 category 1 emissions associated with purchased primary chemicals is not necessary. The SBTi has not revised this requirement because flexibility in target setting must be considered alongside requirements that prioritize targets on significant sources of emissions within the sector. The production of primary chemicals, including the upstream emissions associated with feedstocks and fuels, is one of the most impactful segments of the chemicals value chain. While the SBTi maintains differentiated criteria on target coverage between scope 1 and 2, and scope 3 emissions, companies may be able to exclude emissions if they are in scope 3, while they could not exclude them if they are in scope 1. Under this criterion, companies would be required to include all scope 3 category 1 emissions from purchased primary chemicals as part of a scope 3 emissions target, regardless of the materiality of these emissions.
Target setting for scope 3 emissions	Criterion CHEM-C7 Scope 3 category 11 emissions from urea-based fertilizers	No change	During the first public consultation, the SBTi received feedback that mandatory coverage of scope 3 category 11 emissions associated with sold urea based fertilizers would present problems because: ● The use of urea as a critical form in which nitrogen is applied to crops is unlikely to change due to the beneficial properties of urea as a nitrogen carrier, and certain regional regulations restricting alternate types of nitrogen carriers (e.g. ammonium nitrate). ● Emissions of CO_2 that occur after the application of urea in the field cannot be abated. The SBTi has not revised this requirement because any mitigation of CO_2 emissions from the use-phase of urea based fertilizers must be addressed by the upstream producer, by using alternative sources of carbon in the urea production. Thus, the producer of urea based fertilizers bear significant responsibility.

Target setting for scope 3 emissions	Criteria CHEM-C8 and CHEM-C9 Scope 3 category 11 near-term and long-term target setting for fertilizer use phase N_2O emissions	No change	During the first public consultation, the SBTi received feedback on the target-setting metric for N_2O emissions in scope 3 category 11 from the use-phase of sold nitrogen fertilizers. In summary, this feedback indicated that: ● An absolute emissions reduction metric for category 11 emissions of N_2O from the field does not take into account the negative climate (and broader) impacts of reducing fertilizer use, nor does it recognize improvements in nitrogen use efficiency (NUE) by fertilizer users, which can only be realized via an emissions intensity target. Several commenters expressed support for an intensity-based metric for N_2O emissions from sold N-fertilizers in scope 3 category 11. However, the SBTi will maintain the metric on an absolute basis for the following reasons: ● A method based on emissions intensity per unit of crop would require global, crops-specific, and region-specific pathways, since nitrogen uptake differs by crop and by geographic location; however, the SBTi was not able to identify pathways with an appropriate level of transparency and granularity on which to base such pathways. ● An emissions intensity metric would need to be paired with a metric on total crop production that is attributable to the company setting the target. Otherwise increases in applied nitrogen, and thus N_2O emissions, may not align with those in the underlying pathway. This data may prove difficult for companies to obtain at the level of detail needed when the crop production occurs in their product's use-phase. ● Companies setting intensity pathways would also need to estimate the emissions intensity of their product in the field to demonstrate performance against the target, necessitating both emissions and crop yield data at the company level. Due to a lack of pathway data for this metric, and concerns about data availability, we did not establish an emissions intensity-based method at this time. The SBTi believes that a metric on absolute N_2O emissions captures improvements to both NUE and reductions in emissions from the use of nitrification inhibitors. Improvements in NUE would imply a moderated demand for fertilizers to achieve the same crop output, since the added nitrogen is used more efficiently. The SBTi also received comments from stakeholders that support an absolute emissions metric for N2O emissions from fertilizer use in the field.

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
Target setting for scope 3 emissions	Criteria CHEM-C8 and CHEM-C9 Scope 3 category 11 near-term and long-term target setting for fertilizer use phase N_2O emissions	Modified	During the first public consultation, the SBTi received feedback on the ambition of the target-setting pathway for N_2O emissions in scope 3 category 11 from the use-phase of sold nitrogen fertilizers. In summary, this feedback indicated that: ● The scenarios used to produce the pathway for N_2O emissions from the field assume that all the value chain actors are mitigating to the maximum capacity and maximum technical potential, with enablement from the public sector and support from the consumers. Therefore the level of ambition for the pathway is too high in the near-term. The SBTi has revised the pathway for the optional target-setting method for for N_2O emissions in scope 3 category 11 from the use-phase of sold nitrogen fertilizers The revised pathway incorporates a broader set of emissions scenarios from the sixth Assessment Report (AR6) of the IPCC while also considering the specific studies described in the first consultation draft.
Target setting for scope 3 emissions	Criteria CHEM-C8 and CHEM-C9 Scope 3 category 11 near-term and long-term target setting for fertilizer use phase N_2O emissions	Modified	The SBTi has added language clarifying that companies producing and selling nitrogen fertilizers may, optionally, utilize the Forest, Land and Agriculture (FLAG) Science-Based Target-Setting Guidance for setting targets on scope 3 category 11, if the company meets the applicability requirements for the FLAG Guidance. If companies choose this option, they would set targets covering their portion of emissions from the FLAG sector, which includes N_2O emissions from the use of fertilizers, in line with the FLAG Guidance.

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
Target setting for scope 3 emissions	Criterion CHEM-C10 Scope 3 and target setting for other emissions	Removed	Criterion CHEM-C10 was removed from the draft. The criterion did not include sector-specific requirements, but rather referred to existing requirements from the SBTi Corporate Net-Zero Standard and Corporate Near-Term Criteria.

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
Additional target-setting requirements	Criterion CHEM-C11 Near-term alternative feedstock targets	No change	During the first public consultation, the SBTi received feedback on the setting of targets based on the percentage of feedstocks sourced from alternative (non-virgin fossil) sources of carbon. A summary of the feedback received includes: ● There are currently no alternative primary chemicals available at a commercial level. This requirement would jeopardize companies committing to the SBTi. ● Setting a target requiring a minimum percentage of carbon-based alternative feedstocks in function of GHG emission reduction target setting makes only sense when this is related to the relevant emission categories. ● Requiring targets on both alternative feedstock sourcing and scope 3 emissions reductions is redundant, and may create competing incentives based on the availability of alternative sources of carbon in the marketplace. ● Requiring alternative feedstock targets may create the wrong signal by shifting resources away emissions reduction and prevention efforts. The SBTi recognizes that the market for primary chemicals produced from alternative feedstocks is still developing; however, chemicals produced via alternative feedstocks are currently commercially available. The SBTi agrees that an expansion in the use of alternative feedstocks must be associated with real and demonstrable reductions in GHG emissions across the value chain of the companies sourcing and selling these materials. We recognize there is a risk in directly requiring an increase in sourced alternative feedstocks, as these feedstocks have the potential to carry negative burdens not only on GHG emissions, but also in other key sustainability areas such as land use impacts and other forms of pollution. However, there is consistency among emissions scenarios that reliance on virgin fossil fuels as feedstock for the sector must decrease to reach net zero. For this reason, the alternative feedstock target is being proposed as an addition to the SBTi's standing requirements on emissions reduction targets. Companies must also account for the full value chain GHG emissions impacts related to the alternative feedstock in the GHG inventory, similarly to traditional feedstocks. In this way companies are incentivized to pursue alternate sources of carbon that support their broader emissions reduction targets.

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
Additional target-setting requirements	Criterion CHEM-C11 Near-term alternative feedstock targets	Modified	The SBTi added guidelines to clarify that companies sourcing bio-based feedstocks shall ensure that production of the feedstock is not linked to deforestation practices.
Additional target-setting requirements	Criterion CHEM-C11 Near-term alternative feedstock targets	No change	During the first public consultation, the SBTi received feedback that recommended a method addressing end-of-life emissions accounting for products based on the content of recycled/circular material they contain. In the first version Chemicals Sector Target-Setting Criteria, the SBTi will not directly endorse or require a new GHG accounting method that has not been adopted in the GHG Protocol standards. We feel that the best mechanism to properly vet and evaluate the method is via a dedicated evaluation and stakeholder engagement process focused on emissions accounting, such as those managed by the GHG Protocol. Alignment with the GHG Protocol's GHG accounting standards remains a critical component of the SBTi's framework.
Additional target-setting requirements	Criterion CHEM-C11 Near-term alternative feedstock targets	Modified	During the first public consultation, the SBTi received feedback that questioned the exclusion of mechanically recycled materials from the metric for alternative feedstock percentages. The SBTi has revised the draft to include an option under the alternative feedstock target-setting method where companies may include mechanically recycled feedstocks as part of their target threshold, and as part of their achievement metric. Companies may also choose to use the option that excludes mechanically recycled materials. This option has been added in recognition that mechanically recycled materials may be available to certain chemical companies within the sector's value chain.

CHAPTER	STANDARD SECTION / CRITERION NUMBER	TYPE OF CHANGE	DETAILS AND RATIONALE OF REVISION
Additional target-setting requirements	Criterion CHEM-C12 Long-term alternative feedstock targets	Removed	Criterion CHEM-C12, which required companies to set a long-term alternative feedstock target as part of a net-zero target, has been removed. Targets on sourcing of alternative feedstocks are set using target thresholds values based on the company's chosen target year. Therefore progress will be shown based on the setting of near-term alternative feedstock targets, even as part of a net-zero target. Removal of this target reduces the complexity of the target-setting criteria without changing the expected outcomes.
N/A	N/A	New	During the first public consultation, the SBTi received feedback on the use of the mass balance approach. This feedback included, broadly: ● Caution regarding the practice of separation of claims on the content of sold products from the actual content in the products, especially when these products are further processed by one, or several, companies before being sold in their final form. ● Advocating for the maintenance of a feedstock-product connection in mass balance accounting. ● Preference for limiting the boundary of mass balance accounting within individual production sites, or physically connected sites, rather than a company-wide boundary. ● Concerns in how claims of material attributes based on the mass balance approach may be interpreted by customers. ● Preference for allowing mass balance accounting that includes traded certificates, with certain guardrails. The SBTi has revised the draft Chemicals Sector Guidance to include a new criterion that outlines the requirements around this approach. The guidance does not introduce new expectations from the SBTi regarding the use of the mass balance approach, or more broadly, the use of environmental attribute certificates (EACs). Both the GHG Protocol and the SBTi are developing further guidance on the use of market-based instruments, such as the book and claim approach, and the use of EACs, which may include products that have been certified via the mass balance approach.

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