



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

POWER SECTOR STANDARD TERMS OF REFERENCE

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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 charity, with a subsidiary which will host our target validation services. Our partners 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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The SBTi reserves the right to revise this document according to a set revision schedule or as advisable to reflect the most recent emissions scenarios, regulatory, legal or scientific developments, and GHG accounting best practices.

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.

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VERSION HISTORY

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INTRODUCTION

This Terms of Reference describes the key information related to the SBTi's Power Sector Standard development project. The project will be carried out according to the [Standard Operating Procedure \(SOP\) for Development of SBTi Standards](#).

OBJECTIVES

The main goal of the project is to review, revise, and update the SBTi's resources for Electric Utilities (henceforth referred to as the power sector). This will include, at a minimum, reviewing the existing guidance and target-setting tool and evaluating the need for changes to the current criteria contained in these documents. The final deliverable document will be a Power Sector Standard and accompanying target-setting tool. The SBTi's evaluation of the existing resources to date has identified the following areas of need by category¹:

Standard impact: The SBTi will strive to improve the overall impact of our resources for the power sector by evaluating new resources, metrics and methods that may better incentivize action by companies in the sector. For example, we will investigate how to approach companies with low-emissions intensity in the base year.

Pathway and tool: The SBTi will strive to:

- Revise the existing pathway and evaluate new and differentiated pathways from diverse resources that limit the increase of temperature to 1.5°C.
- Analyze level of disaggregation needed in SBTi resources for the sector as assumed.
- Define differentiated requirements for greenfield capacity, as well as requirements for existing capacity.
- Revise and improve the power sector tool.

GHG accounting: The SBTi will strive to:

- Review sector-specific requirements in common GHG accounting standards (e.g. GHG Protocol accounting) and where additional sector-specific requirements may be needed, provide additional requirements.
- Define how to manage long-lived assets, reconversions and reserve capacity (especially fossil fuel), and different types of power utilities such as those that sell electricity to intermediaries.

Sector boundary: The SBTi will establish more detailed applicability rules for companies engaged in electricity-related activities, in addition to traditional utilities, including companies that generate power for self-consumption, with sales only of surplus energy, or companies involved in trading of electricity only, without involvement in generation activities.

¹ Please note that as standards development is an iterative process, with multiple rounds of stakeholder input and deliberation, project objectives are subject to change.

Scope 3: The SBTi will enhance clarity for requirements related to scope 3 emission calculation and inclusion, in particular for categories 3 and 11.

STEPS FOR DEVELOPING THE STANDARD

The standard development process aims to be transparent in decision-making, striving for input from any interested stakeholder through public consultation and more targeted stakeholder outreach to enable the widest possible consideration of content.

Based on the [Standard Operating Procedure \(SOP\) for Development of SBTi Standards](#), the following steps will be followed for developing the Standard:

- Initiation
- Research
- Drafting
- Consultation, including public consultation and pilot testing
- Approval
- Implementation
- Monitoring and Evaluation

Please refer to [the timeline section](#) below for details on the approximate timing of the key development phases.

SCOPE

Applicability

The SBTi develops specific standards at the sectoral level, based on a classification which is under development. The SBTi is prioritizing the development of the Power Sector Standard to take into account diverse types of power utilities and business models, including renewable companies and companies generating power from non-traditional fuels. The detailed sectoral boundaries, applicable activities to be covered, and exclusions from the scope are still to be developed and will be described in the standard.

Deliverables

The Power Sector Standard development project includes the following deliverables, which will be made public to aid transparency and help engage stakeholders (with expected timelines that may be subject to change):

- Power Sector Standard (normative document²), that contains minimum required criteria, recommendations and guidance for the companies operating in electric

² As defined in the [Standard Operating Procedure for Development of SBTi Standards](#).

utilities and power generation to set 1.5°C-aligned science-based targets across scopes 1, 2 and 3.

- Power sector target-setting tool.

Exclusions

This project will address only the electric utility and power generation sector(s). It will not address the natural gas utility sector, as the natural gas distribution activities are considered a separate sector under the SBTi's sectoral classification and will be managed under a future development project. Companies with activities in the electricity generation sector and the natural gas distribution sector may need to follow different guidance/standards for each type of activity, as applicable.

Geographic application

The Power Sector Standard will be open for use by organizations headquartered and with emissions and activities anywhere in the world that are active within power or electricity generation or commercialization activity.

NEED FOR THE POWER SECTOR STANDARD

The SBTi included the electric utilities and power generation sector as high priority for 2024 with the objective to accelerate the update of the SBTi's resources for this critical sector. The SBTi currently has guidance and a 1.5°C-aligned power sector-specific target-setting method that uses the sectoral decarbonization approach (SDA).

The last update of the SBTi's [Electric Utilities Guide](#) took place in June 2020 with an expedited development and consultation process, which focused on the selection of 1.5°C-aligned pathways for the power sector and a clarification of target-setting boundary options and requirements.

Stakeholder feedback received as a result of adoption of the current [Electric Utilities Guide](#) since its launch has identified implementation gaps and opportunities to enhance robust validations of net-zero targets and increase transparency and credibility of the SBTi overall.

The updated Power Sector Standard will address the identified gaps and needs of the SBTi's resources for the sector which, in turn, will underpin the needed energy transition at the necessary pace to be implemented by a diverse type of private power utilities companies.

RELATED STANDARDS AND INITIATIVES

The SBTi is part of a growing ecosystem of standards and initiatives addressing corporate climate change action from different angles. The SBTi recognizes the value of harmonizing its work with other actors in this ecosystem.

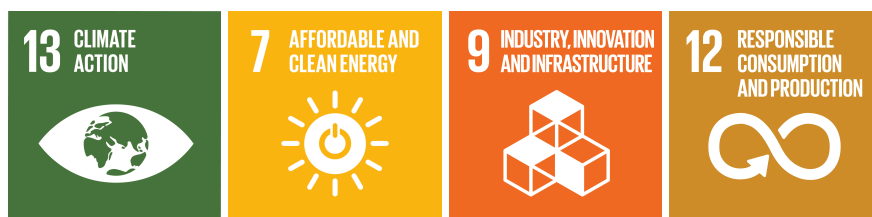
During the standard development process, the SBTi will assess other standards and initiatives relevant to the Standard's objectives, exploring the feasibility of alignment, where appropriate and feasible, in line with SBTi's objectives and the Standard Operating Procedure (SOP) for Development of SBTi Standards. The SBTi will seek the engagement of relevant stakeholders to gather insights on best practices in consideration of other standards and initiatives.

INTENDED SUSTAINABILITY OUTCOMES

In 2018, the Intergovernmental Panel on Climate Change (IPCC) warned that global warming must not exceed 1.5°C above pre-industrial temperatures to avoid the catastrophic impacts of climate change. Business has a vital role to play in driving down greenhouse gas emissions and building the resilient, zero-emissions economy we urgently need. This action must be grounded in science. Science-based targets show companies and financial institutions how much and how quickly they must decarbonize to prevent the worst impacts of climate change.

A key criterion the SBTi uses in prioritizing the projects it chooses to undertake is the impact the project will have in addressing greenhouse gas emissions reductions from key sectors or activities. To that end, the Power Sector Standard development will address the production of electricity, which is among the largest contributors of global GHG emissions³.

Although decarbonization has a link with all of the UN Sustainable Development Goals, the implementation of the Power Sector Standard seeks to especially contribute to the following UN Sustainable Development Goals (SDGs):



These four key SDGs have been selected as particularly relevant for the following reasons:

- SDG 13: Climate Action: Science-based targets focus on reducing greenhouse gas emissions, directly contributing to climate action by addressing climate change and its impacts.
- SDG 7: Affordable and Clean Energy: Meeting science-based targets often requires transitioning to renewable energy and improving energy efficiency, promoting clean and sustainable energy sources.

³ See [IEA, Electricity 2024](#).

- SDG 9: Industry, Innovation, and Infrastructure: Companies working toward science-based targets typically need to innovate and adopt sustainable practices, supporting the development of resilient infrastructure and sustainable industrialization.
- SDG 12: Responsible Consumption and Production: Science-based targets encourage companies to redesign production processes, optimize resource use, and manage waste, aligning with the goal of promoting sustainable consumption and production.

INTENDED CLAIMS

The SBTi plans to develop claims guidance to supplement the SBTi's current [communications guidelines](#). The aim is that companies are enabled to make credible claims around the emission reduction targets that they have set and that have been validated by the SBTi, as well as claims around the achievement of those targets, where appropriate.

ENGAGEMENT

How to engage?

The SBTi values stakeholder input to inform the development of its technical outputs. There are a variety of channels through which stakeholders can engage with and input into the development of Power Sector Standard.

- **Expert Advisory Group:** The SBTi will convene an [Expert Advisory Group \(EAG\)](#) for the Power Sector Standard development project, consisting of sectoral experts from power sector (companies), NGOs, and academia. The EAG will act in an advisory capacity during the development of the Power Sector Standard, provide input on specific questions posed by the project team, and review draft documentation.
- **Project feedback form:** Over the course of the whole project, any stakeholder is welcome to submit feedback on documents that have been released through the [Project Feedback Form](#). All feedback will be carefully considered and published on the SBTi website, with personal information removed. This form is not intended as a complaints form⁴.
- **Public consultation:** The Power Sector Standard development will go through two rounds of public consultation. The first consultation will last for a duration of 60 days. The second consultation will last for a duration of 45 days. During the consultation period, stakeholders will have the opportunity to submit feedback to the consultation questionnaire via a survey. These resources will be available on the [sector webpage](#).

⁴ Please note that stakeholders who wish to submit complaints related to the SBTi existing standards or guidance documents, or standard development processes, including the Standard Operating Procedure for Development of SBTi Standards, may do so by emailing standardscomplaints@sciencebasedtargets.org.

- **Pilot testing:** A period of pilot testing may also be held. The pilot testing phase will involve volunteer organizations utilizing the draft standard to identify challenges for implementation, gather practical feedback, and to ensure the criteria, target-setting tool, and guidance are clear and applicable.

The Project Team will also host webinars to update stakeholders on the development process and provide a detailed overview of the standard, once complete. Planned dates for webinars are to be determined. Stakeholders are welcome to submit feedback on any SBTi project, or project resource, at any stage of development.

Who should engage?

The Power Sector Standard development team welcomes input from the following stakeholders:

- Corporates and financial institutions
- Governments and regulators
- Civil society organizations and NGOs
- Associations and technical experts
- Academics and research institutions
- Standard setting organizations
- All other stakeholders with an interest in this project development

How to keep informed

Stakeholders can stay up to date with the Power Sector Standard development process, opportunities to provide input, and planned events by monitoring the [SBTi's website](#) for updates, signing up for the [SBTi newsletter](#), and following the SBTi on [X](#) (formerly Twitter) and [LinkedIn](#).

For any general queries relating to Power Sector Standard development and how to engage please contact info@sciencebasedtargets.org.

LANGUAGES

All documents relating to the Power Sector Standard development, including consultation drafts, will be published in English (this is the SBTi working language). Translations into additional languages may be considered.

RISK MITIGATION

The SBTi and governance bodies shall undertake a risk assessment alongside the standard development, to identify potential risks in implementing the draft Standard and how to mitigate these (e.g., unintended consequences that could arise from the implementation of the Standard, factors that could have a negative impact on the ability of the Standard to

achieve its objectives, and possible corrective actions that could be taken to address these potential risks).

LAUNCH

The final draft of the Power Sector Standard is expected to be published by the end of 2025 along with the target-setting tool (final version) and a summary of the feedback received throughout the consultation process and how the feedback was taken into account in the final standard and/or guidance.

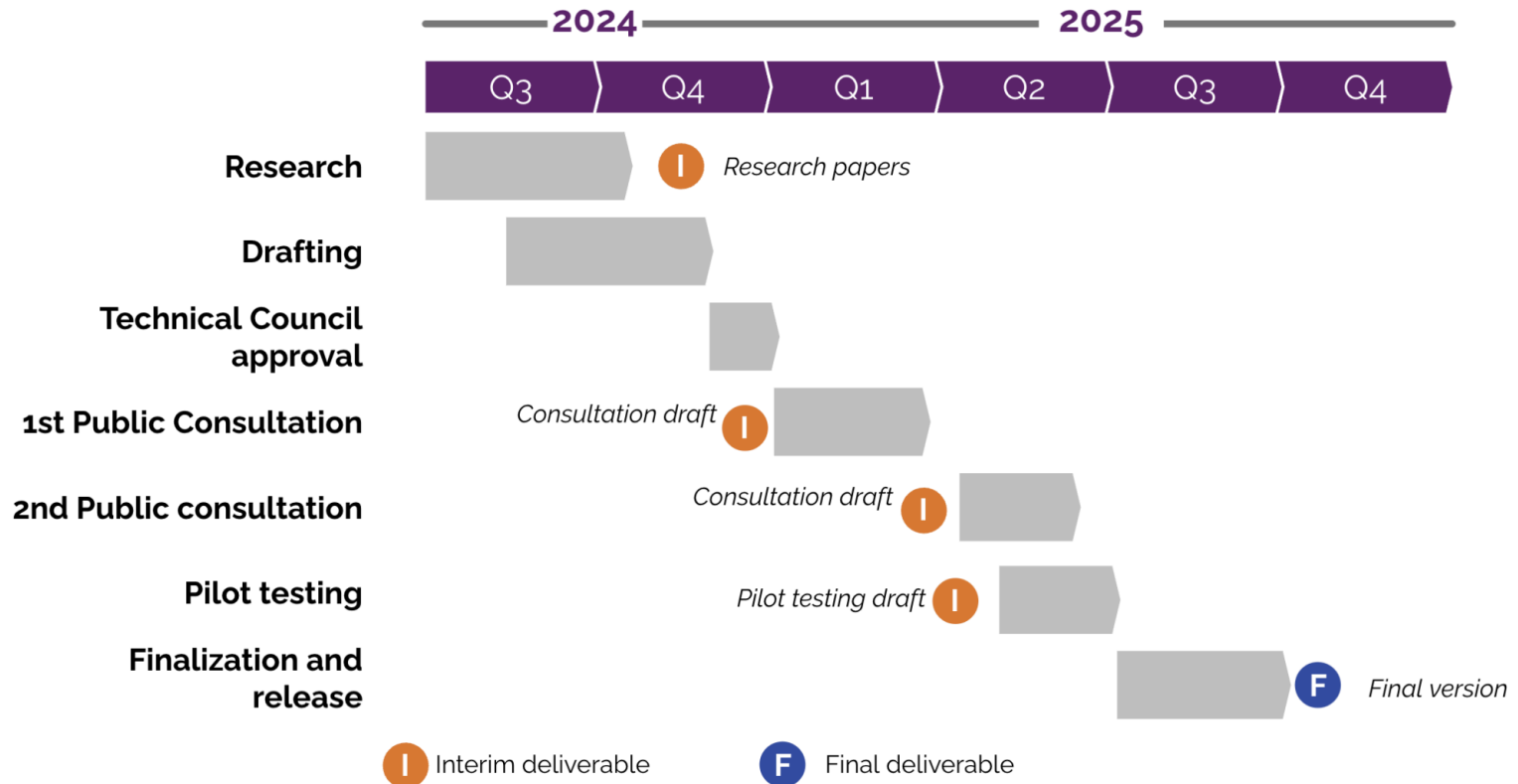
TRANSITION

Full details to support entities with validated targets, targets under validation, or active commitments to prepare for conformity to the Power Sector Standard will be communicated in a timely manner before its launch.

EXPECTED TIMELINE

The proposed timeline for the Power Sector Standard development project based on the phases outlined in the [Standard Operating Procedure \(SOP\) for Development of SBTi Standards](#) is shown below. This includes project deliverable milestones and periods for engagement (i.e. consultation). Please note that these are expected timelines and are subject to change.

Figure 1. Expected project timeline



GOVERNANCE STRUCTURE AND DECISION MAKING

The [Standard Operating Procedure \(SOP\) for Development of SBTi Standards](#) sets out in detail the governance and decision making processes that apply to standards development and revisions.