The SBTi's Net-Zero Standard Road Test

Workshop 1

22nd July 2021
Today’s speakers and the Net-Zero project team

ALBERTO CARRILLO PINEDA
Director of Science Based Targets
CDP
STEERING COMMITTEE

HEIDI HUUSKO
Senior Manager
UN Global Compact
STEERING COMMITTEE

EMMA WATSON
Senior Net-Zero Manager
CDP
RESEARCH AND TECHNICAL DEVELOPMENT

MCKENNA SMITH
Science Based Target Analyst
WWF France
TARGET VALIDATION

CYNTHIA CUMMIS
Director of Private Sector Climate Mitigation
WRI
STEERING COMMITTEE

PAOLA DELGADO
Corporate Engagement Manager
WWF
OUTREACH AND ENGAGEMENT

ANDRES CHANG
Research Manager
CDP
RESEARCH AND TECHNICAL DEVELOPMENT

PAULINA TARRANT
Net-Zero Engagement Manager
CDP
CONTENTS

- Today’s objectives
- Net-Zero Standard Development process
- Road test survey and what it means to be an SBTi NZ Champion
- Deeper dive into Net-Zero Standard Criteria
- What’s planned for Workshop 2?
Today’s objectives

- Further explain the road testing process (including details on what it means to be an SBTi champion and the survey)
- Provide explanation on the Net-Zero Standard Criteria for near and long-term SBTs
- Update road testers on the SBTi’s new strategy
Net-Zero Standard development process
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
- 2nd Public Consultation
- Finalisation of NZ Standard
- Launch of NZ Standard

Target launch date has been moved forward to Monday, 18th of October.
79 companies are participating in the road test.

### Industries
- Built environment: 11
- Consumer goods: 7
- Electronics: 2
- Energy: 5
- Fashion: 1
- Financial services: 1
- Food & beverage: 10
- Industry: 11
- Pharmaceutical: 3
- Professional services: 13
- Retail: 4
- Tech & telecom: 8
- Transport & logist.: 4

### Geographies
- North America: 23
- Europe: 44
- Central & South America: 7
- Asia Pacific: 7
- Africa: 4
- No residual emissions expected
- Hard-to-abate transport
- Significant upstream
- Significant downstream
- Hard-to-abate industrial
- Land-use intensive
- Unclear
Three key objectives for the road testing process

• Gather feedback on the clarity, robustness and practicality of the target setting tool, criteria and guidance

• Identify key challenges for adoption and implementation of the standard across industries

• Build a strong network of companies on the journey to setting net-zero targets in line with climate science
Road testing deliverables

Deliver target modelling results
• Trial the target-setting tool
• Share results with SBTi

Provide detailed feedback through survey
• Review the criteria
• Answer all questions in the survey

Engage with SBTi to address issues
• Participate in workshops where possible
• Make use of office hours to discuss any questions, obstacles, or suggestions
• Participate in one-on-one discussions as needed

Become a NZ SBTi champion
• Take part in deep dive interviews to discuss adoption barriers, expectations, gaps, etc.
• Develop case studies

We expect road testing to take between 8-40 hours.
What is the timeline for road testing?

<table>
<thead>
<tr>
<th>Preparation</th>
<th>Road-testing</th>
<th>Feedback</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-9 Jul</td>
<td>12-18 Jul</td>
<td>30-3 Sep</td>
</tr>
<tr>
<td>Participation survey</td>
<td>Guidance, criteria and tool available</td>
<td>Feedback report</td>
</tr>
</tbody>
</table>

**Deliverables**

- **Result modelling**
  - Tool available
- **Feedback survey**
  - Guidance & criteria available
- **Engagement**
  - Launch webinar
  - Workshop 1
  - Office hours
  - Workshop 2
  - Office hours
  - Workshop 3
  - Office hours
- **Champion**
  - Deep dive interviews
  - Case studies
  - Feedback webinar

**Deadline for participants**

- 5-9 Jul
- 12-18 Jul
- 19-23 Jul
- 26-30 Jul
- 2-6 Aug
- 9-13 Aug
- 16-20 Aug
- 23-28 Aug

**Meeting**

- 12-18 Jul
- 3-9 Aug
- 16-20 Aug
- 23-28 Aug

**Milestone**

- 6-10 Sep
- 30-3 Sep
- 6-10 Sep
# Meetings to support participants and gather feedback during the process

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Time</th>
<th>Attendance</th>
<th>Topics covered*</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Launch</strong></td>
<td>15 July</td>
<td>10:00-11:00</td>
<td>Required</td>
<td>Explanation of methods, tool, guidance, etc.</td>
</tr>
<tr>
<td><strong>Workshop 1</strong></td>
<td>22 July</td>
<td>10:00-11:00</td>
<td>Preferred</td>
<td>Further explanation &amp; discussion around materials</td>
</tr>
<tr>
<td><strong>Office hours 1</strong></td>
<td>28 July</td>
<td>10:00-10:50</td>
<td>Optional</td>
<td>Open to questions from participants</td>
</tr>
<tr>
<td><strong>Workshop 2</strong></td>
<td>29 July</td>
<td>16:00-16:50</td>
<td>Preferred</td>
<td>Using the tool and workshopping targets</td>
</tr>
<tr>
<td><strong>Office hours 2</strong></td>
<td>5 August</td>
<td>10:00-11:00</td>
<td>Optional</td>
<td>Open to questions from participants</td>
</tr>
<tr>
<td><strong>Workshop 3</strong></td>
<td>12 July</td>
<td>16:00-16:50</td>
<td>Preferred</td>
<td>Discussion on gaps, adoption barriers, etc.</td>
</tr>
<tr>
<td><strong>Office hours 3</strong></td>
<td>19 August</td>
<td>10:00-11:00</td>
<td>Optional</td>
<td>Open to questions from participants</td>
</tr>
</tbody>
</table>

* Note: subject to change
Road test survey and what it means to be an SBTi NZ Champion
### What does it mean to be an SBTi champion?

We will be in touch with those companies who have indicated they would like to participate further next week.

#### Our ask

<table>
<thead>
<tr>
<th>Basic road-testing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Complete result modelling and provide feedback on materials</strong></td>
</tr>
<tr>
<td><strong>Up to 40 hours time investment:</strong></td>
</tr>
<tr>
<td>• Read through Net-Zero Standard materials</td>
</tr>
<tr>
<td>• Complete result modelling</td>
</tr>
<tr>
<td>• Complete 30-min survey</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Deep-dive interview</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Engage with SBTi in an interview to zoom in on adoption barriers</strong></td>
</tr>
<tr>
<td><strong>1 hour additional time investment:</strong></td>
</tr>
<tr>
<td>• Participate in 45-min virtual interview with SBTi Net-Zero team</td>
</tr>
<tr>
<td>• Potential follow-on discussion</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External-facing case study</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Participate in case study based on deep-dive interview</strong></td>
</tr>
<tr>
<td><strong>3 hours additional time investment:</strong></td>
</tr>
<tr>
<td>• Provide offline feedback on draft text based on interview</td>
</tr>
<tr>
<td>• Promote publication through your channels</td>
</tr>
</tbody>
</table>

#### Objectives for SBTi

- Receive structured input on understanding of overall method, added value, and feasibility and key challenges for adoption
- Solve technical issues and unclarities
- Provide inputs and recommendations to the Net-Zero Standard

#### Added value for participant

- Share your perspective and understanding of net-zero
- Provide inputs and recommendations to the Net-Zero Standard
- Opportunity to engage with SBTi and learn more about long-term SBTs and the Net-Zero Standard
- Share your perspective and understanding of net-zero
- Provide inputs to the final version of Net-Zero Standard and think collectively about recommendations
- Establish yourself as frontrunner in climate action
- Build sustainability credentials and expertise within your organization
- Provide inputs and feedback to the Net-Zero Standard by working closely together with SBTi
Survey gathers your structured input on four key dimensions and is now open

**Overall NZ method**
Questions on the criteria, pathways and framework options

**Target setting tool**
Questions on user-friendliness of the tool in general

**Feasibility and key challenges**
Questions on how realistic the results and timelines are for your specific industry and what adoption barriers you would see for wide-scale implementation

**Supporting materials**
Questions on ease of use and clarity of the materials provided to support the process (e.g. instructions, guidance, etc.)
Feedback survey and Q&A tool for questions

Feedback Survey

A 30-minute survey to complete after trying out the target setting tool and using the supporting materials.

- Provide feedback on the feasibility, key challenges, ease of use of the target setting tool, and overall method
- Link: [https://www.surveymonkey.com/r/V7WWHM3](https://www.surveymonkey.com/r/V7WWHM3)

Slido Interactive Platform

Question and answer and polling platform for the company road test.

- Enter in any questions that pop up during the road test process
- Review questions that have already been answered
- Vote up questions that you have too
- Link: [https://app.sli.do/event/wbdzq2qt/live/questions](https://app.sli.do/event/wbdzq2qt/live/questions)
Deeper dive into the Net-Zero Criteria
SBTi's Net Zero Standard covers both near-term and long-term SBT methods for corporate target setting.

**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 short term climate action.

**Long-term science-based target**
- New SBTs to align with reaching NZ
- A target that should be achieved at 2050 latest to reach net-zero and limit global warming to 1.5°C

Total reduction target is dependent on sector-specific guidance and pathways – any residual emissions should be neutralised.
Overview of the Net-Zero Standard criteria

The three components that are required for companies to set science-based targets as part of a net-zero commitment

Near-term science-based target criteria

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

Previously known as 'science-based targets' or 'interim science-based targets.'

Long-term science-based target criteria

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.

Previously known as deep decarbonisation targets.

Communication, Claims and Validity

The final chapter specifies official target wording that must be publicly available as well as reporting requirements.

Target Formulation and Reporting
Updates to near-term SBT criteria
Climate ambition: SBTi raises the bar to 1.5°C

• Last Thursday, 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 being rolled out in response to increasing urgency for climate action and the success of science-based targets to date.

• All companies and financial institutions that submit targets from 15 July 2022 will need to align to the new criteria.
Changes to near-term SBT criteria to align with the Net-Zero Standard

Ambition for near term targets has increased because in order to achieve net zero by no later than 2050, GHG emissions must be halved by 2030 – meaning emissions reductions in the near-term need to be scaled up massively.

Scope 1 & 2 Ambition

The minimum scope 1 and 2 ambition of near-term SBTs will be increased from well-below 2°C to 1.5°C

Scope 3 Ambition

The minimum scope 3 ambition of near-term SBTs will be increased from 2°C to well-below 2°C. Supplier engagement targets will remain eligible; however, the SBTi is considering removing physical intensity target-setting and GEVA methods.

Timeframe

Under the current criteria, near-term SBTs may have a target year 5-15 years from the date of submissions. In the new criteria, this will be changed to 5-10 years from the date of submission.

SBTi will launch the Net-Zero Standard and V5 of SBTi Criteria in mid-October, before the UN COP26 conference. These criteria and will be in force for all SBTs from 15 July 2022. At this point the NZ Standard will not include criteria for near-term SBTs, as these will be integrated into SBTi Criteria V5.
Long-term science-based target criteria
Long-term science-based targets criteria

Long-term targets are critical to the development of net zero criteria to limit global warming to 1.5°C by 2050. They drive economy-wide alignment and long-term business planning to reach the level of global emissions reductions needed for climate goals to be met based on science.

**Timeframe**
Long-term SBTs to be set for a target year no later than 2050

**Target Ambition**
Emissions in scopes 1, 2, and 3 that are covered by the long-term SBT boundary must align with 1.5°C net zero pathway at the global or sector level

**Target Boundary**
Companies to cover at least 95% of scope 1, 2 and 3 emissions in the long-term SBT boundary
### Eligible methods and associated pathways for long-term SBTs by sector and type of user

#### Relevant for scopes:
1. Agriculture
2. Aviation
3. Heavy-duty vehicles (HDV)
4. Shipping
5. Buildings, residential, service
6. Iron and steel
7. Cement
8. Power generation
9. All other sectors

<table>
<thead>
<tr>
<th>Land intensive:</th>
<th>Absolute contraction</th>
<th>Physical intensity convergence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>Pathways available restaurants, groceries, and other purchasers of beef, chicken, pork, dairy, palm oil, maize, wheat, rice and soya (mainly upstream scope 3)</td>
<td>Pathways available for commodity producers of beef, chicken, pork, dairy, palm oil, maize, wheat, rice and soya (scope 1 and upstream scope 3)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Transport:</th>
<th>For airline users, car users, retail companies (e.g., scope 3 emissions from transport), other transport service purchasers</th>
<th>For airlines and airplane manufacturers, auto manufacturers, transportation service providers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aviation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Heavy-duty vehicles (HDV)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shipping</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Industry:</th>
<th>For building companies, real estate, auto manufacturers, other steel and cement purchasers (mainly upstream scope 3 emissions from purchased materials)</th>
<th>For steel and cement producers, capital goods producers (e.g., downstream emissions from machinery used to produce materials)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iron and steel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cement</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Built environment:</th>
<th>For building tenants and users</th>
<th>For real estate companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings, residential, service</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Energy</th>
<th>For electricity users</th>
<th>For electric utilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power generation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| All other sectors | Universal or agriculture pathway may be used by all companies except power generation utilities and timber companies | | | |
|-------------------|---------------------------------------------------------------------------------------------------------------------|------------------|

Note: Pathways for aluminum and other industry not yet available
How do near-term and long-term SBTs interact?
## Criteria to set near and long-term science-based targets in SBTi's Net Zero Standard

### Near-term science-based target

<table>
<thead>
<tr>
<th>Scopes</th>
<th>Target boundary</th>
<th>Aligned to</th>
<th>Target year</th>
<th>Eligible methods to calculate target</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 + 2</td>
<td>95% coverage</td>
<td>1.5°C ambition</td>
<td>5-10 years from date of submission</td>
<td>Absolute contraction • 4.2% linear annual reduction (l.a.r.)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Physical intensity convergence • Depends on sector and company input</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Renewable electricity (Scope 2) • 80% by 2025 • 100% by 2030</td>
</tr>
</tbody>
</table>

### Long-term science-based target

<table>
<thead>
<tr>
<th>Scopes</th>
<th>Target boundary</th>
<th>Aligned to</th>
<th>Target year</th>
<th>Eligible methods to calculate target</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>95% coverage</td>
<td>1.5°C ambition</td>
<td>2050 or sooner</td>
<td>Absolute contraction1 • 90% reduction overall (mixed pathway)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Physical intensity convergence • Depends on sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Renewable electricity (S2) • 100%</td>
</tr>
</tbody>
</table>

### Scope 3

<table>
<thead>
<tr>
<th>Eligible methods to calculate target</th>
<th>Absolute contraction</th>
<th>Physical intensity convergence</th>
<th>Physical intensity contraction</th>
<th>Economic intensity (GEVA)</th>
<th>Supplier or customer engagement</th>
<th>Absolute contraction1</th>
<th>Physical intensity convergence</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2.5% l.a.r.</td>
<td>Depends on sector and company input</td>
<td>5.1% l.a.r.³</td>
<td>7% year-on-year (compound) reduction³</td>
<td>E.g. 80% of suppliers by emissions by 2025</td>
<td>90% reduction overall (mixed pathway)</td>
<td>Depends on sector</td>
</tr>
</tbody>
</table>

1. When setting long-term SBTs, companies may use sector-specific absolute pathways to set absolute targets, as an alternative to the mixed pathway.
2. Although minimum scope 3 ambition for near-term SBTs is well below 2°C (as shown by this figure), companies are encouraged to set scope 3 targets aligned with 1.5°C ambition.
3. For near-term SBTs, the minimum ambition of the scope 3 methods physical intensity contraction and economic intensity (GEVA) are being reviewed and updated to align with well below 2°C.

N.B. Methods and minimum ambition values are subject to change.

---

1. 2050 or sooner
2. As shown by this figure
3. Compound
### What does my company have to do to align with SBTi requirements?

<table>
<thead>
<tr>
<th>When?</th>
<th>What?</th>
<th>In order to align with...targets must meet all below requirements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Before July 2022</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ambition</td>
<td>Min. WB2C for scopes 1 &amp; 2 2°C on scope 3</td>
<td></td>
</tr>
<tr>
<td>Timeframe</td>
<td>5-15 years</td>
<td></td>
</tr>
<tr>
<td>Boundary</td>
<td>95% scope 1 &amp; 2 2/3 scope 3</td>
<td></td>
</tr>
<tr>
<td><strong>After July 2022</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ambition</td>
<td>Min 1.5°C across scopes 1 &amp; 2 WB2C on scope 3</td>
<td></td>
</tr>
<tr>
<td>Timeframe</td>
<td>No longer allowed*</td>
<td></td>
</tr>
<tr>
<td>Boundary</td>
<td>95% scope 1 &amp; 2 2/3 scope 3</td>
<td></td>
</tr>
<tr>
<td><strong>Long-term science-based targets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>N/A</td>
<td>Min. 1.5°C across all scopes</td>
<td></td>
</tr>
</tbody>
</table>

*Companies that already have SBTs are required to review every 5 years to ensure they are up to date with the latest climate science. These companies will then be required to upgrade 1.5°C.*
How to upgrade near-term SBTs to align with Net-Zero Standard and the SBTi’s 1.5°C Strategy

Companies that have existing near-term SBTs that do not meet the updated SBTi criteria are invited to upgrade their targets.

To update targets, companies can resubmit using the SBTi resubmission service by emailing a completed target submission form to targets@sciencebasedtargets.org and paying a $2,490 fee.

Simplified process to achieve SBTi approval if conditions are met:

1. Base year and target year of the updated target remains unchanged;
2. The assumptions used to model the original target continue to be valid (e.g., significance thresholds, boundary, growth projections, etc.)

The process companies follow during the revalidation of their upgraded targets is outlined below:

1. Company submits the one-page recalculation form
2. Initial screening to check compliance with all conditions above
3. Desk review to check ambition alignment
4. Final decision on compliance is sent to companies
Workshop 2: Deeper dive on road test materials and tool
Next time, we will walk through the guidance and tools step-by-step

Questions we’ve been hearing from you

🌟 How can we compare our existing long-term targets to what is required by the Net-Zero Standard?

🌟 How should I take advantage of the Pro Tool’s ability to calculate up to 11 targets?

🌟 What if the target reduction seems unrealistic? How can I design a strategy for these targets?

🌟 I do not see my sector listed in the “activities” list. Can I still set activity-specific targets?

🌟 Is my company eligible to set long-term intensity targets?

Reach us via Slido or email

Please make sure of the Slido platform to log general questions, but feel free to reach out directly to us with anything specific.

🌟 Enter in any questions that pop up during the road test process

🌟 Review questions that have already been answered

🌟 Vote up questions that you have too

🌟 Link:
  [https://app.sli.do/event/wbdzq2qt/live/questions](https://app.sli.do/event/wbdzq2qt/live/questions)
Do you have any questions?
Thank you for listening!

For questions related to the road-testing process and the Net Zero Standard in general, please contact:

Emma Watson  
Senior Manager Net-Zero  
emma.watson@cdp.net

Paulina Tarrant  
Net-Zero Engagement Manager  
paulina.tarrant@cdp.net

Next week we will be available to answer questions on Wednesday and Thursday during office hours.
Thank you!
The SBTi has developed long-term science-based target setting methods to define what “residual emissions” are for corporates.

2. **Long-term science-based targets:** Companies must set targets to reduce emissions to a level consistent a state of global net-zero. If this target is achieved in less than 10 years, near-term SBTs are not required.