

The SBTi's Net-Zero Standard Road Test

Workshop 3

Thursday, 19th of August 2021

Partner organizations



United Nations
Global Compact



WORLD
RESOURCES
INSTITUTE



In collaboration with





Agenda

- Today's objectives

 - Recap: Net-Zero Standard development process

 - Key questions for implementation

 - Additional support & guidance

 - Q&A and thank you!

Key objectives for today

- Provide more clarity and support on implementation of your Net-Zero targets
- Provide a chance for companies to learn from each others' experience
- Discuss recommendations for SBTi to provide further support



Agenda

Today's objectives

- **Recap: Net-Zero Standard development process**

Key questions for implementation

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Q&A and thank you!

Three key objectives for the road testing process

1

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

2

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

3

Build a strong network of NZ Standard promoters and advocates

We expect a time investment of ~ 8-40 hours from participants to complete the road-testing



Deliver target modelling results

- Trial the target-setting tool
- Share results with SBTi* via email



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 an NZ SBTi advocate

- Take part in deep dive interviews to discuss adoption barriers, expectations, gaps, etc.
- Develop case studies

Expected of all participants

Recommended to all participants

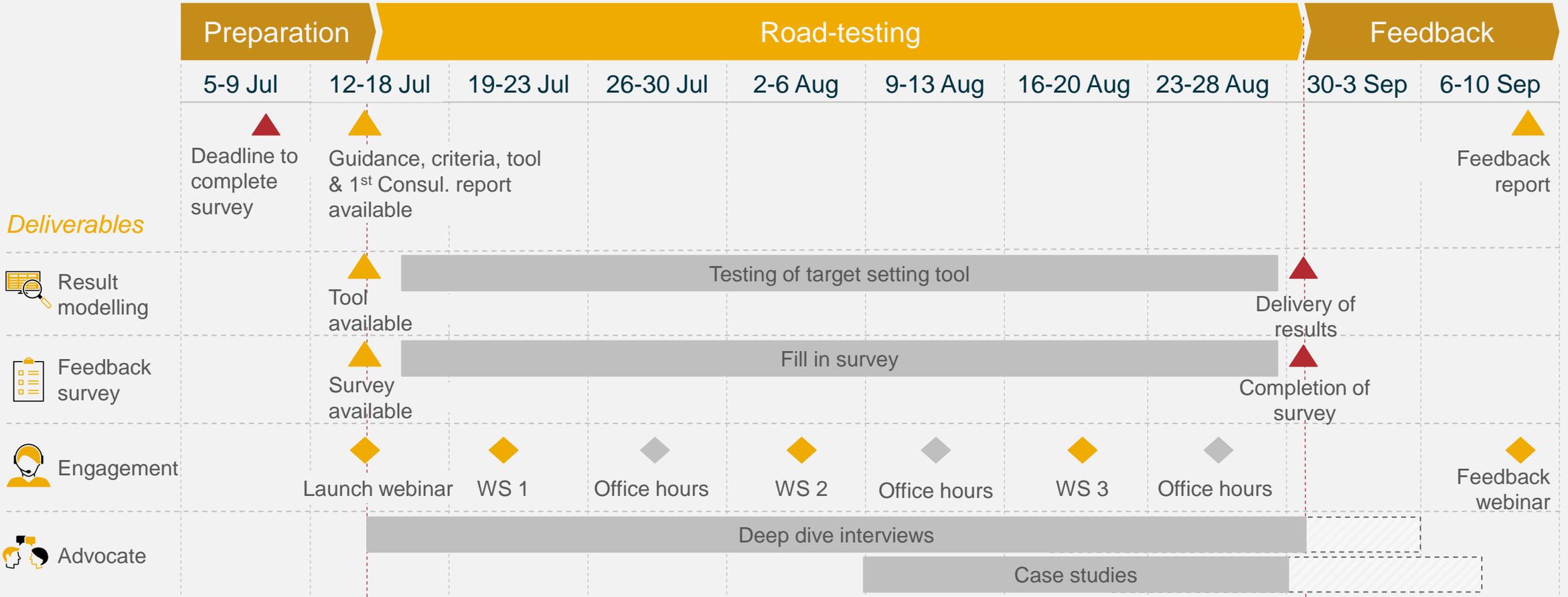
Optional

* Note: if there are any confidentiality issues for sharing this data, we can discuss how to manage these

What is the timeline for the road test?

Please submit target modelling results to Emma and Paulina
 (emma.watson@cdp.net, paulina.tarrant@cdp.net)

Today



▲ Deadline for participants ▲ Milestone ◆ Meeting

Meetings to support participants and gather feedback during the process

CONFIDENTIALITY
We offer one-on-ones for participants that wish to remain confidential

We are here

	 Launch	 Workshop 1	 Office hours 1	 Workshop 2	 Office hours 2	 Workshop 3	 Office hours 3
<i>Eastern (CEST)</i>	15 July 10:00-11:00	22 July 10:00-11:00	28 July 10:00-10:50	5 August 10:00-11:00	11 August 10:00-10:50	19 August 10:00-11:00	25 August 10:00-10:50
<i>Western (CEST)</i>	15 July 15:00-16:00	22 July 16:00-17:00	29 July 16:00-16:50	5 August 16:00-17:00	12 July 16:00-16:50	19 August 16:00-17:00	26 August 16:00-16:50
Attendance	Required	Preferred	Optional	Preferred	Optional	Preferred	Optional
Topics covered*	Explanation of methods, tool, guidance, etc.	Further explanation & discussion around materials	Open to questions from participants	Using the tool and workshopping targets	Open to questions from participants	Discussion on gaps, adoption barriers, etc.	Open to questions from participants

* Note: subject to change



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➤ **Key questions for implementation**

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5

Key implementation questions we heard from you



How can I **map out** my companies emission reductions in between the near and long-term target?



How to **communicate** my updated targets with stakeholders?



What **advocacy actions and policy engagements** can be taken to make our voices heard in the public?



How will the SBTi **validate** net-zero targets?



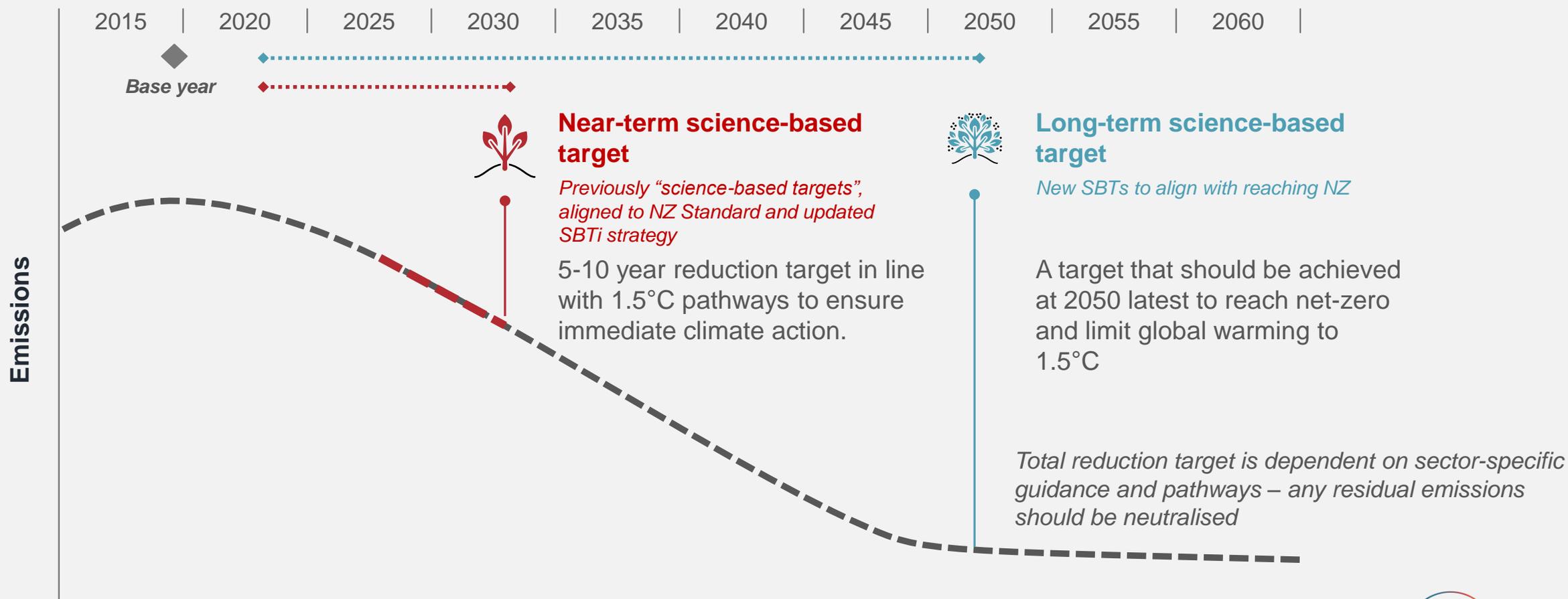
What is the SBTi doing to **further enable** companies to set 1.5°C aligned targets?



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Recap: SBTi's Net-Zero Standard covers both near-term and long-term SBT methods for corporate target setting





Resources that might be helpful in mapping out emission reductions in between the near and long-term target



Mission Possible

Energy Transition Commission provides guidance on the routes to decarbonization for high emitting sectors



ACT initiative

ACT assesses companies with a feedback report outlining best practice and opportunities for improvement using sectoral methodologies



UN Climate Action

Tool that sets our sectoral visions for achieving a 1.5°C world, focusing on system and technological changes, and synergies/interlinkages



Value Change

Guidance in line with GHG protocol to enable and incentivize value chain interventions



1.5C Playbook

Playbook for companies of all sizes with solid guidelines to set targets, strategy and actions – focusing on simplicity and speed



IEA Net Zero by 2050

Roadmap for the global energy sector, examining the full spectrum of energy issues



The Net-Zero Steel Pathway Methodology Project

Sector-specific groups

Sector-specific groups that provide pathways and guidance, e.g. on steel, cement and aviation

Sources: 1. [Mission possible partnership](#); 2. [ACT initiative](#); 3. [UN Climate Action Pathways](#); 4. [Value Change Intervention](#) 5. [1.5C Business Playbook](#) 6. [Net Zero by 2050 Roadmap](#) 7. [Steel pathway project](#) 8. [Aviation](#)

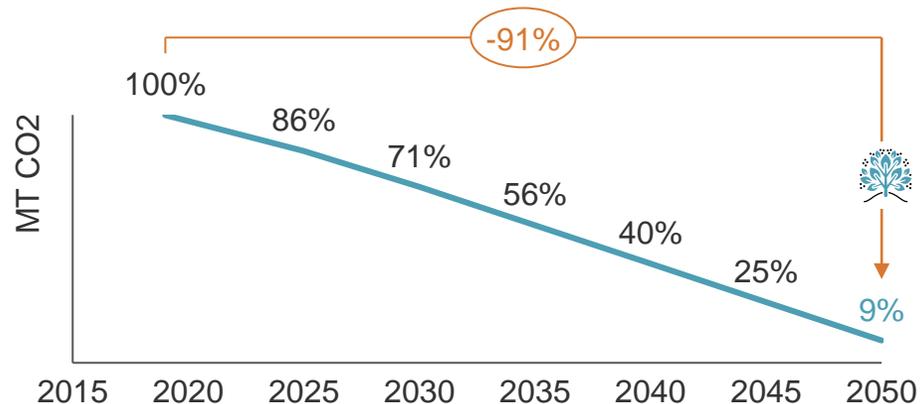




Iron and steel | Absolute emission reduction of 91% to achieve net-zero target

Iron and steel net-zero pathways

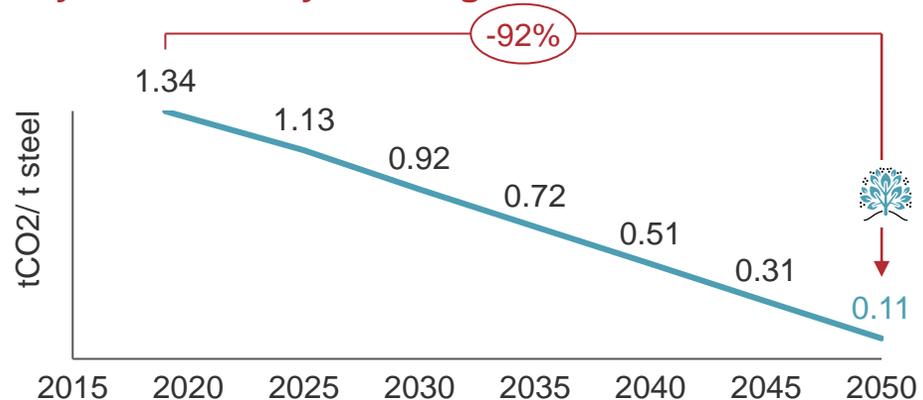
Absolute Contraction



Comments

- Steady trajectory due to stable increase hydrogen and electric furnaces paired with increase of material efficiency

Physical Intensity Convergence



IEA NZE key milestones — Iron and steel

	2020	2030	2050
Recycled materials as input (in %)	32	38	46
Hydrogen demand (in Mt)	5	19	54
Coal share in primary steel prod. (in %)	75	58 ¹	22
H2 share in primary steel prod. (in %)	0	2	29
Electric share in prim steel prod. (in %)	0	0	13
CCUS share in prim steel prod. (in %)	0	6	53

Available 1.5°C sector guidance

	Availability
Near-term SBT	Planned for COP26
Long-term SBT	Available

1. Data not available in IEA; assumption: linear decrease. Note: pathways are interpolated from 10 year timesteps
Source: IEA Net Zero by 2050



“Making net-zero emissions a reality hinges on a singular, unwavering focus from all governments – working together with one another, and with businesses, investors and citizens.”- IEA

Pathways limiting global warming to 1.5°C with no or limited overshoot would require rapid and far-reaching transitions in energy, land, urban and infrastructure (including transport and buildings), and industrial systems (high confidence).” - IPCC

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

- Achieving net-zero targets will require collective action and major changes to business strategy
- Companies are encouraged to use appropriate 1.5°C scenarios to inform their strategy and their position on collective action
- Companies may use scenario analyses to explore how their long-term SBT strategy would be affected by different policy outcomes



For discussion:

*How are you mapping out your emission reduction strategy to net-zero?
How are you dealing with the uncertainty in achieving long-term targets?*



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How to communicate with stakeholders when your current net-zero targets do not meet the SBTi requirements?

Potential misalignment



Near-term SBT

- Scope 1 & 2 ambition
- Scope 3 ambition
- Timeframe



Long-term SBT

- Not included in companies' net-zero strategy
- Not as stringent as Net-Zero Standard
- Different timeframe

Suggested messages

- “ The SBTi’s Net-Zero Standard is the first global science-based standard to guide companies in setting net-zero targets.”
- “ To be confident that our actions are in line with climate science, and mitigate the risk of following a pathway that may not be consistent with addressing the climate crisis, we have taken part in the SBTi’s Net-Zero company road test.”
- “ Responding to the urgency and scale of the climate emergency, the SBTi is ratcheting up its expectations for businesses. In order to support this, we must listen to the science and enhance the ambition of our net-zero commitment.”



For discussion: Any best practices or ideas to share with the group?



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What advocacy actions and policy engagements can be taken to make our voices heard in the public?



For discussion: How can companies best influence policy? Have you seen any examples of this working well?

The importance of advocacy...

In general

- A **massive push** in policy ambition is required to halve emissions by 2030
- Companies can **use their influence** to support ambitious climate policy and ensure **trade associations are not blocking** ambitious climate action
- Setting **ambitious targets sends a clear message** to policymakers

In BA 1.5°C context

- **Hundreds of BA 1.5°C companies** have supported increased climate ambition in the **EU, US and UK during 2020/21**
- Collective corporate support for ambitious corporate policy shows policy makers that **business wants more ambitious** climate policy

In net-zero context

- **Much stronger climate policy** in many countries is required to achieve **science-based net-zero targets**
- Companies with science-based net-zero targets should **prioritise supporting strong climate policy** that is critical for achieving both national and corporate net-zero targets





SBTi validates net-zero targets in seven steps

We will formally begin validating Net-Zero Targets from mid-January 2022. Companies will be required to submit a Net-Zero Target Submission Form, which will also be released in January.

Process takes 30 days from signing Terms & Conditions

1. Initial screening

Assessment if all information is provided and target meets basic criteria

Companies sign Terms & Conditions

3. First assessment

Lead reviewer assesses targets against SBTi criteria

7. Communication

Comprehensive target validation report completed

6. Decision

Target Validation Team signs off final decision

5. TVT discussion

Target and desk review are discussed

4. Second assessment

Appointed approver reviews first assessment

2. Target validation team (TVT)

Lead reviewer, appointed approver and Steering Committee member (if needed) get assigned





More detail on the validation process

-  **1 Initial screening**
 - Validation team performs a high-level assessment for completeness and eligibility, incl. several criteria
 - If **not passed**, a decision letter will be issued with reasons and company can resubmit
 - If **passed**, the company will be asked to sign Terms & Conditions and take next steps on invoice
-  **2 Target validation team (TVT)**
 - Target validation team (TVT) is set up, consisting of a lead reviewer (LR), appointed approver (AR) and potentially SteerCo member (SC) and avoiding any potential conflict
 - LR is main point of contact, LR and AA are from different partner organizations
-  **3 First assessment**
 - Target submission form and all supporting documents are assessed by LR against SBTi criteria and recommendations on accuracy, relevance, completeness, consistency, transparency
 - If clarifications required, LR may send a query or request a call with the company
-  **4 Second assessment**
 - AA reviews results and deliverables and ensures accuracy and compliance with Target Validation Protocol
 - Any disagreements between LR/AA will be resolved during TVT meetings
-  **5 TVT discussion**
 - Assessment is discussed at TVT meeting, which is held weekly
 - If TVT is unable to decide on results, the case is further discussed by wider NZ team until decision is reached
-  **6 Decision**
 - If TVT and NZ team cannot make a decision, the case is raised with the SteerCo
 - Upon reaching a final decision, the LR completes the deliverables for the company
-  **7 Communication**
 - Deliverables are sent directly to company contacts in submission form
 - Company receives target validation report, incl. detailed information on assessment and decision
 - Company can request feedback call with LR – this is only recommended when the results is negative



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Q&A and thank you!



A summary of sector-specific pathways and guidance

Sector	Pathway Sector-specific pathways available for selected sectors to set their targets		Guidance Guidance to help companies use SBTi
	Near-term	Long-term ¹	
Aluminum	● In scoping	● In scoping	●
Apparel and footwear	●	●	●
Aviation	● Nov 2021	●	● Aug 2021
Buildings	● Jan 2022	●	● In scoping
Cement	● Jan 2022	●	● In scoping
Chemicals	● In scoping	● In scoping	● In scoping
Energy & industrial processes	● Jan 2022	● In scoping	● -
FLAG	● Jan 2022	●	● Jan 2022
ICT	●	●	●
Iron & steel	● Jan 2022	●	● In scoping
Shipping	● Oct 2021	●	● Oct 2021
Oil & Gas	● Timeline under review	● Timeline under review	● Timeline under review
Other industry	● In scoping	● In scoping	●
Power	●	●	●
Road transport	●	●	●

● Available
 ● Preliminary pathway available
 ● Release date known
 ● Started
 ● No current plans to develop guidance/pathway

1. Preliminary pathways available for long-term SBTs, some are planned to undergo changes





Setting long-term 1.5C-aligned targets | Sector-specific pathways are available

Yes! You can still use activity-based methods if they are relevant to your company and base year emissions are allocated correctly to the activity

<i>Activity-specific pathways</i>	<i>Eligible methods by company</i>	
	Absolute contraction (Eligible for demand-side companies – examples below)	Physical intensity convergence (Eligible for supply-side companies – examples below)
 Land intensive: <ul style="list-style-type: none"> • Agriculture (except timber and forestry) • Beef, chicken, dairy, maize, palm oil, pork, rice, soya, wheat, roundwood 	<ul style="list-style-type: none"> • Restaurants • Groceries • Other agricultural commodity purchasers 	<ul style="list-style-type: none"> • Agricultural commodity producers • Agricultural commodity processors
 Transport: <ul style="list-style-type: none"> • Aviation • Road vehicles • Heavy-duty vehicles (HDV) • Maritime transport 	<ul style="list-style-type: none"> • Airline users • Car users • Retail companies (e.g., scope 3 emissions from upstream or downstream transport) • Other transportation service purchasers 	<ul style="list-style-type: none"> • Airlines • Original equipment manufacturers (e.g., automakers, airplane makers) • Transportation service providers
 Industry: <ul style="list-style-type: none"> • Iron and steel • Cement • Other industry 	<ul style="list-style-type: none"> • Building companies (e.g., scope 3 emissions from purchased goods and services and capital goods) • Real estate • Auto manufacturers • Other steel and cement purchasers 	<ul style="list-style-type: none"> • Steel and cement producers • Capital goods producers (e.g., scope 3 downstream emissions from machinery used to produce materials)
 Built environment: <ul style="list-style-type: none"> • Residential buildings • Service buildings 	<ul style="list-style-type: none"> • Building tenants • Building users 	<ul style="list-style-type: none"> • Real estate companies
 Energy <ul style="list-style-type: none"> • Power generation 	<ul style="list-style-type: none"> • Electricity users 	<ul style="list-style-type: none"> • Electric utilities

Note: Pathways for aluminum, roundwood and other industry are not yet available



Current target setting tool development plans (STC)

		Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May		
Sector tools (near-term SBTs only) and guidance	Transport	Road and rail	No plans to add a 1.5C pathway to Road & Rail Tool									
		Aviation	WB-2C only in current tool			1.5C added to Aviation Tool						
		Maritime transport		Maritime Transport Tool release								
	FLAG	FLAG tool							FLAG Tool and Guidance release			
	Other	Apparel and footwear	Guidance only. Use SBT Tool (absolute contraction)									
		ICT	Guidance only. Use SBT Tool (absolute contraction)									
		Oil & Gas	Timeline under review									
		Power sector	Guidance only. Use SBT Tool (power sector pathway)									
SBT Tool V1.2.1 (near-term SBTs only)*	Industry	Iron & Steel	Well-below 2C pathway available			1.5C pathway available						
		Cement	Well-below 2C pathway available			1.5C pathway available						
	Transport	Road and rail	Use sector tool				TBD					
		Aviation	Use sector tool				TBD					
		Maritime transport	Use sector tool				TBD					
	Buildings	Service buildings	Well-below 2C pathway available			1.5C pathway available						
		Residential buildings	Well-below 2C pathway available			1.5C pathway available						
	Energy supply	Power	1.5C pathway available									

- 1.5C pathway available
- Preliminary 1.5C pathway available
- Well-below 2C pathway available
- No sector-specific tool

* Timeline of updates to SBT Tool are TBC

			Release of Net-Zero Standard	Q1/Q2 2022
Net-Zero Tool (long-term SBTs only)	Industry	Iron & Steel	1.5C pathway available	1.5C pathway available
		Cement	1.5C pathway available	1.5C pathway available
		Other industry		TBD
	Transport	Road		TBD
		Aviation	1.5C pathway available	TBD
		Maritime transport		TBD
	Buildings	Service buildings	1.5C pathway available	1.5C pathway available
		Residential buildings	1.5C pathway available	1.5C pathway available
	Energy supply	Power	1.5C pathway available	1.5C pathway available
		Sold gas		TBD
FLAG	Agriculture pathway	1.5C pathway available	1.5C pathway available	
	FLAG commodities	1.5C pathway available	1.5C pathway available	

Sector projects in scoping

- Aluminum
- Built environment
- Chemicals



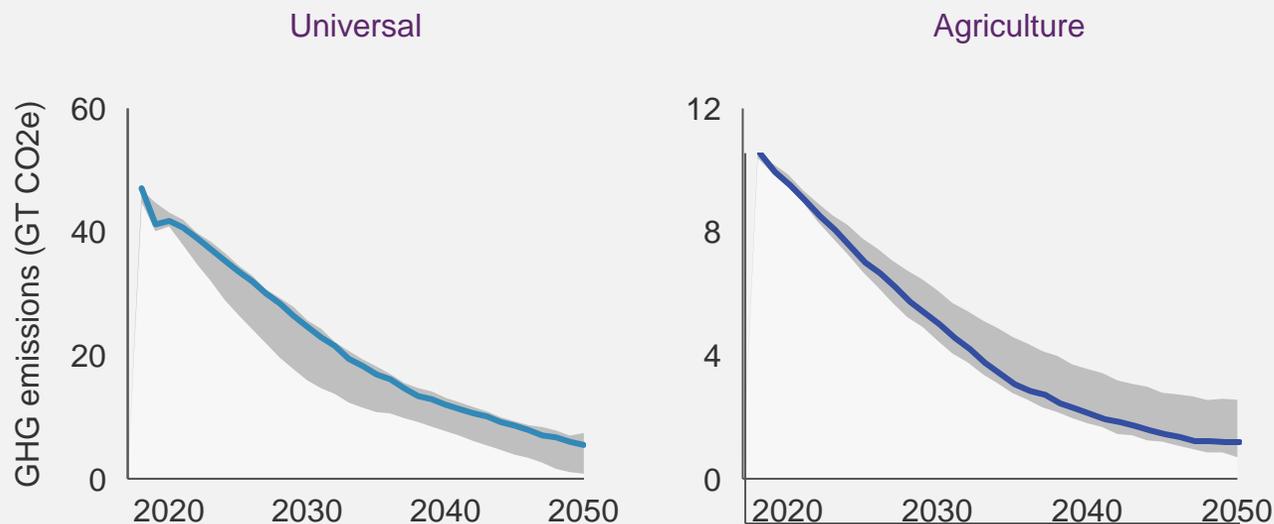
More SBTi guidance will be available by the end of 2021

<i>Material</i>	<i>By</i>	<i>Available by</i>	<i>Description</i>
Net-Zero FI Foundations Paper & Standard-setting	 SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION	COP26	1.5° C aligned paper for financial institutions on standard-setting
Supplier engagement toolkit	 SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION	Dec 2021	Guidance to support companies in developing and tracking supplier engagement targets (one of the scope 3 target-setting options allowed by the SBTi)
Version 5 near-term criteria	 SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION	Jan 2022	Updated pathways and criteria to set near-term science-based targets in line with a 1.5C ambition
Emission corridors	 SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION	TBD - more info to be announced before COP26	1.5° C-aligned emissions corridors that will be used to evaluate scenario eligibility for target-setting, allowing companies to use scenario's within emission corridors to calculate science-based targets
Scope 3 project	 SCIENCE BASED TARGETS DRIVING AMBITIOUS CORPORATE CLIMATE ACTION	TBD	Refined methods, validation, etc.
Updated guidance	 WORLD RESOURCES INSTITUTE	Q4 2021	GHG protocol, bioenergy, etc.
FLAG	 WWF	COP26	



SBTi is developing 1.5C-aligned business sector emissions corridors to strengthen alignment across climate initiatives

Mitigation pathways (coloured lines) and emission corridors (shared area)
Illustrative example



- Through the development of emissions corridors, SBTi can expand the number of pathways and roadmaps aligned with 1.5C

- > The project is being conducted by the SBTi Scientific Advisory Group with more information (incl. on final timelines) to be released before COP26
- > The emission corridors will be used to inform pathways for target-setting, with the aim to include additional activity pathways
- > The current pathways expressed in the road-testing draft are preliminary and might undergo changes based on the outcomes of this project



The supplier engagement toolkit: What is it?

To support companies in developing and tracking supplier engagement targets (one of the scope 3 target-setting options allowed by the SBTi), the SBTi is developing a Supplier Engagement Toolkit



Part 1:

“Setting and Meeting Supply Chain Climate Targets”

- A** Guidance answering most FAQs around supplier engagement targets and other more generic questions related to supplier data and engagement tactic
- B** Overview and guide to existing resources to support corporate climate mitigation in supply chains
- C** Plenty of real life examples (SBTi approved companies)



Part 2:

Education and peer learning

- A** SBTi slide deck with speaker script for companies to use when educating their suppliers around SBTs
- B** Series of events with the case study companies

The aim is to launch the toolkit at the end of **2021**

For discussion:
What else
would be helpful
for you to adopt
the SBTi NZ
Standard?

*More
pathways*

*Supplier
engagement
support*

*Scope 3
accounting*

*Point of view
on insetting/
NBS*

*More
engagement
with SBTi*

Sector forums

*Sector-
specific
guidance*

....



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Today's objectives

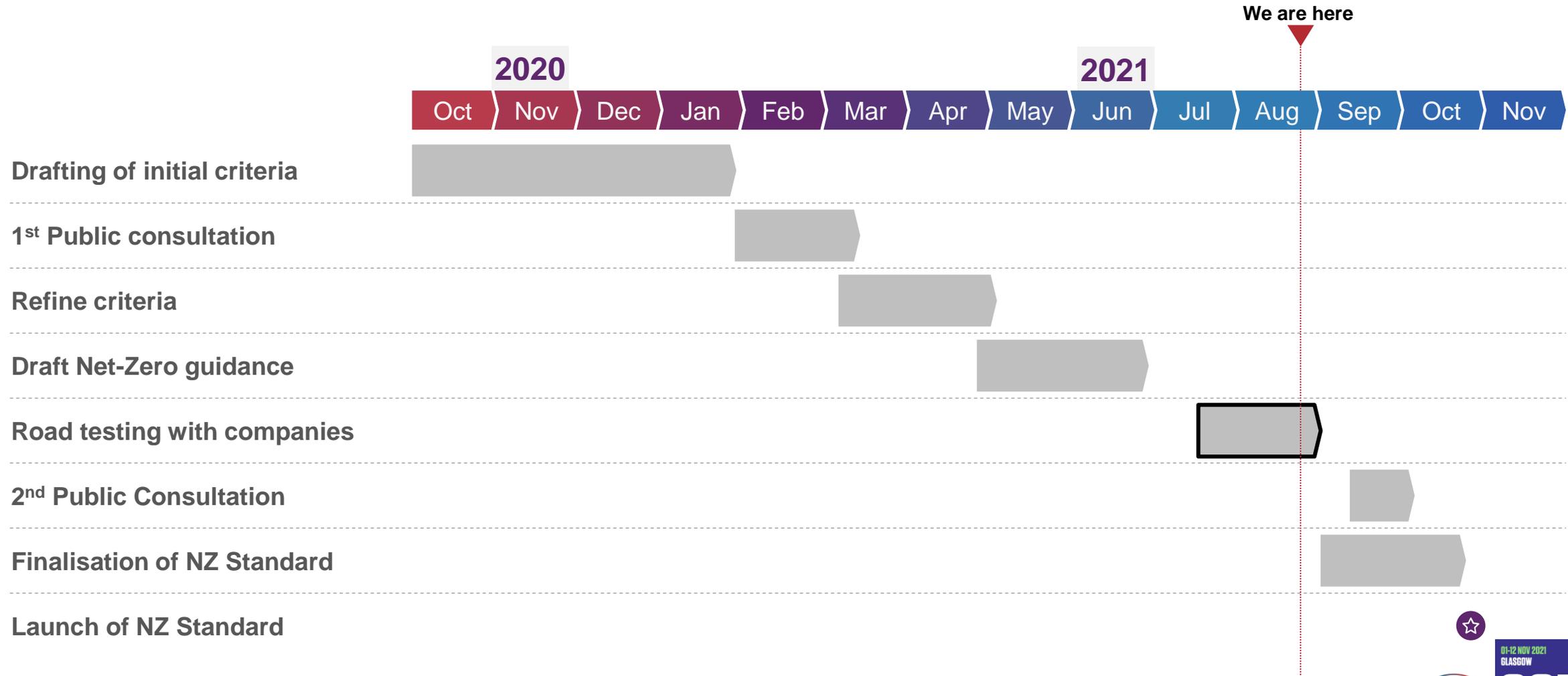
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➤ Q&A and thank you!

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



☆ Target launch date has been moved forward to Monday, 18th of October.

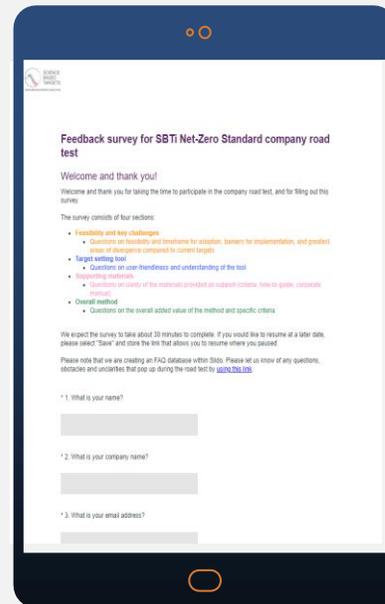


Reminder to provide feedback through the survey and Slido Q&A tool, and to submit targets via email

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

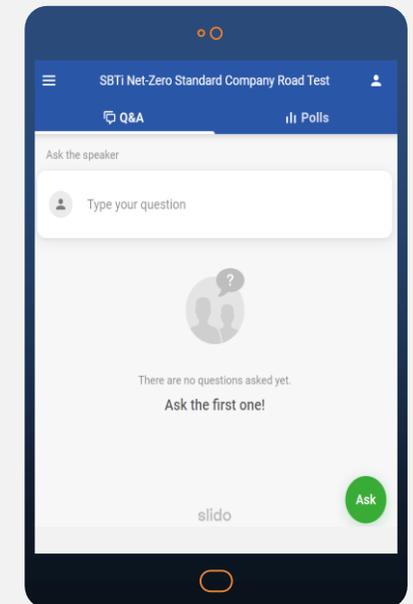


- ☆ Link [here](#)

Slido and FAQ database

Question, answer and polling platform for the company road test

- ☆ Enter in any questions that pop up during the road test into Slido (please see [link](#) here)
- ☆ Review answers to questions in the [Google Sheet](#)



Thank you for listening! Any questions?

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!



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