

Net-Zero Criteria Draft for Public Consultation **Feedback report**

Summary
August 2021

Response | Almost 400 responses received from stakeholders

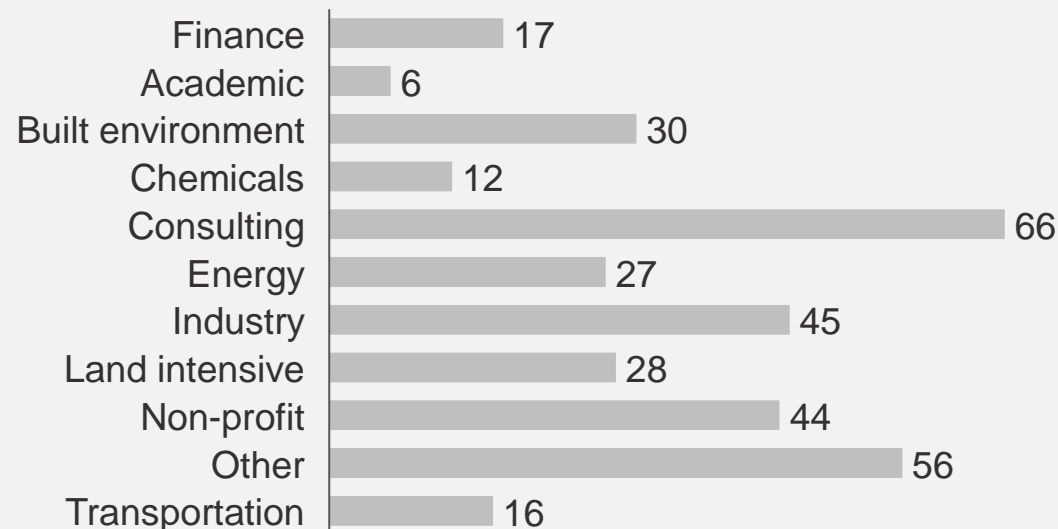
 **347**

Responses to the survey

 **39**

Responses through
e-mail and one-on-ones

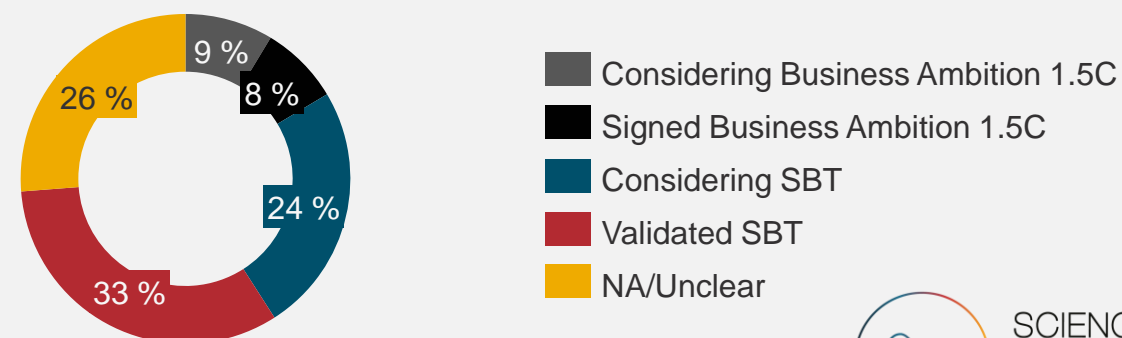
Industries



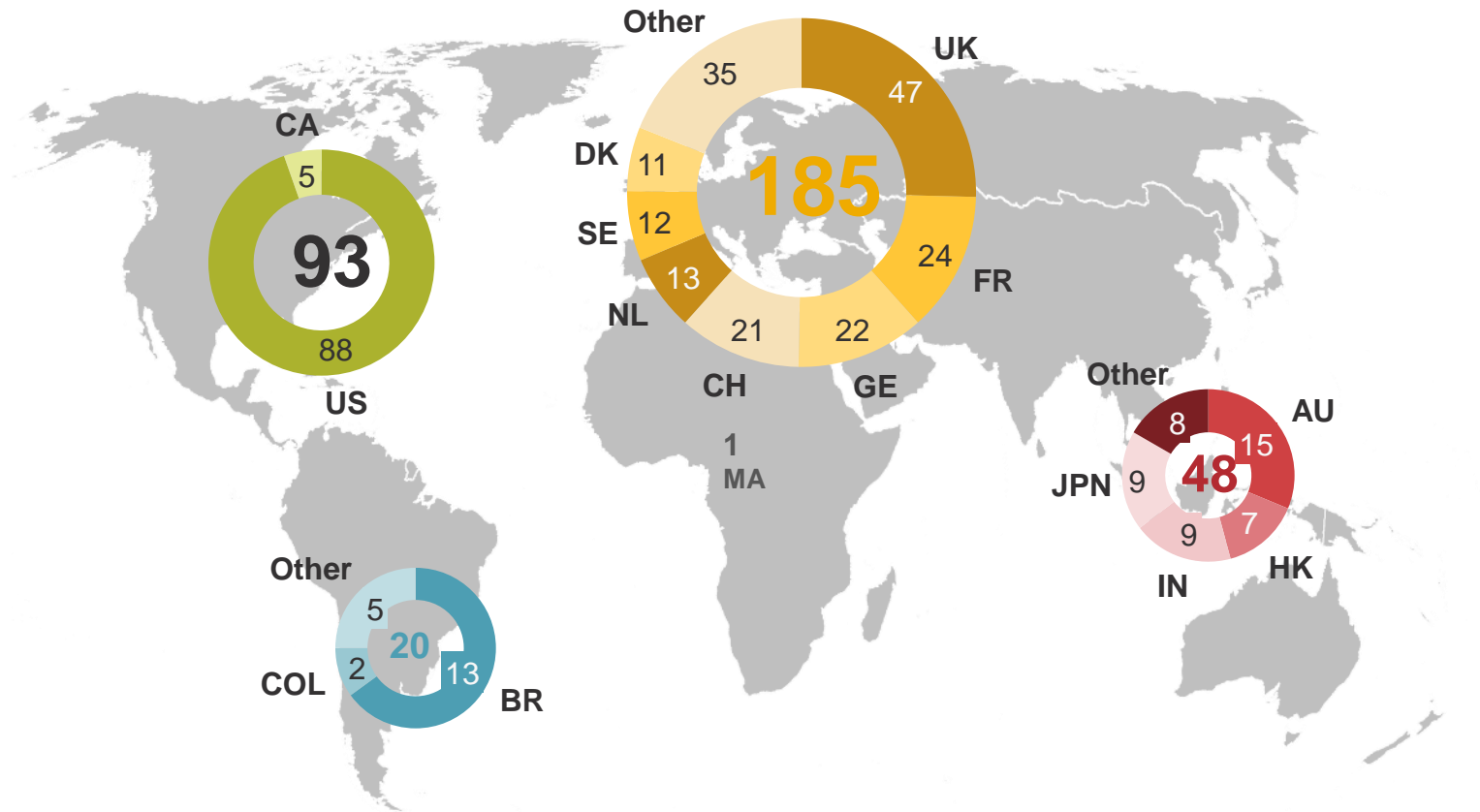
Geographies



Commitments



Zoom on geographical spread | We will work to improve geographical diversity in our next engagements



We received more than 50% of total responses from Europe, and only 1 response from the Middle East and Africa.

We highly value a diversified set of inputs and will actively reach out to regions where we have less geographical coverage to improve the distribution in our next engagements to develop the Net-Zero Standard.

Terminology | Clarification on key terms used in this document

Term	Definition	Comment
Abatement	Measures that companies take to prevent, reduce or eliminate sources of GHG emissions within their value chain. Examples include reducing energy use, switching to renewable energy and retiring high-emitting assets.	
Compensation	Measures that companies take to prevent, reduce or eliminate sources of GHG emissions outside their value chain. Examples include purchasing high-quality carbon credits or providing direct finance to climate mitigation programs.	This term is under review
Decarbonisation	The process by which CO ₂ emissions associated with electricity, industry, and transport are reduced or eliminated.	
Interim science-based target (near-term SBT)	GHG reduction targets that are in line with what the latest climate science deems necessary to limit warming to 1.5°C above pre-industrial levels and are achieved within a 5-15 year timeframe from the set base year.	This term has been updated to “ near-term science-based target ” in the latest version of criteria
Net-zero target (long-term SBT)	GHG reduction targets that are in line with an amount consistent with reaching net-zero at the global or sector level in scenarios that limit warming to 1.5°C in scopes 1, 2, and 3.	This term has been updated to “ long-term science-based target ” in the latest version of criteria
Residual emissions	Emissions sources that remain unabated in a specific year of a mitigation scenario. Long-term SBTs are consistent with the level of residual emissions in the year of global or sector net-zero in 1.5°C-aligned mitigation pathways with low or no overshoot.	

To ensure consistency with any further publications on the Net-Zero Standard, we will use the updated definitions in the remainder of this document: “**near-term SBT**” and “**long-term SBT**” instead of interim targets and net-zero targets

Overview | The criteria for 1st public consultation were organised into five chapters



General Criteria

Overarching timeframe requirement and criteria that ensure companies account for all relevant emissions and removals following the Greenhouse Gas Protocol

Sub-chapters:

- Timeframe and Milestones
- Greenhouse Gas Inventory



Near-term SBT Criteria

Requirements for companies with a long-term SBT more than 10 to 15 years from the date of submission to also have near-term SBTs covering a shorter timeframe

Sub-chapters:

- Near-Term Science Based Target Criteria

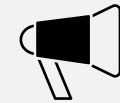


Long-term SBT Criteria

Overarching targets and ambition for emission reduction, boundary of emission abatement and criteria for neutralising unabated emissions with carbon removals

Sub-chapters:

- Emission Abatement: Ambition
- Emission Abatement: Target Boundary
- Neutralisation



Communication, Claims and Validity

Specification of the official target wording that must be publicly available and reporting requirements and conditions that trigger a mandatory target recalculation

Sub-chapters:

- Target Formulation and Reporting
- Recalculation and Target Validity



Optional Compensation

Recommendations to help guide companies' additional actions and investments beyond delivering SBTs and net-zero targets

Sub-chapters:

- Compensation actions

Please see **Section D** for an overview of all criteria that were open for Public Consultation

General criteria & Near-term SBT criteria | Criteria adopted in line with stakeholder feedback; both chapters to be merged in new version



Timeframe & Milestones NZ-C1–NZ-C3

Stakeholder feedback

- Companies in sectors where short-term emissions reductions were limited by long asset lifespans preferred a timeframe of 15 years, especially due to concerns around technical possibilities and infrastructure (NZ-C2)
- Other stakeholder groups preferred a shorter timeframe (e.g. finance, academics, non-profit) (NZ-C2)

Key decisions

- ✓ The maximum target year will be shortened to a maximum of 10 years
- ? SBTi is considering continuing to allow a 15-year time frame for companies in sectors where options for decarbonization may be less available in a 10-year timeframe



Greenhouse Gas Inventory NZ-C4–NZ-C10

- Except for minor clarifications, criteria in this section were copied from the current SBTi Criteria

- ✓ Criteria were already adopted



Near-term Science Based Targets NZ-C29-C34

- High level of agreement that minimum Scope 1+2 ambition should be 1.5C (72%) (NZ-C30)
- Mixed preferences for the minimum ambition of Scope 3 SBTs, where 51% of respondents preferred well-below 2C while 49% preferred 1.5C (NZ-C33)

- ✓ Minimum ambition of scope 1+2 will be in line with 1.5°C
- ✓ When Scope 3 is required, emissions must be covered with targets consistent with, or more ambitious than, well-below 2°C

Note: SBTi has decided to integrate the General criteria & Near-Term SBT Criteria in the new version of the criteria and has deleted criteria that were redundant as they are already covered in the SBTi criteria.

✓ Criterion adopted in line with feedback

✓ Criterion adopted not or only partly in line with feedback

? For consultation in road test

> Further development & research needed

Long-Term SBT criteria | Criteria on ambition and boundaries have been adopted; however, neutralisation criteria need further consultation



Emission Abatement: Ambition NZ-C11–NZ-C15

Stakeholder feedback

- High level of agreement on the eligibility of absolute and intensity targets, as well as combined scope targets (NZ-C12, NZ-C14)
- Stakeholders recognized that determining quantitative benchmarks and methods poses a major challenge for the definition of residual emissions

Key decisions

- ✓ Both absolute and intensity targets will be allowed
- ✓ Targets must be expressed consistently with the method used to calculate and validate targets
- ✓ Combined scope targets are eligible, but only if S1+2 portion can be reviewed
- ✗ Methods to determine residual emissions will be explored in the company road test

✓ Criterion adopted in line with feedback

✗ Criterion adopted not or only partly in line with feedback

✗ For consultation in road test

➤ Further development & research needed



Emission Abatement: Boundary NZ-C16–NZ-C18

- Mixed preferences for the emission abatement boundaries of Scope 3, with most companies opting for a 67% boundary while other stakeholders preferred a 95% boundary for Scope 3 (NZ-C18)

- ✗ An emission abatement boundary of long-term SBTs that cover at least 95% of total scope 3 emissions. Exclusions in the GHG inventory must not exceed 5% of total scope 3 emissions

SBTi has decided not to follow the most preferred option (of 67% S3) as all emissions should be considered in order to ensure sufficient action to reach net-zero



Neutralisation NZ-C19–NZ-C28

- Mixed responses to all questions around neutralisation criteria, with many concerns raised in open-ended questions
- Concerns around emphasis on robust permanence for land-intensive companies and missing an opportunity to accelerate near-term finance for a wide-range of climate solutions when stimulating compensation

- All criteria regarding neutralisation and compensation need further research and exploration
- Relationship between neutralisation and compensation will be refined

Communication, claims & validity and **Optional compensation** | Recommendations for compensation need further research



Target Formulation and Reporting NZ-C35–NZ-C39

Stakeholder feedback

- Mixed preferences whether companies should specify carbon removal approaches to meet a neutralisation target (60% agreed) (NZ-C36)
- High level of agreement on the proposed pieces that are required to report on annual basis (64-84%)

Key decisions

- SBTi is considering the practicalities of reporting the information specified in the criteria



Recalculation and Target Validity NZ-C40–NZ-41

- Except for minor clarifications, criteria in this section have been copied from the current SBTi Criteria

- ✓ Criteria were already adopted



Optional Compensation NZ-CR1–NZ-CR5

- In the proposed model on compensation, 50% of the stakeholders would be unsure whether to set a compensation target (CR1-CR5)
- Mixed responses whether companies should apply an indicative carbon price that increases overtime (C-R3)
- High level of agreement on the quality conditions (67-84%) (CR4)

- SBTi is reconsidering all criteria on compensation by conducting further research and consultation with stakeholders

- ✓ *Criterion adopted in line with feedback*
- ✓ *Criterion adopted not or only partly in line with feedback*
- ? *For consultation in road test*
- *Further development & research needed*

Key decisions based on the 1st public consultation summarized in 6 points



Timeframe

Maximum target year will be reduced to 10 for near-term SBTs, but SBTi is considering to allow a 15-year timeframe for sectors where short-term emission reductions are limited by long asset lifespans.



Near-term SBT

Minimum ambition of near-term SBTs will increase from WB2 °C to 1.5°C for scope 1 and scope 2, and when coverage of scope 3 is required, targets should at least be consistent with a well-below 2°C outcome



Long-term SBT ambition

Both absolute and intensity targets will be allowed, as will combined scope targets. The SBTi has developed approaches for long-term SBT setting to determine residual emissions. These are being piloted during the road test.



Long-term SBT boundary

Despite stakeholder preferences for a 67% coverage of long-term SBTs, SBTi will increase the minimum Scope 3 boundary coverage to 95% as all emissions must be included within a target boundary to reach true net-zero.



Neutralisation

Criteria on neutralisation need further refinement. The SBTi is collaborating closely with EAG members and other stakeholders and conducting further research to explore this area in more detail. In the meantime, the requirement for companies to have an explicit, quantitative neutralisation target has been removed



Compensation

Recommendations on compensation need further refinement. Feedback revealed that the current model would not incentivize companies to set compensation targets. The SBTi is collaborating closely with EAG members and other stakeholders and conducting further research to explore this area in more detail.

Next steps | We will continue technical development while testing the criteria with external stakeholders



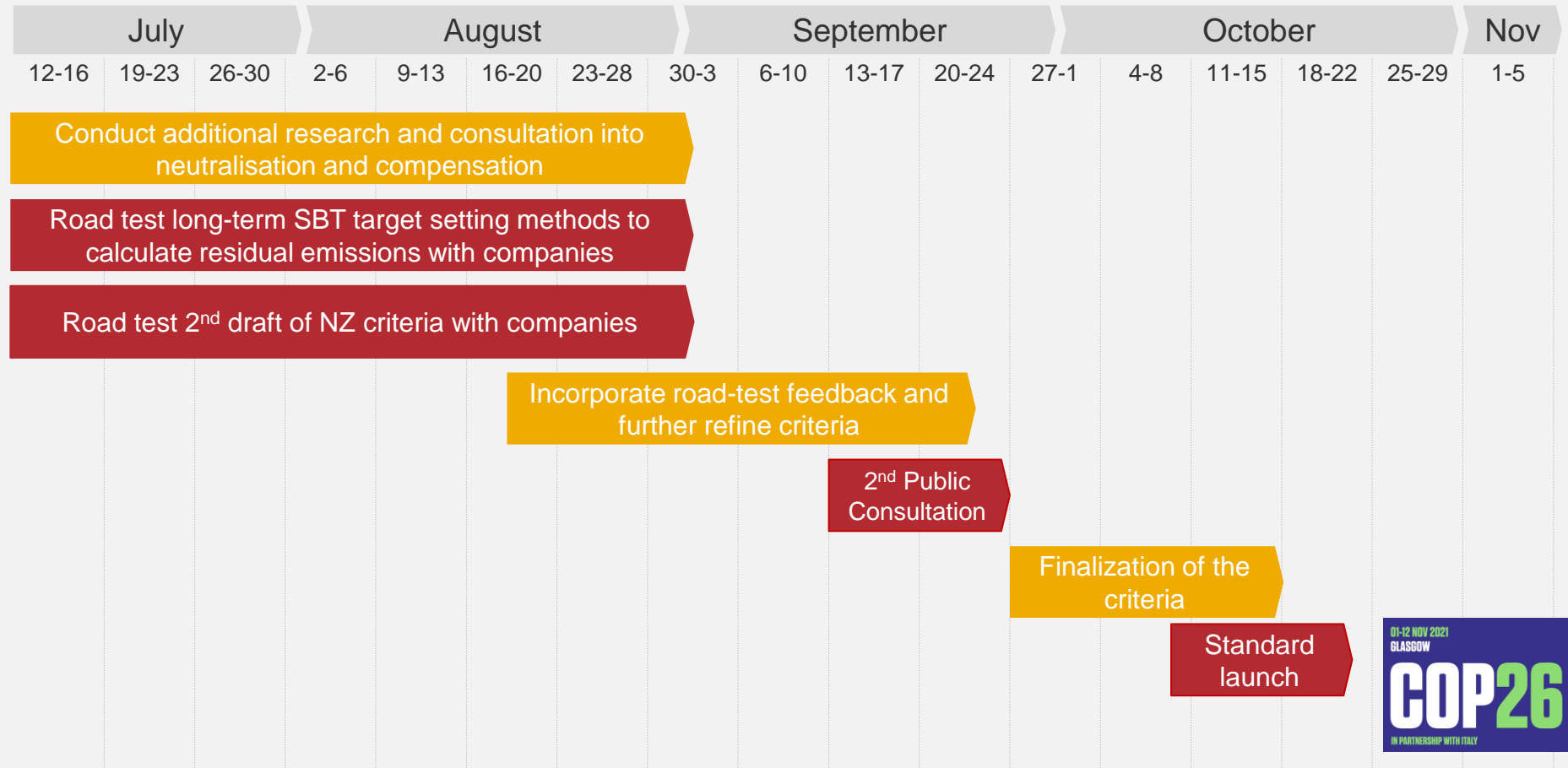
Technical development

Some criteria still need further consultation and research before they will be tested again



Testing with the public

A diverse set of stakeholders (e.g., to increase geographical diversity) will be engaged to test the criteria



Note: exact dates subject to change

