

SCIENCE-BASED TARGET-SETTING IN THE BUILDING SECTOR

FINAL

INVITATION TO PARTICIPATE

August 2023

About

The Science Based Targets initiative (SBTi) mobilizes companies to set science-based targets and boost their competitive advantage in the transition to the low-carbon economy. It is a collaboration between CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF) and one of the We Mean Business Coalition commitments.

The SBTi defines and promotes best practice in science-based target (SBT) setting, offers resources and guidance to reduce barriers to adoption, and independently assesses and approves companies' targets. The SBTi's overall aim is that SBT setting will be standard business practice and corporations will play a major role in driving down global GHG emissions.

SBTi will develop a set of science-based target setting methodologies, tools and guidance that will help companies in the building sector understand the level of target-setting ambition required to meet the Paris Agreement 1.5°C goals.

Background

Buildings account for 37% of today's global CO₂ emissions when both operational emissions and embodied emissions of materials are taken into account. Of this, around 3 Gt CO₂e are direct emissions; a further 9.8 Gt CO₂e are indirect emissions from electricity and heat consumption; and a further 3.5 Gt CO₂e from materials¹.

Floor area is set to grow some 75% over 2020-2050², meaning CO₂ emissions would rise dramatically if no decarbonisation efforts were made in the sector.

¹ IEA (2020), Energy Technology Perspectives 2020, IEA, Paris
<https://www.iea.org/reports/energy-technology-perspectives-2020>

² IEA (2021), Net Zero by 2050, IEA, Paris <https://www.iea.org/reports/net-zero-by-2050>

In 2015, the SBTi developed the Sectoral Decarbonisation Approach (SDA), a scientifically-informed method for companies to set GHG reduction targets necessary to stay within a 2°C temperature rise above pre industrial levels. This interpreted data about carbon budgets from the IPCC and IEA to allow companies to set their own targets that were in line with science. Subsequently a well-below 2°C pathway and an Excel tool were developed. For buildings, the SBTi tool only includes operational emissions from service buildings

Sector-specific pathways are relevant because they enable companies to apply the SBTi's Sectoral Decarbonization Approach methodology for target-setting. The SDA greatly facilitates science-based target-setting by companies in sectors where emission reductions are considered particularly challenging by allowing them to set targets that align with science-based decarbonization pathways while taking into account the particular barriers and opportunities in their sector.

The Paris Agreement and the recent [IPCC 6th Assessment Report](#) have highlighted the need to keep warming within a 1.5°C temperature rise. By setting emission reduction targets in line with this objective and defining appropriate decarbonization strategies, companies in the building value chain can help accelerate the transition to a low carbon economy and avoid the worst effects of climate change.

Project overview

Through this project, SBTi intends to develop a set of resources to guide the adoption of greenhouse gas (GHG) emission reduction targets for companies in the building sector with the ambition required to limit warming to 1.5°C according to the best available science.

To ensure the independence and scientific rigour of this work, the project envisions an inclusive and transparent multi-stakeholder process that involves setting up an expert advisory group with representation from key stakeholders that will accompany the project throughout the process.

Over the five years since the SBTi was formed, four issues have emerged that represent the key barriers for target setting in the built environment value-chain.

The three issues we seek to address are as follows:

1. **Sector-specific accounting and reporting guidance:** lack of clear sector-specific guidance from the Greenhouse Gas Protocol (GHGP) with regards to emissions accounting and reporting, which is often misinterpreted by corporates in this sector and leads to inconsistent reporting. This is especially true for Scope 3 emissions, where there is also a lack of clear guidance on data collection and quality. There is also confusion regarding how the other accounting standards, e.g., the Partnership for Carbon Accounting Financials (PCAF), can be

effectively used by the built environment value-chain to improve reporting and to ensure that all relevant emissions, including embodied carbon, are included in climate targets.

2. **Lack of more granular pathways:** lack of more granular decarbonisation pathways for different building types, the various actors across the value chain, as well as climatic variations for pathways.
3. **Guidance for Financial Institutions (FIs):** the SBTi has issued guidance for FIs, and this project aims to build on that guidance and expand it further. This is to include ensuring the FI guidance is consistent with that published for the buildings sector, as well as covering both in-use and embodied emissions of the sector.

Deliverables

The project will have 6 deliverables:

- **Scoping study:** to understand challenges faced by companies in the built environment value-chain to set SBTs, including review of existing methods and work by external bodies. This will also include reviewing current standards that deal with emissions' accounting within the building sector and the different methodologies followed in that regard. The aim of this deliverable is to identify current gaps within existing literature and methodologies, therefore inform future work within the project.
- **Target-setting pathways and tool:** revise the Sector Decarbonisation Approach (SDA) and SBTi target-setting tool to include a 1.5C climate change trajectory, as well as expand the scope and level of granularity, e.g. expanding the pathways to cover multiple building types, countries, and climate zones.
- **Target-validation protocol:** the SBTi plans to review its target validation protocols in order to incorporate relevant requirements and recommendations to ensure a standardised, homogeneous and transparent approach in the formulation and assessment of targets in the built environment value-chain.
- **Sector-specific guidance:** To develop a user-friendly guidance document that will enable companies and financial institutions to navigate through the science-based target setting process. The project will also aim to explore the production of a sector-specific accounting and reporting guide, covering scope 1, 2, and 3 emissions, building on and making reference to existing guidance in the field.
- **Accountability and tracking progress:** SBTi has a parallel project to develop a Monitoring, Reporting and Verification framework (MRV) that will set clear expectations for companies and financial institutions on monitoring and reporting progress against their targets. Relevant

guidance coming from that work will also need to be integrated in sector projects such as this one.

- **Knowledge sharing and capacity building:** SBTi and partners will raise awareness during and after completion of the project.

Governance and participation

This sector development project will follow an inclusive engagement approach with extensive opportunities for feedback from stakeholders, public workshops and webinars.

SBTi as the project lead will act as convening agent and project manager. Participating in this project is possible via the following groups:

- **Technical partners.** Composed of representatives of non-profit organizations and academia, will co-develop project deliverables, participate in decision-making discussions and be recognized as co-authors in the final deliverables.
- **Expert Advisory Group.** Composed of technical experts from stakeholder organisations and companies interested in setting an SBT and contributing to the project execution.
- **General stakeholder consultation.** Both industry and non-industry representatives will be able to provide feedback on each project component through workshops and webinars. The project lead will ensure a balanced participation of stakeholder categories.

Joining our Expert Advisory Group

Expert Advisory Group (EAG) members will benefit from directly participating in specialized methodological discussions with industry and civil society peers, obtaining better insights into the data, tool and guidance, and will receive recognition as project supporters in the final deliverables and on the SBTi website.

Eligible participants include private sector companies, civil society organisations, investors, policymakers, academics and experts. Invitations for participation in the EAG will consider the need for a balance of stakeholder categories, geographical diversity and gender balance.

Organisations interested in joining the EAG are encouraged to make an SBT commitment (e.g. [submitting a commitment letter to the SBTi](#)). It is expected that EAG members will participate in monthly calls, public consultations, online and/or limited in-person events and in the review of draft materials. The effort estimated to participate in all activities is max. 1 FTE day per month over the

duration of the EAG. In addition, EAG members may, if they wish, also support progressing the project to final deliverables through financial and/or in-kind contributions, although this is not obligatory³. (EAG members interested in making a financial contribution to this project can contact the project team.)

The structure of the EAG was developed based on the specific input that is expected from each participant, whereby there would be one general EAG, and one sub-EAG for each of the project's objectives. It is expected that participants in the General EAG will engage in each of the Sub-EAGs, and that participants chosen for one particular Sub-EAG may also be selected for other Sub-EAG. The structure of the EAG is as follows:

1. **General EAG.** The main purpose of this EAG is to advise on the general progress and outcomes of the project. The advantage of having a general sub-group is to improve the credibility of the project's outcomes, and therefore its uptake, by engaging influential companies in the EAG.
2. **Sub-EAG 1: Setting the sector's 1.5°C target: In-use (Scope 1+2) emissions.** Comment on and review the models and calculations developed by various technical partners (e.g., CRREM) which have informed the buildings sector's in-use 1.5°C target. This would include reviewing the sensibility of the various assumptions made as well as scrutinising the different methodologies followed.
3. **Sub-EAG 2: Task 2. Setting the sector's 1.5°C target: Embodied (Scope 3) emissions.** Comment on and review the models and calculations developed by various technical partners which have informed the buildings sector's embodied 1.5°C target. This would include reviewing the sensibility of the various assumptions made as well as scrutinising the different methodologies followed.
4. **Sub-EAG 3: Development of guidance.** The primary focus of the technical guidance issued by SBTi would be on emissions accounting and reporting for stakeholders within the buildings sector. As such, the EAG is expected to provide commentary and advise on a transparent, consistent, and clear methodology for how scope 1, 2, and 3 emissions are to be reported and categorised for each stakeholder within the value chain (e.g., architects, engineers, developers, and owners).

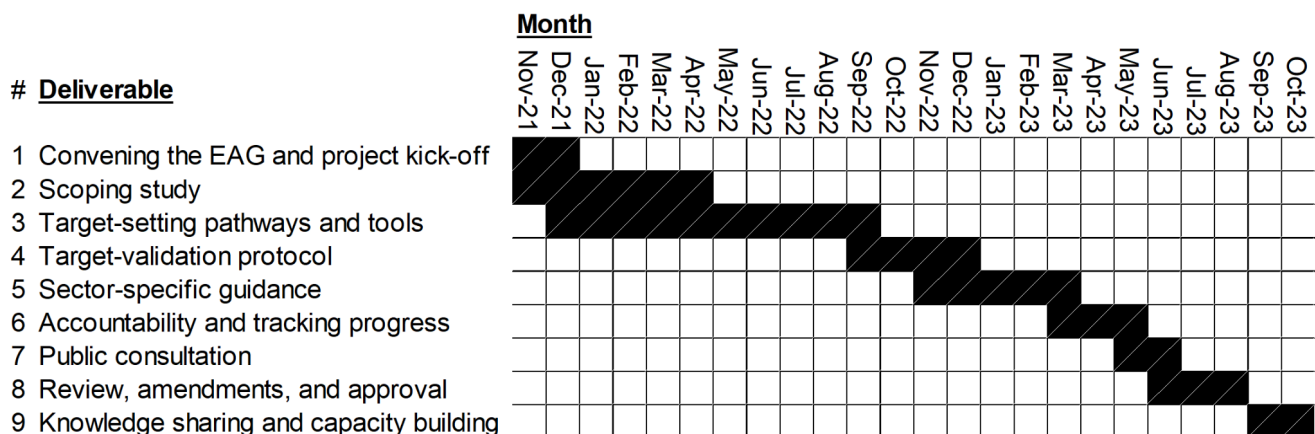
See Annex I for Terms of Reference of the EAG.

³ Funding for this project has been provided by Laudes Foundation.

Timeframe

The SBTi will convene EAG members from February 2022. The estimated project duration is 24 months from kick-off date.

The tentative project timeline is as follows:



Consultation/events:

- Monthly EAG update calls (February 2022 - May 2023).
- February 2022: EAG workshop I.
- Consecutive EAG workshops every month (approximately).

Contact

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Annex I – Terms of Reference for Expert Advisory Group (EAG)

Membership

The Expert Advisory Group (EAG) will have a maximum of 20 members. Eligible participants include private sector companies, civil society organisations, investors, policymakers, academics and experts.

Invitations for participation in the EAG will consider the need for a balance of stakeholder categories, geographical diversity and gender balance.

For the purpose of this project, the minimum acceptable level of ambition must be compatible with the definitions for 1.5 degrees of the SBTi, as defined in the [Foundations of Science Based Targets](#) document.

Role and Responsibilities

- Review draft methodologies and deliverables presented by SBTi and its technical partners in particular within the constraints of minimum acceptable levels of ambition of this TOR, as it pertains to allocation mechanisms and reference scenarios;
- Acknowledge the challenges and limitations of any methodology, with its assumptions, methods and indicators, and propose alternatives and pragmatic ways forward or help define the limits of its validity and applicability;
- Provide inputs and suggestions to be incorporated into the drafting of methodologies in a constructive spirit, namely in improving its clarity and scientific or technical accuracy;
- Support the translation of climate science into business parameters for the industry;
- Participate in monthly EAG calls or face-to-face meetings;
- Test and review draft methodologies and tools developed for use by companies;
- The EAG will play an advisory role and will not approve the final draft of the methodologies. CDP will present the methodologies to the four partners (CDP, the United Nations Global Compact, World Resources Institute (WRI) and the World Wide Fund for Nature (WWF)), represented in their Technical and Leadership teams for approval.
- Funding provided by EAG members does not confer any special status in the EAG or project governance.
- EAG members will not misuse their position to argue for reduced climate mitigation ambition;

- EAG members must consent to the use of their company name in relation to the EAG, but not for any additional purpose;
- EAG company members are encouraged to submit their commitment to set a science-based target to the SBTi before publication of the final deliverables.
- EAG members are encouraged to reciprocate being included in SBTi's EAG by including SBTi in their own similar bodies where relevant.
- Contentious issues and challenges shall be recorded, and main opposing views and rationales noted. If they cannot be resolved within the EAG, CDP will propose a way forward, recording the pros and cons of the proposal as well as alternatives proposed. Areas of disagreement might need to be forwarded to the Steering Committee of the SBTi for final resolution.
- The decision over approval of final deliverables rests solely with the Steering Committee of the Science Based Targets initiative.

Timeline

The expected duration of the EAG is 24 months, but this could be extended up to two months to accommodate extended technical discussions, upon agreement with EAG.

Communicating involvement and branding

All financial contributions from private sector companies for the work conducted under this ToR will be publicly acknowledged.

The organizations and SBTi (together the “participants”) will use the following language when referring to participation in the initiative and will not portray or imply any other association or collaboration between the participants:

“[Company name] participates in the Expert Advisory Group of the Science Based Targets initiative (SBTi) contributing to the development of science-based target methodologies for the Buildings sector. The Expert Advisory Group has an advisory role, and decisions on final methodologies will be made by CDP, UNGC, WRI and WWF as founders of SBTi. The methodologies developed in this project will be available at no cost to all stakeholders with the aim of supporting alignment with the Paris Agreement goals.

Please indicate your acceptance of these terms by signing and returning a copy of this letter.

Agreed to and on behalf of **XXXXXX**

Name: **XXXXXXXX**

Title: **XXXXXXXX**

Date: **XXXXXXXX**