

INTRODUCTION TO THE SBTI TOOL

SOUTH AFRICA AND SOUTHEAST ASIA

24 NOVEMBER 2021

Partner organizations



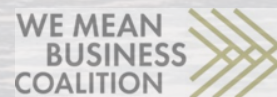
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WELCOME & HOUSEKEEPING

- This webinar is being recorded.
- We will send all registrants a copy of the presentation and the recording.
- Please ask your questions for the panel section in the Q&A box.



AGENDA

- 1 Welcome and Introductions
- 2 Technical Concepts
- 3 Types of Tools Available
- 4 SBTi Tool Demonstration
- 5 Q&A
- 6 Wrap-up

PRESENTERS FOR TODAY



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TECHNICAL CONCEPTS

ALIGNING AMBITION TO THE PARIS GOALS: UNDERSTANDING THE CONCEPTS

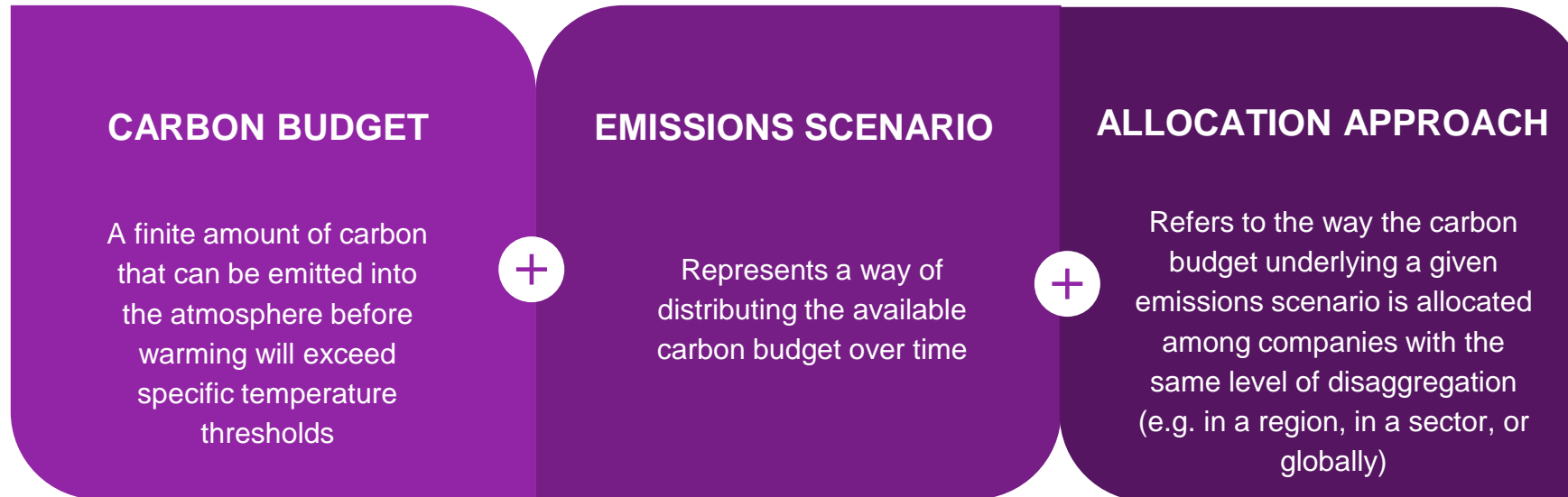


The **Foundations of Science-based Target Setting** paper explains how the SBTi has leveraged newly available science to align **its methods with 1.5°C pathway**.

It reflects an in-depth consultation with the **SBTi's Scientific Advisory Group**, composed of leading scientists from international agencies such as the Intergovernmental Panel on Climate Change (IPCC), International Institute for Applied Systems Analysis (IIASA), and International Energy Agency (IEA), as well as leading academic institutions and state climate agencies.

TECHNICAL CONCEPTS

ALIGNING AMBITION TO THE PARIS GOALS: TARGET SETTING ELEMENTS



TECHNICAL CONCEPTS

STEP 1 - CHOOSING A SCENARIO: UNDERSTANDING THE CONCEPTS

Concentration of atmospheric CO₂



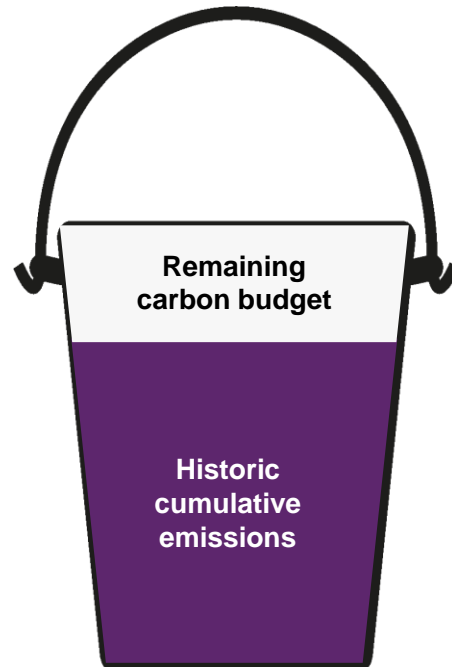
?
(2100)

~400 ppm
(present)

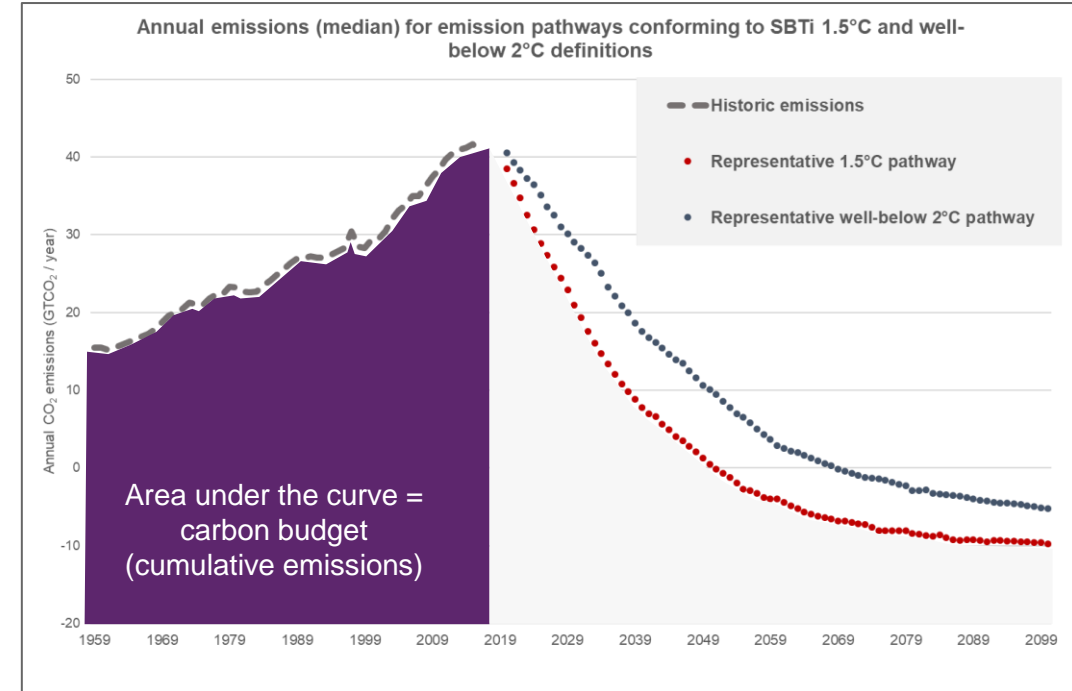
~280 ppm
(pre-industrial)



Carbon budget




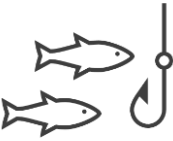


Emissions scenario for different temperature goals



TECHNICAL CONCEPTS

STEP 1 - CHOOSING A SCENARIO: WHAT IMPACTS DO DIFFERENT SCENARIOS RESULT IN?

		1.5°C	2.0°C	2°C impacts
	Global population exposed to severe heat at least once every 5 years	14%	37%	2.6x worse
	Number of ice-free arctic summers	At least 1 every 100 years	At least 1 every 10 years	10x worse
	Further decline in coral reefs	70-90%	99%	Up to 29% worse
	Decline in marine fisheries	1.5M tonnes	3M tonnes	2x worse

Despite understanding the **severity** of climate change impacts, current policies put us on track for **between 2.7–3.1°C**.

COP26 pledges put us at **2.4°C**

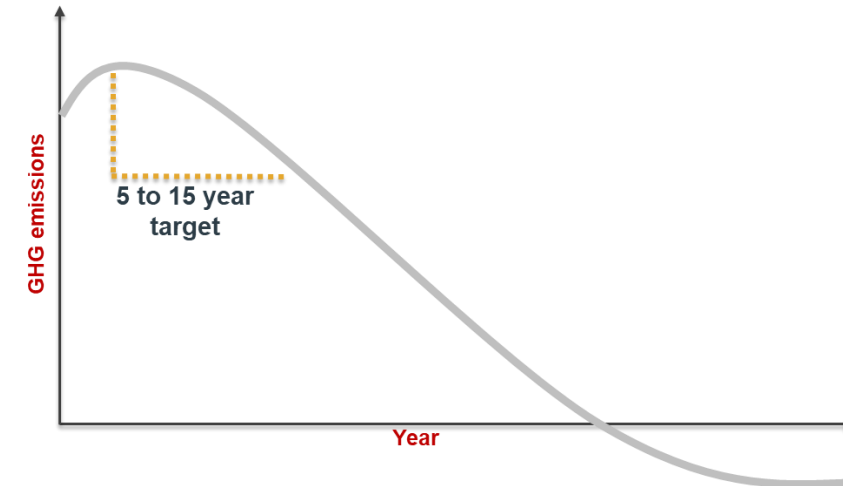
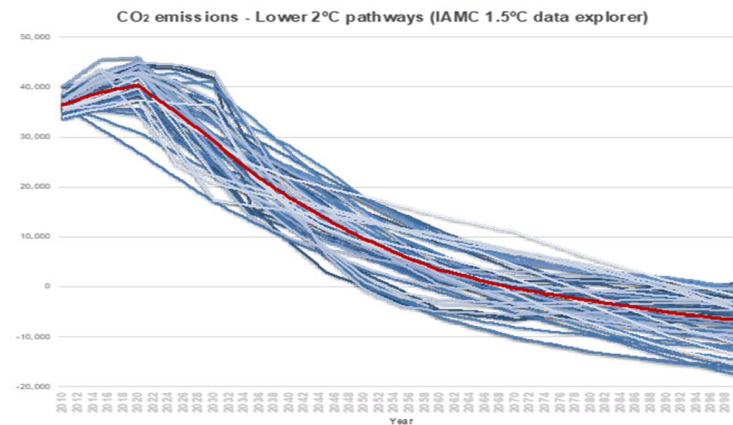
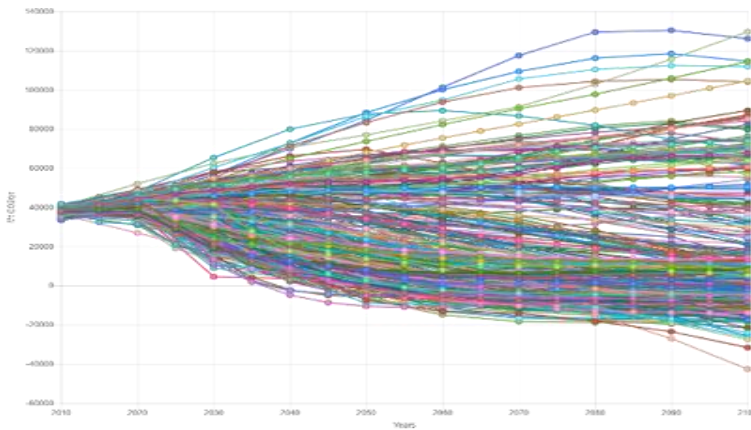
TECHNICAL CONCEPTS

STEP 1: HOW DOES THE SBTi SCREEN OUT SCENARIOS?

IAMC 1.5°C Ensemble

Sub-set of scenarios based on
SBTi filter

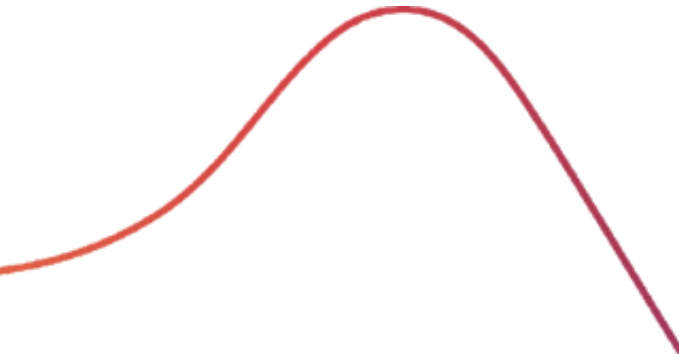
Translation into parameters
relevant to SBTs




- Global GHG emissions scenarios drawn from the Integrated Assessment Modeling Consortium (IAMC) are used to construct a scenario envelope for **1.5°C** and **well-below 2°C** (WB2D) Compliance.
- Four-step selection process to ensure that the combined set of scenarios is aligned with the principles of **plausibility, responsibility, objectivity, and consistency**.
- Linear reduction rate calculated 2020-2035.

TECHNICAL CONCEPTS

STEP 2 | ALLOCATING THE CARBON BUDGET - AVAILABLE METHODS



TARGET SETTING APPROACH	SCOPE 1 AND 2	SCOPE 3
Absolute reduction	X	X
Physical intensity reduction	X	X
Economic intensity reduction		X
Supplier engagement		X



TECHNICAL CONCEPTS

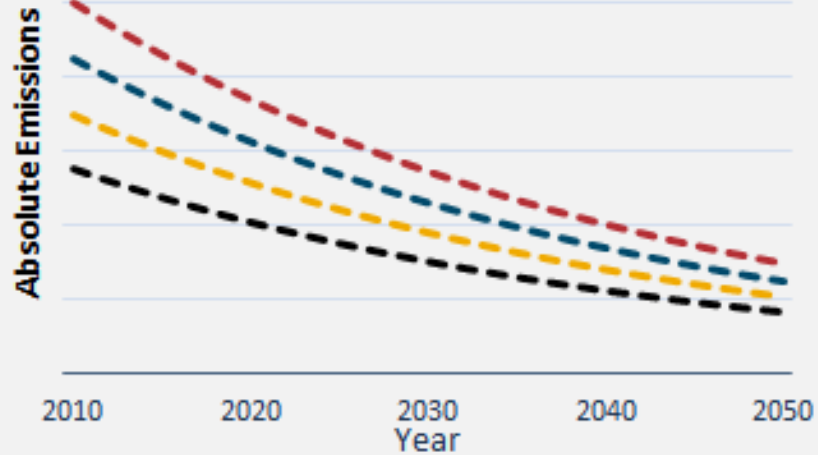
ALLOCATING THE CARBON BUDGET - METHODS FOR SCOPE 1 AND 2

Absolute-based approach

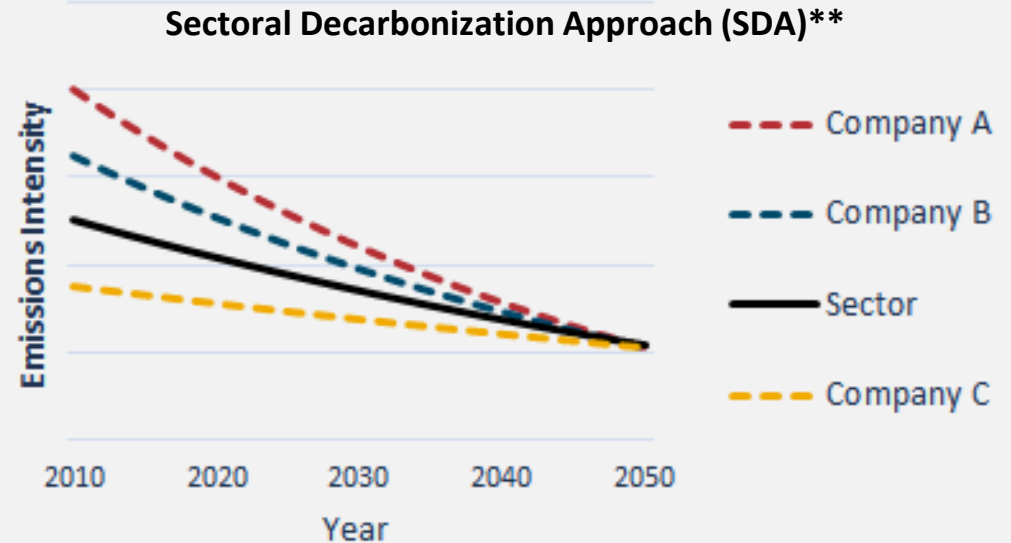
- All sectors
- Equal % reduction based on IPCC carbon budget scenarios

Sector-based approach

- Homogeneous sectors
- Different % of reduction
- Sectoral IEA* carbon budgets



Contraction



Convergence

* International Energy Agency

** Developed by the SBTi

TECHNICAL CONCEPTS

ALLOCATING THE CARBON BUDGET - METHODS FOR SCOPE 1 AND 2

Absolute-based approach

- Sector-agnostic
- Scope 1 & 2 emissions: **contraction of absolute emissions** in line with decarbonisation rate of climate scenarios
- Can be used by companies from all sectors, except Power Generation and Oil & Gas

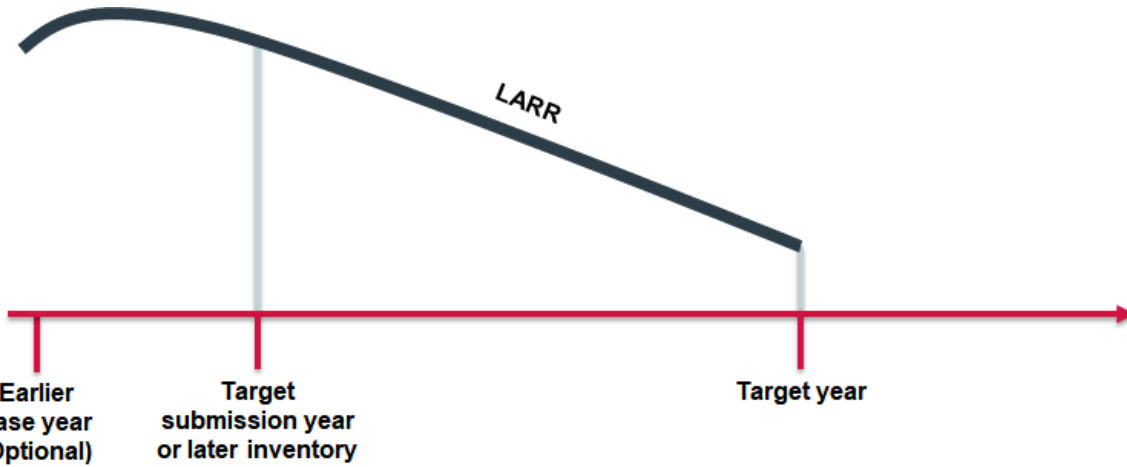
Sector-based approach

- Sector-specific
- Sectoral Decarbonization Approach (SDA) provides sectoral decarbonisation pathways that enable **emission intensity targets**
- SDA currently covers large parts of **heavy industry**, power, real estate, ICT sector, and some transport sectors, with some of these still in development/refinement
- The SBTi is also developing more bespoke sector approaches for key sectors, specifically, **Maritime Shipping, Forestry, Land and Agriculture**

TECHNICAL CONCEPTS

STEP 2 | ALLOCATING THE CARBON BUDGET ABSOLUTE-BASED APPROACH

Absolute-based approach



Can be used for target formulation purposes

5 to 15 year years

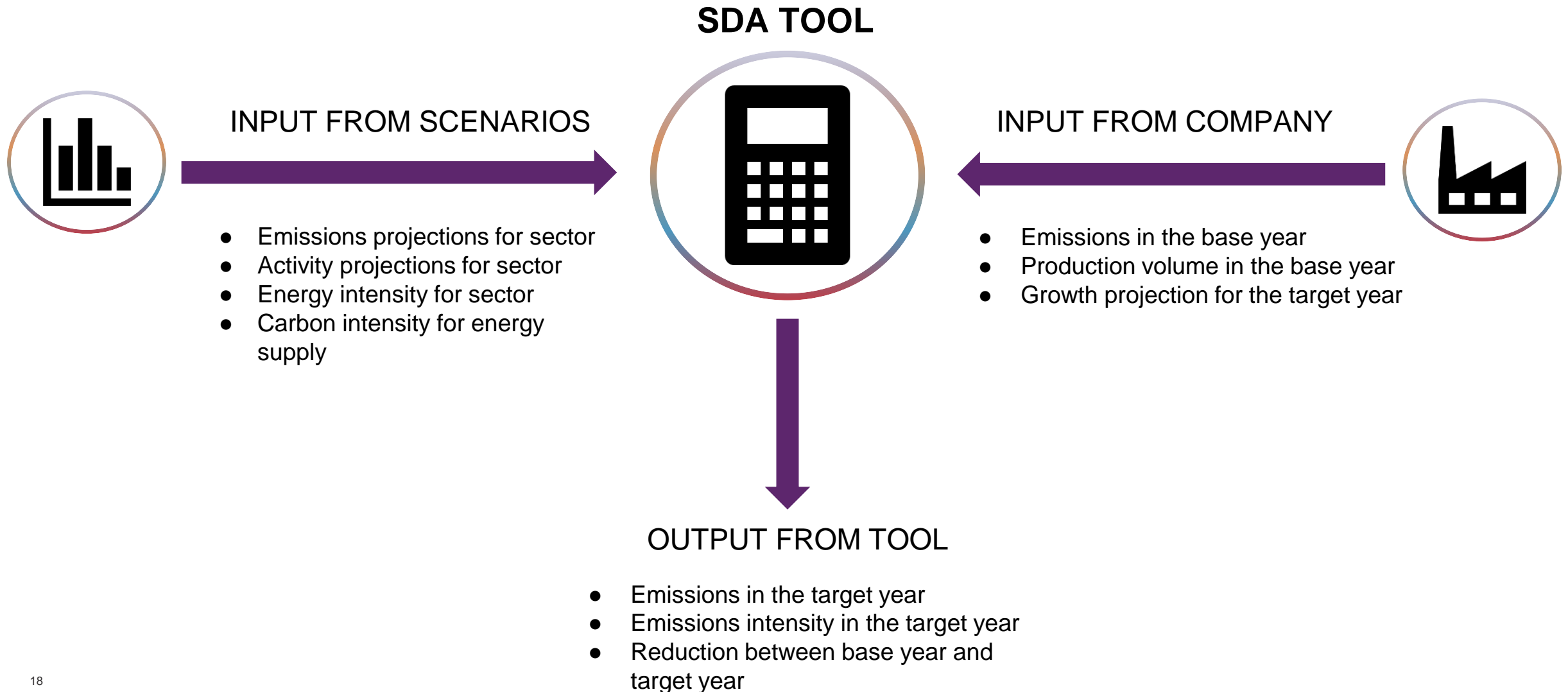
Period used to assess ambition

LARR = linear annual reduction rates

		TARGET PERIOD		
		5 YEARS	10 YEARS	15 YEARS
TARGET AMBITION	WB2C (2.5% LARR)	12.5%	25%	37.5%
	1.5°C (4.2% LARR)	21%	42%	63%

TECHNICAL CONCEPTS

STEP 2 | ALLOCATING THE CARBON BUDGET: THE SDA



TECHNICAL CONCEPTS

STEP 2 | ALLOCATING THE CARBON BUDGET THE SDA

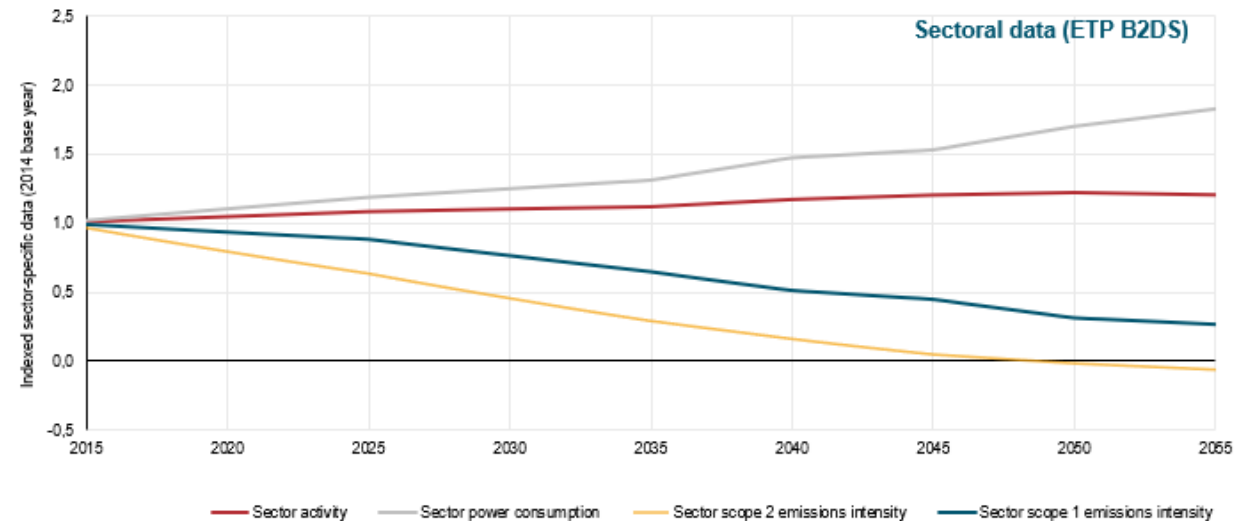
How is the SDA built?

Sector activity levels: Activity projections for each available sector in the ETP. Specific activity metrics are defined for each sector.

Sector CO₂ emissions: A direct CO₂ emissions trajectory for a given sector that is aligned with a temperature goal (ie. well-below 2°C or 1.5°C).

Sector intensity pathways: The result of dividing total direct emissions of the sector in any given year by the total activity of the sector in the same year.

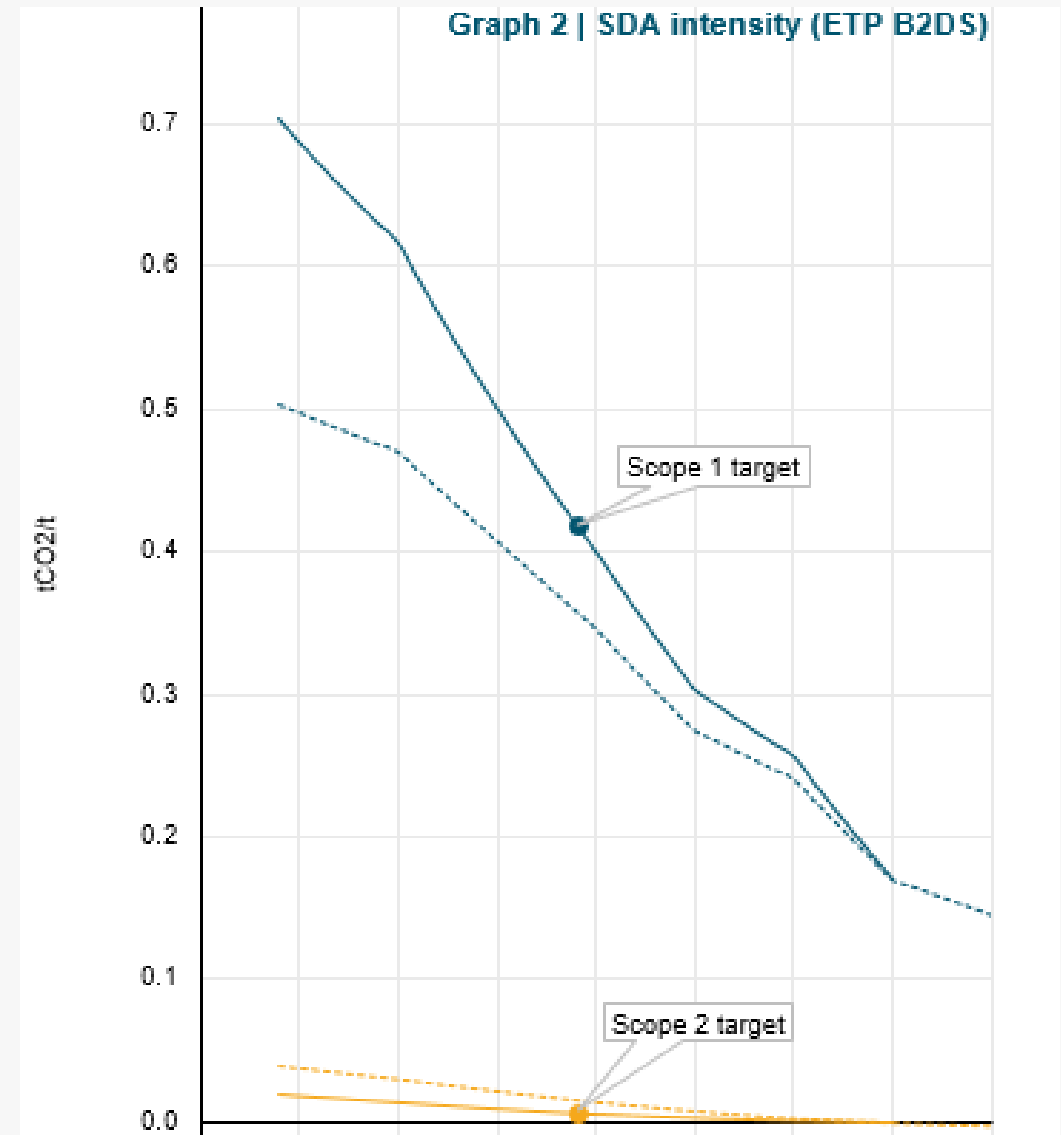
Sector-based approach



TECHNICAL CONCEPTS

STEP 2 | ALLOCATING THE CARBON BUDGET THE SDA

- “**Intensity convergence**” is based on the assumption that the carbon intensity of each company in a homogeneous sector **will converge with the sector carbon intensity in 2050**.
- Within each sector, companies can derive their science-based emission reduction targets based on their **relative contribution to the total sector activity and their initial carbon intensity relative to the sector’s intensity**.
- As it currently stands, the method does not cover certain activity sectors (Agriculture, forestry, and other land use; Oil and gas production; Residential Buildings, and others).



TECHNICAL CONCEPTS

STEP 2 | ALLOCATING THE CARBON BUDGET: MINIMUM AMBITION

TARGET SETTING APPROACH	SCOPE 1 AND 2		SCOPE 3
	1.5°C	Well-below 2°C	
Absolute reduction	4.2% linear annual reduction rate	2.5% linear annual reduction rate	2.5% linear annual reduction rate
Physical intensity reduction	= 4.2% linear annual reduction rate <hr/> physical indicator	According to SDA Tool using IEA ETP B2DS scenario	Option 1: 2% and no increase in absolute emissions Option 2: Modelled using SDA tool
Economic intensity reduction	-	-	7% year-on-year annual reduction
Supplier engagement	-	-	Coverage needed to ensure that boundary criteria is met within 5 years
	Covering 95% of emissions		Covering 2/3 of emissions

TECHNICAL CONCEPTS

STEP 2: ALLOCATING THE CARBON BUDGET: OVERVIEW OF METHODS FOR VARIOUS SECTORS

SBTi Methods & Sectors	Sector	Methods
SBTi Methods & Sectors	POWER	<ul style="list-style-type: none">• SDA only.• Visit the SBTi Power webpage to access the guidance and SBTi tool.
	LAND TRANSPORTATION	<ul style="list-style-type: none">• SDA or Absolute Contraction.• Auto manufacturers MUST set well-below 2°C aligned scope 3 targets on use of sold products.• Visit the SBTi Transport webpage to access the guidance and tool.
	FINANCIAL INSTITUTIONS	<ul style="list-style-type: none">• Three methods for financed emissions (scope 3): SDA, SBT Portfolio Coverage, Temperature Rating• Visit the SBTi Financial Institutions webpage to access the guidance and tools.
	ALUMINUM, CEMENT, COMMERCIAL BUILDINGS, IRON AND STEEL, PULP AND PAPER	<ul style="list-style-type: none">• SDA or Absolute Contraction.• Download the SBTi tool to model targets for these sectors.
	APPAREL & FOOTWEAR, ICT	<ul style="list-style-type: none">• Absolute Contraction only.• Visit the Apparel & Footwear webpage and the ICT webpage to access relevant guidance.
	ALL OTHER SECTORS	<ul style="list-style-type: none">• Absolute contraction only.• Download the SBTi Tool to model targets using the absolute contraction approach.

Access the SBTi Sector Guidance webpage to find detailed info about each sector: <https://sciencebasedtargets.org/sectors>

TECHNICAL CONCEPTS

STEP 2 | ALLOCATING THE CARBON BUDGET: SECTOR DEVELOPMENT



Sector	Project Status	Expected Delivery	Deliverable
Forest, Land and Agriculture	Method development	Q1 2022	Full methodology
Maritime Shipping	Method development	Q2 2022?	Full methodology



TYPES OF TOOLS AVAILABLE

AVAILABLE TOOLS

Type of tool	Purpose	Where
SBTi Target Setting Tool	Summary of accepted SBTi target setting methods including SDA and Scope 3 methods Latest version: V1.2.1	Resources section on SBTi website
SBTi Transportation Tool	Transportation related organizations such as OEMs	Resource section on SBTi website and Transportation Sector page
Net Zero Tool	To demonstrate how companies can set Net Zero targets (long term), <i>to be updated for including near term targets</i>	Net Zero and Resources pages of the SBTi website
GHG Protocol Scope 3 Evaluator Tool	To perform Scope 3 screening if a company doesn't have specific data	Resources section on SBTi website and GHGP website
SBTi Financial Institutions Tool	For Temperature Scoring and Portfolio Coverage	Resources section and Financial Institutions guidance page



SBTi Tool Live Demonstration

Q&A

THANK YOU FOR PARTICIPATING!

Partner organizations



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