



SCIENCE
BASED
TARGETS

Target-setting pitfalls and lessons learned

September, 2017

Webinar

An initiative by



In collaboration with





Agenda

- **1. Welcome and Introductions**
- 2. General update from the Science Based Targets initiative
- 3. Overview of the target validation process
- 4. Common target setting challenges
 - 1. Initial screening
 - 2. Scope 3 inventories and targets
 - 3. Forward-looking ambition
- 5. Discussion

Science Based Targets | Welcome and Introductions

Speakers on the call

- **Elena Stecca**, Senior Project Officer Global Initiatives, CDP
- **Alberto Carrillo**, Director, SBT & RE Procurement, CDP
- **Alexander Liedke**, Acting Leader, WWF Science Based Targets team
- **Nicole Labutong**, Technical Manager – Scoring, CDP
- **Nate Aden**, Senior Fellow at World Resources Institute, WRI
- **Paola Delgado**, Research Manager, Science Based Targets, WWF



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Science Based Targets | About us



Science Based Targets is a joint initiative by CDP, the UN Global Compact (UNGC), the World Resources Institute (WRI) and WWF intended to increase corporate ambition on climate action by mobilising companies to set greenhouse gas emission reduction targets consistent with the level of decarbonisation required by science to limit warming to less than 1.5°C / 2°C compared to pre-industrial temperatures.

Science Based Targets | Objectives

SBTi Objectives

1. By **2020**, at least **300** high-impact companies, **representing at least 2 GT of emissions**, will have science-based emission reduction targets in place.

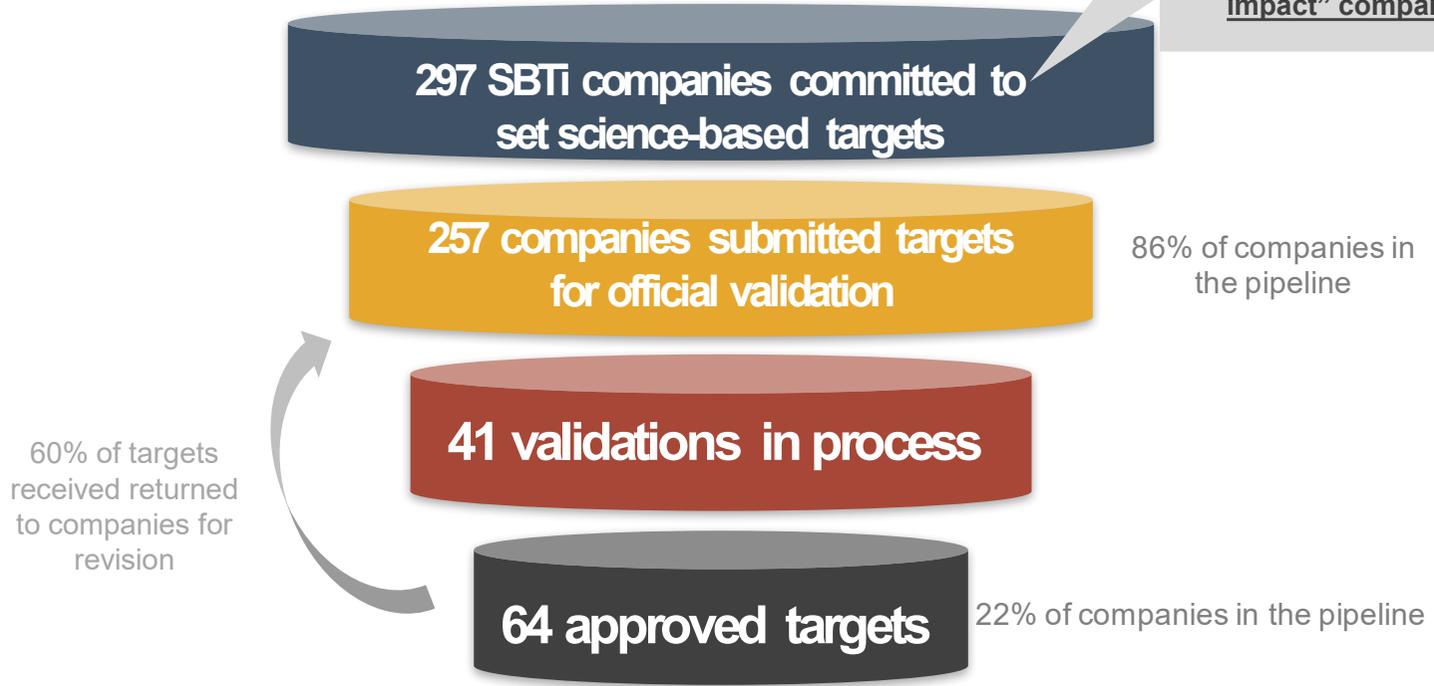
2. By **2018**, at least **300** high-impact companies, **representing at least 2 GT of emissions**, will have committed to adopt science-based GHG emission reduction targets and more than 100 of these companies will have approved science-based targets.

3. Science-based target setting will be embedded in key mechanisms and platforms that lead to the widespread and sustained adoption of GHG emission reduction targets in line with science as a standard business practice in priority regions and sectors.

4. In support of the Paris Agreement, science based targets from leading companies demonstrate to policy-makers the scale of emission reductions that are achievable to positively influence international climate negotiations and domestic climate policy.

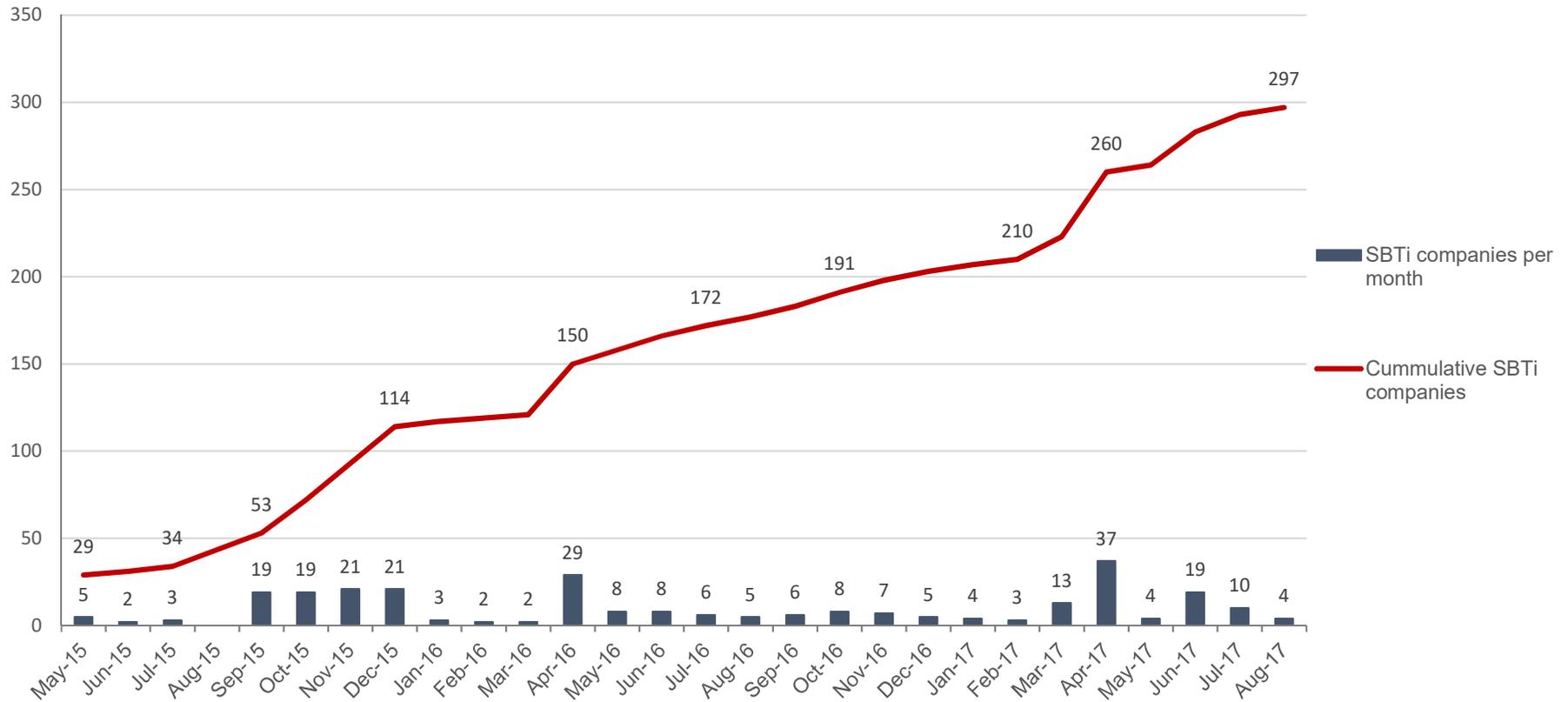
Science Based Targets | SBT Pipeline summary

- 1. Market cap > 6 trillion USD.
More than entire value of Tokyo stock exchange.
- 2. S1+S2 equivalent to one of the 10 largest country emitters.
- 3. Includes more than 100 "high impact" companies



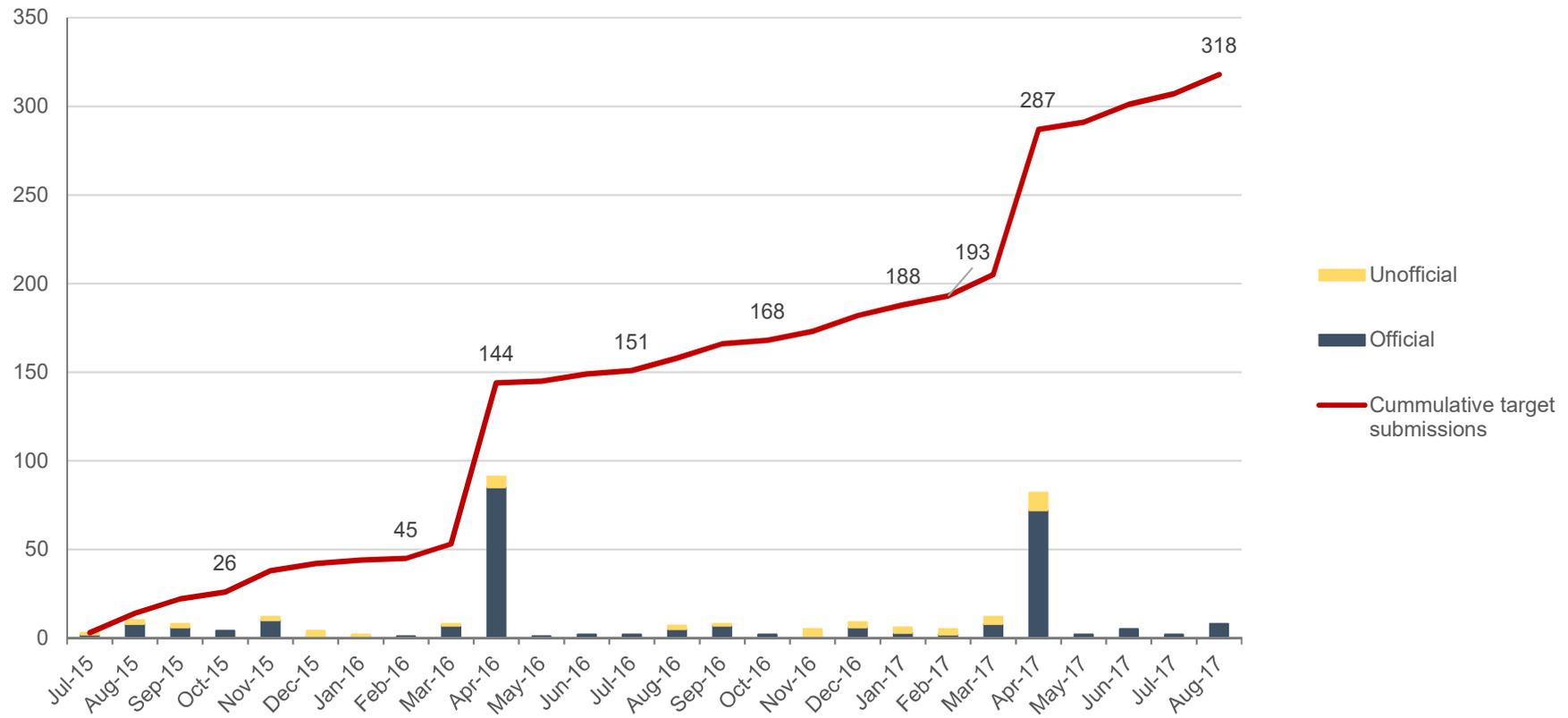
Science Based Targets | Current status

SBTi companies (committed or approved) since May 2015



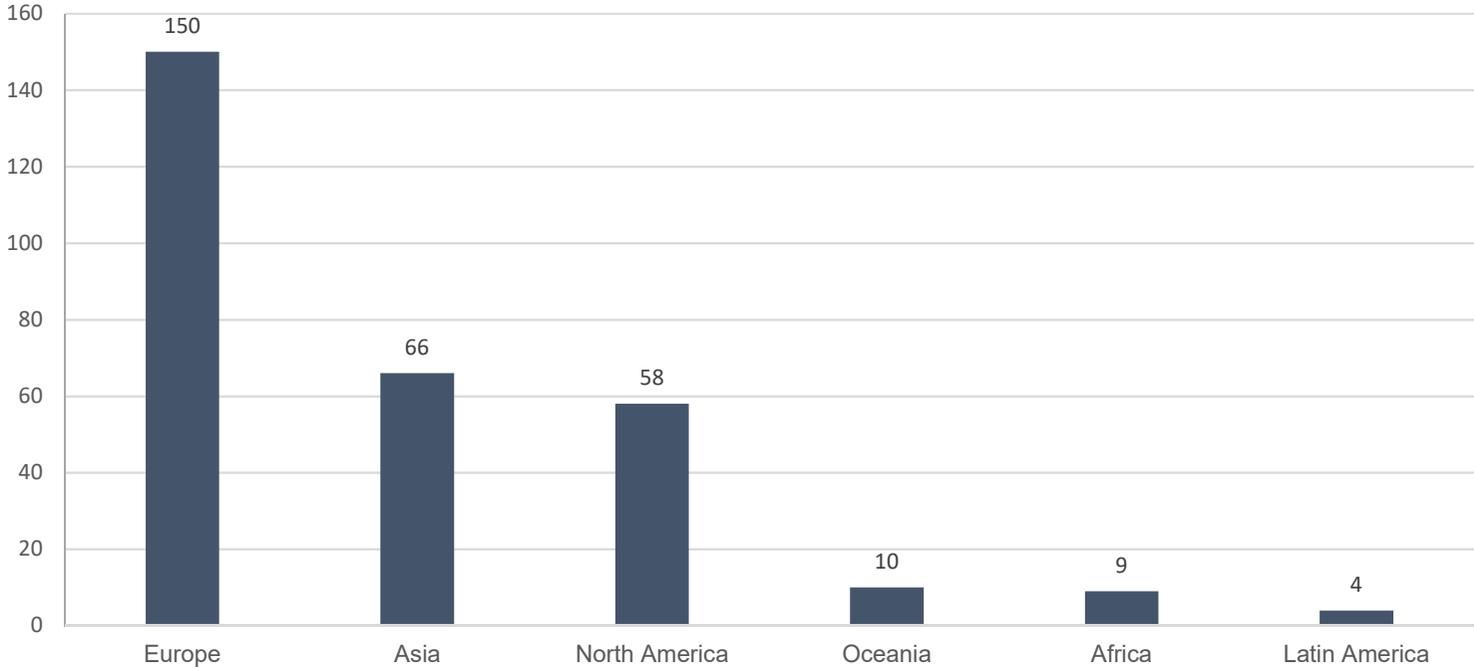
Science Based Targets | Current status

Target submissions received since July 2015



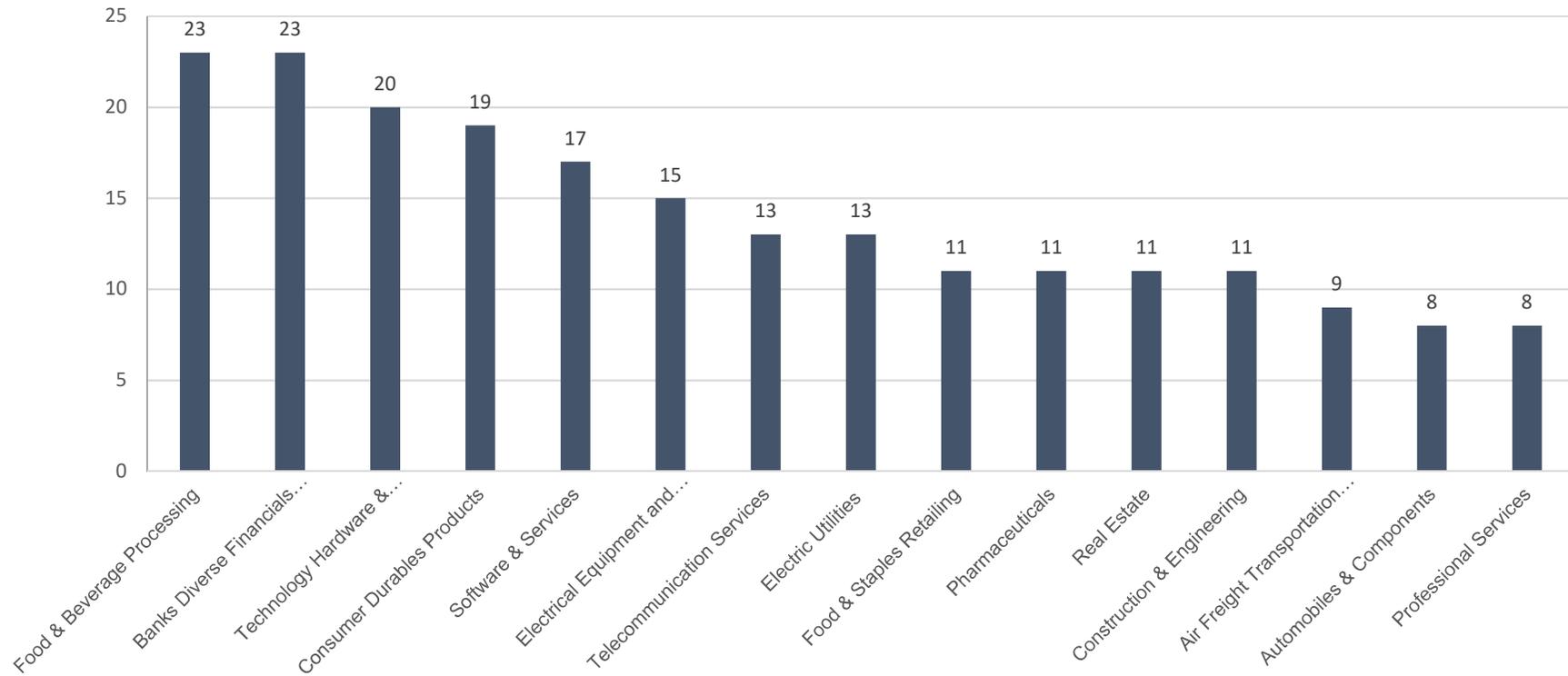
Science Based Targets | Progress by Region

SBTi companies by region



Science Based Targets | Progress by Sector

SBTi companies by top 15 sectors (GRI classification)



Science Based Targets | Other Updates

- SBT manual in final stages of review – Planned release in Oct, 2017
- Specific sector guidance/methodologies under development by SBTi team (with partners)
 - Transport sector methodology development from May – Dec 2017
 - Apparel sector guidance development from June 2017- Nov 2018
 - Financial sector methodology – fundraising stage
 - Chemical sector methodology development – concept phase
 - Oil & Gas technical paper – concept phase
- Climate Week Deep Dive Training event on 21 September



Agenda

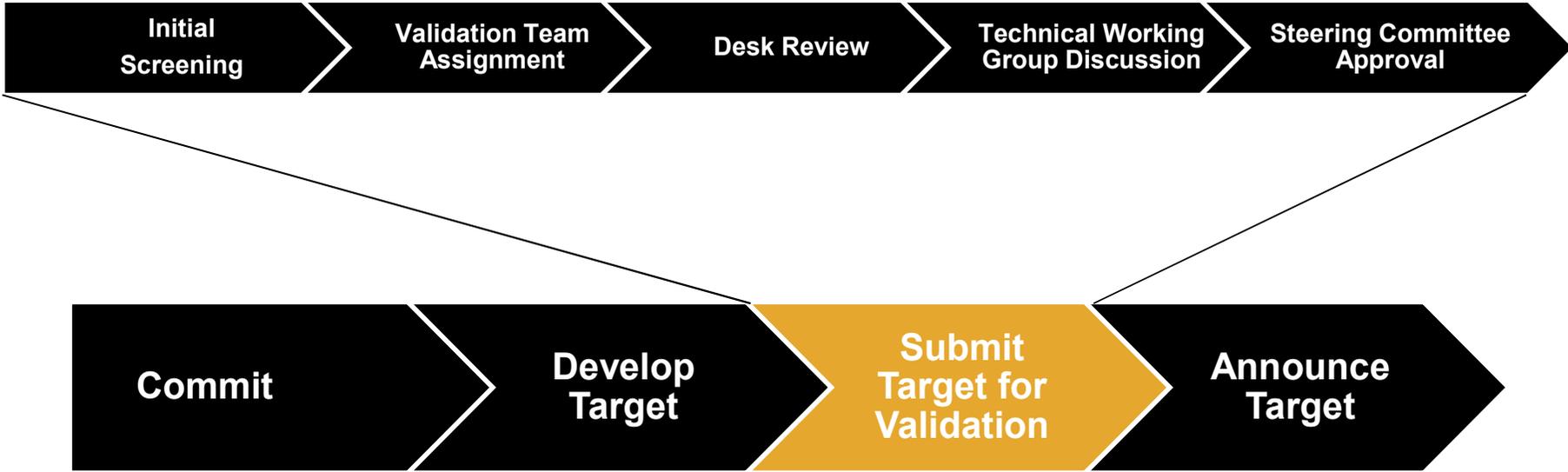
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Science Based Targets | Target Validation Process

SBTi Call to Action Guidelines outlines process in detail and provides links to relevant guidance and forms



Science Based Targets | Target Validation Process



Science Based Targets | Target Validation Process



Submission form

- To facilitate the validation process, please make sure the submission form is as clear, complete, concise, consistent, and accurate as possible
- Please read the **guidance document** for information on how to fill it out
- Do not leave any fields blank (write “N/A” if not applicable)
- If information differs from other public sources, please explain the discrepancy

Science Based Targets | Target Validation Process



The submission form is reviewed:

- 1) For **completeness**
- 2) To assess **certain criteria** that can be easily checked
 - Timeframe
 - Scope 1 and 2 inventory and target boundary
 - Scope 3 screening conducted
 - Scope 3 target provided if scope 3 is significant

Targets may be unapproved at this stage.

Science Based Targets | Target Validation Process



Teams are assigned on a rotating basis between organizations, avoiding conflicts of interest.

Roles and responsibilities

- **Lead Reviewer:** reviews submission forms, assesses targets against the SBTi criteria, liaises with companies, and submits recommendations to rest of validation team
- **Appointed Approver:** verifies that the Lead Reviewer followed the correct processes/analyses and assesses results against the SBTi criteria
- **Steering Committee Member:** a representative of the decision making body of the SBTi

Science Based Targets | Target Validation Process



The Lead Reviewer:

- Thoroughly assesses the accuracy, relevance, completeness, consistency, and transparency of the information provided by the company in the submission form and any accompanying documents
- Sends up to two rounds of queries to the company

The Appointed Approver:

- Reviews the Lead Reviewer's work and recommendations

If there is agreement on the recommendations, the target is sent to the rest of the group.

From April to June, time restrictions are applied more rigorously to ensure results are ready in time for CDP scoring. Please see the **CDP Technical Note on Science Based Targets.**

Science Based Targets | Target Validation Process



- The **Technical Working Group** is comprised of the Lead Reviewers and Appointed Approvers from all partner organizations
- Following the group discussion, the Lead Reviewer may ask the company one more round of queries
- Consensus is required for the target to pass

Science Based Targets | Target Validation Process



- For complex targets (e.g. scope 3 targets that are not expressed as a % emissions reduction) or if the Technical Working Group is unable to come to an agreement, a **Steering Committee Member** is asked to make a decision on the target



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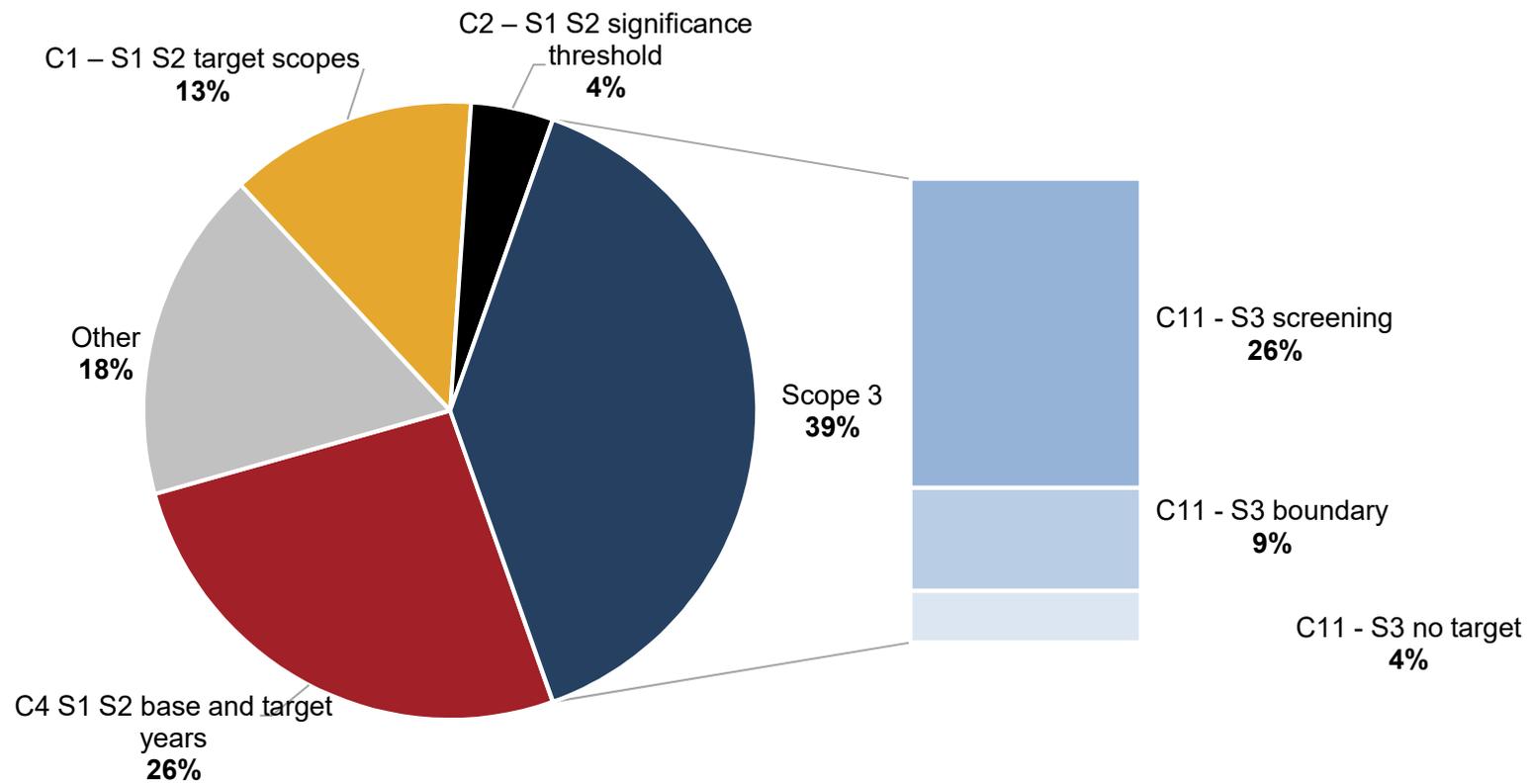
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Science Based Targets | Outcome of target reviews during



- From March to July 2017, 81 targets were submitted to the Science Based Targets initiative for an official validation
- Of the 81 submissions, 45 (~56%) were unapproved due to failure to meet at least of the [SBTi criteria](#)
 - 19 did not pass the Initial Screening
 - 26 did not pass the Desk Review

Science Based Targets | Challenges during initial screening



Science Based Targets | Challenges during initial screening

Base and Target Years

Target years must be 5 to 15 years from the date the targets are submitted to the SBTi for an official validation.

- For targets submitted in the first half of 2017, valid target years are 2021-2031
- For targets submitted in the second half of 2017, valid target years are 2022-2032

Scopes

All targets and inventories must not exclude more than 5% of scopes 1 and 2 combined. Even if explanations are provided, they count toward the 5%.

Scope 3 Screening

Required of all companies.

Similar to the CDP questionnaire, for each category you must state if it is relevant or not for your company. If relevant, provide the emissions. If not relevant, provide an explanation.

Scope 3 Target

If scope 3 is at least 40% of all emissions, a scope 3 target is required.

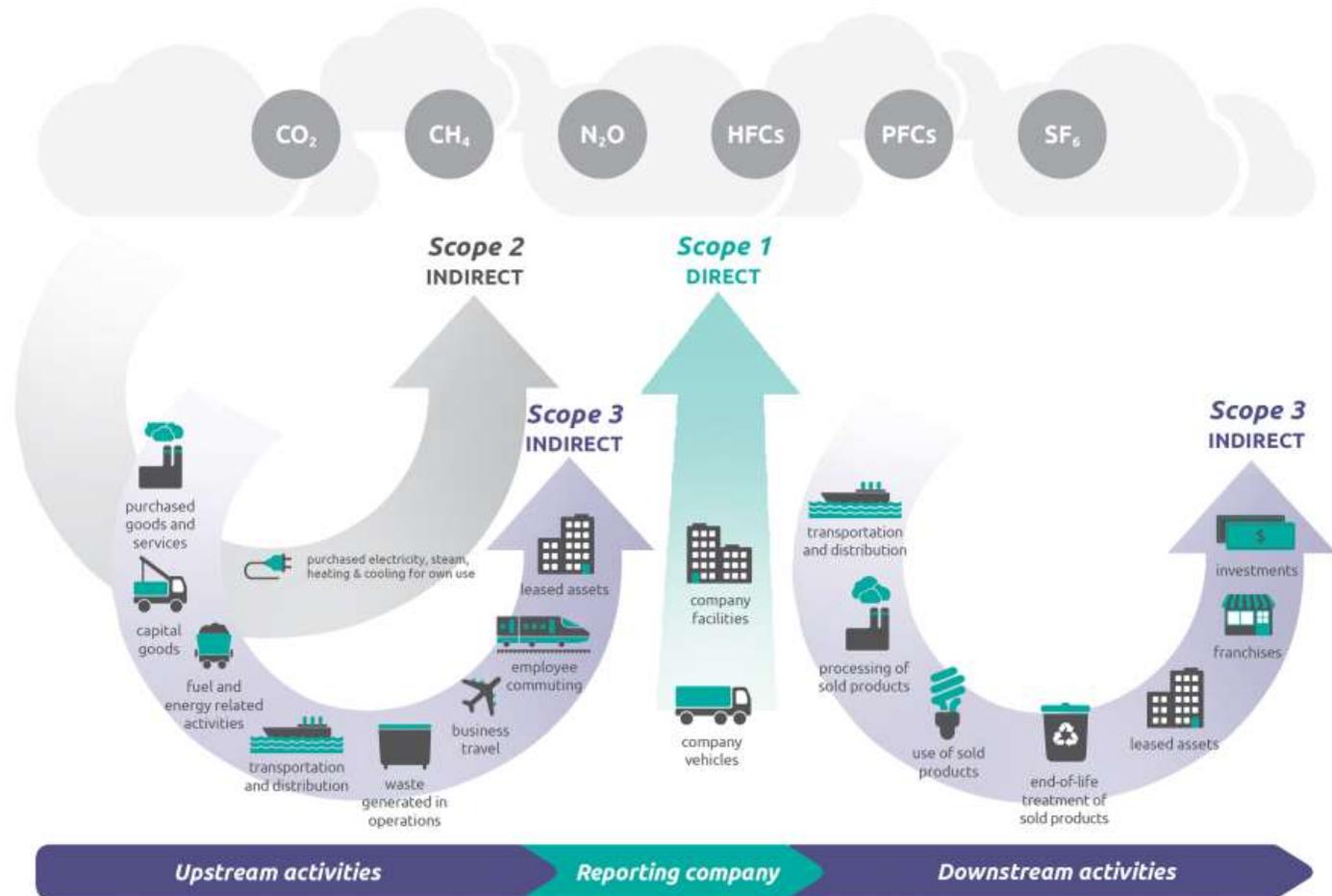


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Science Based Targets | Scope 3 inventories and targets

- Where are companies struggling?
- What resources are available?
- Where are we going?

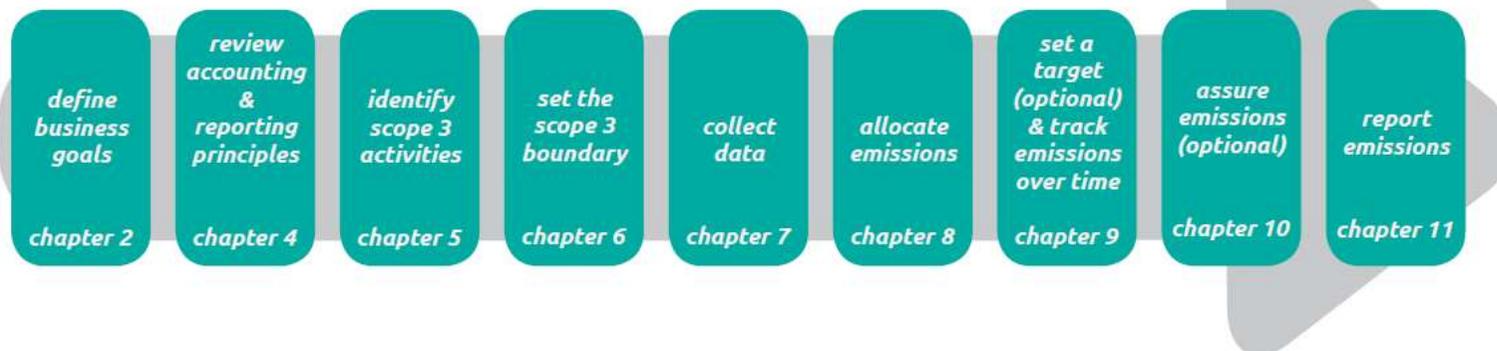


Source: [Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#)

Science Based Targets | Scope 3 inventories and targets

SBT scope 3 criteria

- **C11 - Boundary:** Companies must complete a scope 3 screening for all relevant scope 3 categories in order to determine their significance as per the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. If a company's scope 3 emissions are at least 40% of total scope 1, 2, and 3 emissions, a scope 3 target is required. The scope 3 target boundary must include the majority of value chain emissions; these are the top 3 categories or 2/3 of total scope 3 emissions.
- **C12 - Ambition:** Scope 3 targets should clearly demonstrate how the company is addressing the main sources of GHG emissions within their value chain in line with current best practice.
- ***C13 - Power generators that distribute fossil fuels:** All electricity-generating companies that distribute natural gas or other fossil fuel products shall set scope 3 targets for the use of sold products.
- ***C14 - Scope 3 Timeframe:** All targets must cover a minimum of 5 years and a maximum of 15 years from the date the target is submitted to the SBTi for an official validation.

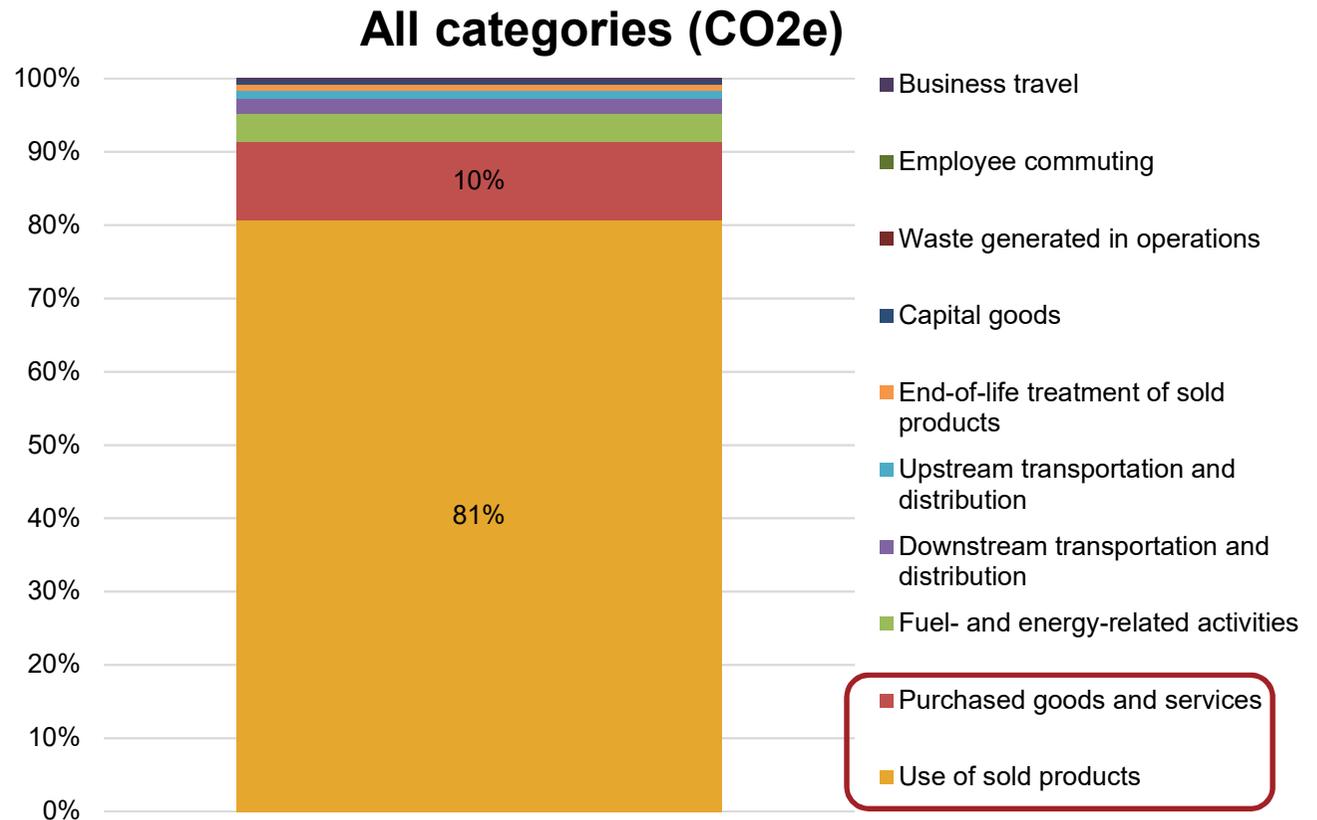


Additional information is available at <http://sciencebasedtargets.org/step-by-step-guide/> and [Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#).

Science Based Targets | Scope 3 inventories and targets

Company Challenges:

- Lack of data
- Long process
- Insufficient capacity
- Mismatch between emissions categories and direct leverage

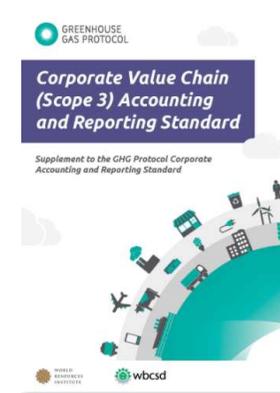


Source: CDP survey data (2014)

Science Based Targets | Scope 3 inventories and targets

How long does it take to do a scope 3 inventory?

- Average time taken for the road test companies to complete their scope 3 inventory was approximately 3 months for one full time employee*
- Depends on:
 - Type of company
 - Existing understanding of supply chain;
 - Relationships with suppliers;
 - Data collection infrastructure/tools already in place;
 - Many other variables
- Evaluate your company's scope 3 inventory with the [Scope 3 Evaluator](#).



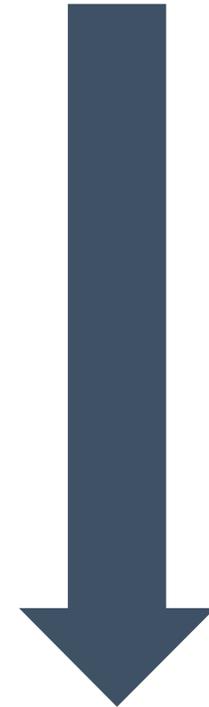
The image is a screenshot of the Quantis Scope 3 Evaluator web interface. At the top, there is a navigation bar with the Greenhouse Gas Protocol logo and 'Quantis' branding. Below the navigation bar is a header image showing industrial smokestacks. The main content area is titled 'Welcome' and includes a 'Welcome to the Scope 3 Evaluator!' message. It explains that users will be asked a series of questions to calculate a comprehensive first screening of their company's scope 3 carbon footprint. A 'Why use the Scope 3 Evaluator?' section follows, stating that for many companies, more than 80% of their GHG impacts occur outside their own operations. A diagram at the bottom illustrates the three scopes of emissions: Scope 1 (Direct), Scope 2 (Indirect), and Scope 3 (Indirect). Scope 1 includes CO2, CH4, N2O, HFCs, PFCs, and SF6. Scope 2 is labeled as 'INDIRECT'. Scope 3 is also labeled as 'INDIRECT' and includes a small globe icon. A sidebar on the left contains a login form with fields for 'Login' and 'Password', a 'Sign in' button, and links for 'Not registered yet?' and 'Forgot password?'. Below the login form, there is a 'Web-based access:' section stating 'Use it anywhere, anytime, with an internet connection' and 'The tool is compatible with these'.

Source: [Corporate Value Chain \(Scope 3\) Accounting and Reporting Standard](#)

Science Based Targets | Hierarchy of Scope 3 targets

1. % absolute emissions targets (in line with 2-degree pathway when possible) or intensity target based on the sector decarbonization approach (SDA)
2. Emissions-based intensity targets
3. Non-emissions targets in absolute or intensity terms such as reducing kWh or reducing energy use per product
4. Targets that influence behavior of suppliers or customers (e.g., request suppliers to set SBT, educate customers on cold water washing)

Most preferred



Least preferred



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Science Based Targets | Forward-looking ambition

Introduction

The SBTi has criteria (C4, C5, C6) and recommendations (R3, R6) to encourage companies to set targets that are **science-based** and **forward-looking**. These are:

C4 - Base and target years: All targets must cover a minimum of 5 years and a maximum of 15 years from the date the target is submitted to the SBTi for an official validation.¹

C5 - Progress to date: Targets that have already been achieved by the date they are submitted to the SBTi are not acceptable.

R3 - Base year: The SBTi recommends choosing the most recent year for which data are available as the target base year.

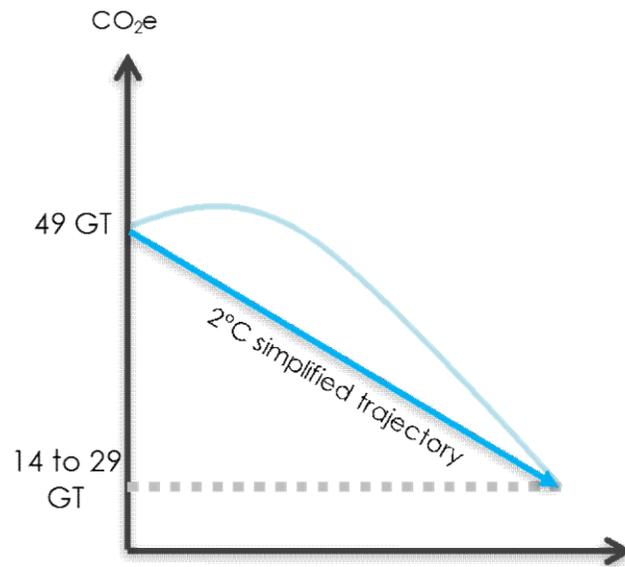
R6- Progress to date: Targets should be forward-looking and ideally should not cover progress to date already made by the company.

C6 - Level of ambition: At a minimum, the target will be consistent with the level of decarbonization required to keep global temperature increase to 2°C compared to pre-industrial temperatures, though we encourage companies to pursue greater efforts towards a 1.5° trajectory.

However, the technical team has identified the need to develop additional guidance and criteria to ensure that targets are **ambitious** from the date the target is submitted to the initiative and until the target year selected by the company.

The aim of the initiative is not only to recognize targets that are in line with science, *but also* that are ambitious in terms of required effort in coming years. There are other platforms that recognize early action / achieved goals.

Science Based Targets | Forward-looking ambition



Context

- Different global emissions scenarios have different emissions trajectories determined by the magnitude and timing of emissions reductions (e.g. some emissions scenarios follow a peak & decline trajectory). An emissions trajectory of an emissions scenario can be translated into a simplified linear trajectory, to determine annual percentage reductions (or the slope of the line).
- **IPCC 5th Assessment Report:** Global emissions should decline between 49% and 72% by 2050 compared to 2010 levels (1.23% - 1.80% linear annual reductions), if we are to keep global temperature increase to 2°C.
- The technical team uses this range to assess the level of ambition of targets.

However, the SBTi has identified that in certain cases, progress to date is significant and future emission reductions (from now and until the target year proposed by the company) require little annual reductions (i.e. less than 1.23%).

Science Based Targets | Forward-looking ambition example

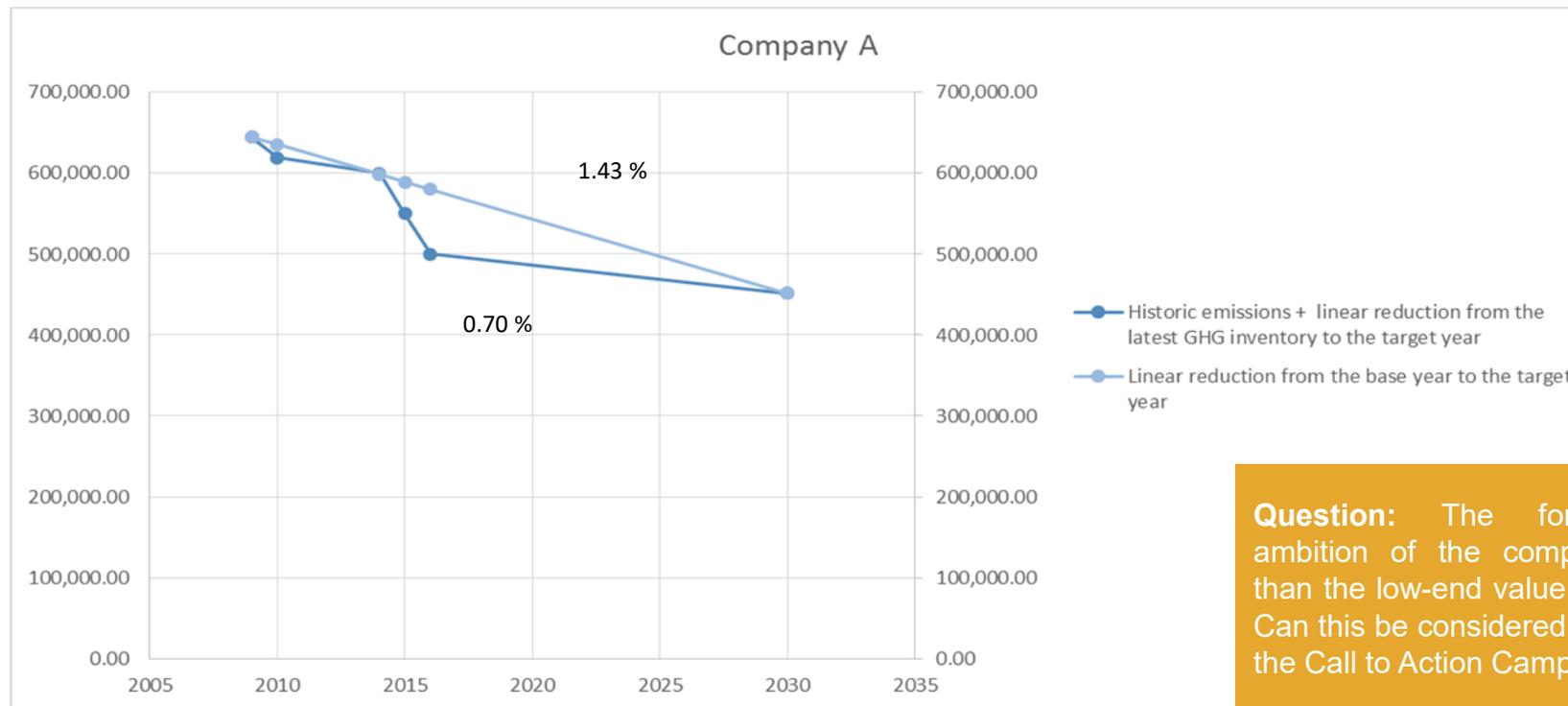
Date of submission to the SBTi: February 2017

Target: Company A commits to reduce scope 1 and 2 emissions 30% by 2030, from a 2009 base year.

Technical Reviewer Assessment: The target results in 1.43% annual reductions (linear) = SBT

Progress to date: 75% (compared to 2016- latest GHG inventory available)

Forward-looking ambition: Company A still needs to reduce emissions 9.73% by 2030 compared to emissions in 2016. This is equivalent to a 0.70% annual reduction.



Question: The forward-looking ambition of the company is less than the low-end value of the IPCC. Can this be considered a SBT under the Call to Action Campaign?



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Science Based Targets | Upcoming events

Will you be in New York during Climate Week?

- On **Tuesday, September 19**, WRI will be hosting an in-person workshop on assessing low-carbon transition in the electric utility, transport, and retail sectors. For more information, including a registration link, please see <http://www.ghgprotocol.org/workshop-assessing-low-carbon-transition-key-sectors>.
- On **Thursday, September 21**, the SBTi will be hosting a deep-dive training session on key issues related to science-based target setting, as well as insights into how companies have overcome common challenges. For more information, including a registration link, please see <http://sciencebasedtargets.org/events/>



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