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## Guidance for SBTi Criteria and Recommendations V3.0

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An initiative by



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# Guidance for SBTi Criteria and Recommendations V3.0

## Introduction

This document provides supplementary guidance and clarifications to the [SBTi Criteria and Recommendations V3.0](#). It covers refinements and clarifications to existing criteria and recommendations and is currently in effect.

## 1. Science-based Target Boundary

### Additional guidance

Criteria 4 - Bioenergy accounting: Only greenhouse gas (GHG) removals associated with bioenergy feedstock can be included alongside the company's inventory. GHG removals that are not associated with bioenergy feedstock cannot count as progress toward SBTs.

All companies who have biomass and biofuels emissions in their scope 1, 2 and 3 inventories must:

- Report those emissions in the relevant section in the submission form. Direct CO<sub>2</sub> emissions from the combustion of biomass shall not be included in scope 1, 2 and 3 inventories but must be reported separately in the relevant section in Table 1 of the submission form. CH<sub>4</sub> and N<sub>2</sub>O emissions associated with biofuels and biomass combustion should be reported under scopes 1, 2 or 3, as relevant.
- Include those emissions in the target boundary, even if zero net-emissions are assumed.
- Agree to have a footnote included to the target language on the SBTi website which will note that biogenic emissions/removals from the use of bioenergy are incorporated in the GHG inventory and target boundaries, even if zero-net emissions are assumed.

Recommendation 2 - Avoided emissions: This should be treated as a requirement, not a recommendation. Companies using avoided emissions accounting shall not use those to count towards their SBT.

## 2. Time Frame

### Additional guidance

Recommendation 5 - Target year: Long-term targets: If companies choose to set long-term targets in addition to a 5-15-year target, these must be for a target year of either 2040 or 2050 and must be consistent with the level of decarbonization required to keep global temperature increase below 2°C compared to pre-industrial temperatures, in order to be validated and recognized by the SBTi.

## 3. Ambition

### Additional guidance

Criteria 7 - Level of ambition: Companies in the power generation sector must set targets consistent with the level of decarbonization required by the power generation pathway in the Sectoral Decarbonization Approach.

Criteria 10 - Combined scope targets:

- If a combined scope 1+2+3 target is not in line with below 2°C scenarios, the scope 1+2 portion of the target must be in line with below a 2°C scenarios and the scope 3 portion of the target must meet the ambition requirements outlined in C16.1.
- If a combined scope 1+2+3 target is in line with below 2°C scenarios, the combined scope 1+2 portion of the target must be in line with a below 2°C scenario, regardless of the ambition of the scope 3 portion of the target.

Recommendation 8 - Offsets: This should be treated as a requirement, not a recommendation. Companies using offsets shall not use those to count towards their science-based targets. The SBTi requires that companies set targets based on emission reductions through direct action within their own operations or their value chains. Offsets are only an option for companies to finance additional emission reductions beyond their SBT. Please note that the SBTi does allow the use of renewable energy instruments (i.e., RECs), but only to meet scope 2 emissions reductions using the market-based approach. Companies who use these instruments should make sure they are in conformance with the quality criteria (Table 7.1. p. 60) as defined by the [GHG Protocol Scope 2 Guidance](#).

## 4. Scope 2

### Additional guidance

Criteria 11 - Approaches: Companies shall use a single, specified scope 2 accounting approach (“location-based” or “market-based”) for setting and tracking progress toward an SBT.

Criteria 12 - Renewable energy: For companies setting renewable energy targets as an alternative to scope 2 emissions reduction targets, the SBTi considers the following renewable electricity thresholds consistent with 2°C scenarios: 80% by 2025 (or earlier) and 100% by 2030. These thresholds are consistent with best practice as defined by the RE100 initiative. For companies already at these thresholds, it is acceptable to have a target for maintaining that percentage.

## 5. Scope 3

### Additional guidance

Criteria 14 – Boundary: Scope 3 target boundary coverage must, at a minimum, include two-thirds of total scope 3 emissions, based on a complete scope 3 inventory in conformance with by the GHG Protocol Value Chain (Scope 3) Accounting and Recording Standard. For example, for companies producing intermediate products, such as chemicals, it is optional to include emissions from downstream processing, product use and end-of-life phases. Therefore, for companies producing intermediate products, the scope 3 target boundary coverage must include upstream emissions categories and can optionally include downstream emissions categories.

Criteria 16 - Level of ambition for scope 3 emissions reduction targets:

- Absolute: Absolute emission reduction targets are considered consistent with the level of decarbonization required to keep global temperature increase below 2°C compared to pre-industrial temperatures.
- Intensity:

- Economic intensity targets are considered consistent with the level of decarbonization required to keep global temperature increase below 2°C compared to pre-industrial temperatures if they are in line with an annual compounded intensity reduction rate of 7%, at a minimum, adjusted from the GEVA method to be in line with RCP2.6 and IEA 2DS emissions reduction pathways and updated GDP growth projections.
- Physical intensity targets are considered consistent with the level of decarbonization required to keep global temperature increase below 2°C compared to pre-industrial temperatures if they are in line with the relevant sector reduction pathway within the Sectoral Decarbonization Approach, if any such pathway is applicable.
- Auto original equipment manufacturers (OEMs) scope 3 targets are considered sufficiently ambitious if they are in line with the minimum level of ambition of relevant pathways in the SBTi [transport sector tool](#).

Other emission reduction targets are considered sufficiently ambitious if they do not result in absolute emissions growth and lead to physical intensity improvements of at least 2% in annual linear terms.<sup>1</sup>

Criteria 16.1 – Supplier engagement targets:

- Boundary: Supplier engagement targets can also apply to relevant downstream categories, such as customer engagement targets. In those cases, the same criteria apply as those for supplier engagement targets.
- Level of ambition: The company’s suppliers and/or customers shall set science-based emissions reduction targets for their scope 1 and 2 emissions, at a minimum. It is encouraged that suppliers and/or customers engagement targets include scope 3 emissions. The share of a company’s scope 3 emissions covered by the target boundary shall be calculated accordingly, i.e. only those emissions covered by a suppliers’ targets can be counted within the target boundary. In the submission form, companies shall specify the percentage of emissions included in the supplier engagement target boundary, as well as whether the suppliers’ SBTs covered scope 1+2 or scope 1,2, and 3. For targets that only cover scopes 1 and 2-only targets, companies should specify the percentage of those suppliers’ emissions in Tier 1.

Criteria 17 - Fossil fuel product use phase emissions: This refers to companies involved in the *sale* or *distribution* of natural gas and/or other fossil fuel products. Companies involved in these activities must set an absolute or intensity percent-reduction scope 3 target covering the use of sold products that is, at a minimum, in line with the level of decarbonization required to keep global temperature increase below 2°C compared to pre-industrial temperatures.

Important note: At the moment the SBTi cannot assess companies in the power sector who have activities in their value chain related to the sale or distribution of natural gas and/or fossil fuels, if these activities

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<sup>1</sup> A linear annual reduction rate of 2% was determined as the threshold for ambition as it represents the pathway towards a zero-carbon intensity by 2070 from a 2020 baseline.

represent more than 50% of a power company's revenue, until the GHG reduction requirements for these companies are clarified under the SBTi's ongoing [oil & gas sector development](#).

**Document History**

Version	Change/update description	Date finalized	Effective Dates
1.0	Guidance to the Criteria and Recommendations version 3.0. to provide greater clarity on criteria.	Feb 28 <sup>th</sup> 2019	From March 1 <sup>st</sup> 2019