

2022 CDP EUROPE WORKSHOP LEADING THE DECADE OF DELIVERY

Wednesday 27 April 2022 – 10:00 – 12:00 CEST

THE SBTI'S NET-ZERO STANDARD





■ Slides will be shared with you after the event

The event is being recorded

SPEAKER





Kenza Taoufik Regional Lead, Commit to Action *CDP Europe*

INTRODUCTION TO THE SBTi

What is the Science Based Targets initiative?





DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

The Science Based Targets initiative (SBTi) is a **global** body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science.



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THE SBTI NET-ZERO STANDARD

ADDRESSING LACK OF CLARITY ON DEFINITION OF 'NET ZERO'

- Corporate net-zero targets can play a critical role in addressing the climate emergency, but the lack of a robust benchmark has triggered scepticism around net-zero as a concept.
- Over the past 2 years, the Science Based Targets Initiative carried out a rigorous, stakeholder-informed process to develop a framework to enable companies to set science-based net-zero targets.
- The <u>SBTi Net-Zero Standard</u> was launched on October 28th, 2021
- Since January 2022 onwards, companies are able to have Net-Zero targets independently validated by the SBTi, thereby demonstrating to stakeholders that their near- and long-term decarbonization plans are aligned with climate science





Four key elements make up the Net-Zero Standard framework





Four considerations for setting near-and long-term science-based targets



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	Timeframe	Ambition	Boundary	Methods
	What is the maximum timeframe to meet your targets?	What is the ambition level in terms of limiting temperature rise?	How much coverage or your emissions inventory is required?	What are the eligible methods to set your targets?
Ŷ	5-10 years from date of	Scope 1 and 2: 1.5°C	Scope 1 and 2: 95%	1. Absolute reduction
Near-term	submission	Scope 3: Well-below	Scope 3: If >40% of total	2. Sector-specific intensity convergence
science-		2°C	emissions, 67%	3. Renewable electricity
based target			coverage	4. Supplier or customer engagement
				5. Scope 3 economic intensity reduction
				6. Scope 3 physical intensity reduction
	2050 latest	Scope 1, 2, and 3: 1.5°C	Scope 1 and 2: 95%	1. Absolute reduction
		•	Scope 3: 90%	2. Sector-specific intensity
Long-term				3. Renewable electricity
science-				4. Scope 3 economic intensity reduction
based target				5. Scope 3 physical intensity reduction

Acknowledging challenges with Scope 3, the Standard is following an expansive boundary approach



A comprehensive target boundary is necessary for companies to make credible net-zero claims.

Acknowledging the challenges with Scope 3, **the SBTi is following an expansive boundary approach.**

This gradual increase in ambition:

- Allows companies to focus on making steep cuts in their most material emissions now
- Affords time to work through the complexity of scope 3
- Provides opportunities to collaborate across the whole value chain to support suppliers and customers to decarbonize

SBTi has evolved its terminology, phasing out compensation & moving towards "beyond value chain mitigation"





Term	Definition (as per SBTi Net Zero Standard
Mitigation	A human intervention to reduce emissions or enhance the sinks of greenhouse gases (IPCC).
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.
Beyond value chain mitigation (BVCM)	Mitigation action or investments that fall outside a company's value chain. This includes activities outside of a company's value chain that avoid or reduce greenhouse gas emissions, or that permanently remove and store greenhouse gases from the atmosphere.
Compensation (legacy terminology)	Actions that companies take to help society avoid or reduce emissions outside of their value chain.
Neutralization	Measures that companies take to remove carbon from the atmosphere and permanently store it to counterbalance the impact of emissions that remain unabated.

The Net-Zero Standard was developed with the mitigation hierarchy in mind





Abatement must be prioritised; however, companies are increasingly expected to go beyond their SBTs



SCIENCE BASED

TARGETS

The Net-Zero Standard requires that these removals are permanent. We expect that frameworks to assess CO2 removal permanence, as well as resolving social and environmental concerns, will develop over time

1. CCUS = carbon capture, utilization and storage, H₂DRI = hydrogen direct-reduced iron (both technologies prevent GHGs from entering the atmosphere and therefore count towards emission reductions); 2. Removals contribute towards "beyond value chain mitigation", or "neutralization", depending on whether they are used to counterbalance remaining residual emissions; 3. Can also count towards emissions reductions for companies with forestry, land-use and agricultural emissions in their supply chains

Four key resources for companies to set net-zero targets



Getting Started Guide

A simple, step-by-step guide that allows companies to understand how to set net-zero targets.

<image><image><complex-block>

SBTi Corporate Net-Zero Standard

Provides criteria, guidance and recommendations to support corporates in setting net-zero targets.

SBTi Corporate Net-Zero Criteria

The criteria companies' net-zero targets must meet to be approved by the SBTi.

Net-Zero Tool

Target-setting tool to calculate long-term SBTs in line with the Net-Zero Standard.

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To follow on from the Net-Zero Standard, the SBTi has planned three projects to tackle challenges related to net-zero





It is vital companies have clarity on how to take credible mitigation actions beyond their value chain. The SBTi is exploring models to incentivize this in a credible and robust way. In the interim, see these FAQs on the topic.

The SBTi recognizes the challenges around scope 3 and is planning to further develop scope 3 target setting methods and explore other approaches to drive net-zero value chain alignment.

Measurement,

The SBTi is developing an MRV framework to ensure transparency and accountability around the progress and achievement of science-based emission reduction and net-zero targets.

CDP EUROPE ACCREDITED SCIENCE-BASED TARGETS PARTNERS



Have experience and expertise in helping companies set a science-based target



Contact <u>partnerships.europe@cdp.net</u> for more information or a direct introduction

*EcoAct and the Boston Consulting Group are Gold Science-Based Targets CDP partners

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CONTACT



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LEARN MORE

Net-Zero Standard webpage: . The Net-Zero Standard - Science Based Targets

Net-Zero Standard Deep Dive webinar: <u>The Net-Zero Standard: A deep dive into setting corporate</u> <u>science-based net-zero targets – YouTube</u>