



FORESIGHT

Climate Action Roundtables: Science-based Target Setting

AusLSA
November 2023

Agenda.

Introduction

Pathway to net zero

Context of science-based targets

Who is SBTi and what does it offer?

Approach to Science-based target setting

SBTi target boundaries

SBTi Net Zero Standard components

SBTi SME guidance

Methods for target setting

Key SBTi Net Zero criteria

SBTi process overview

SBTi resources





Introduction

Context

Companies are increasingly adopting net-zero targets to reduce their emissions impact and uphold their corporate ESG commitments.

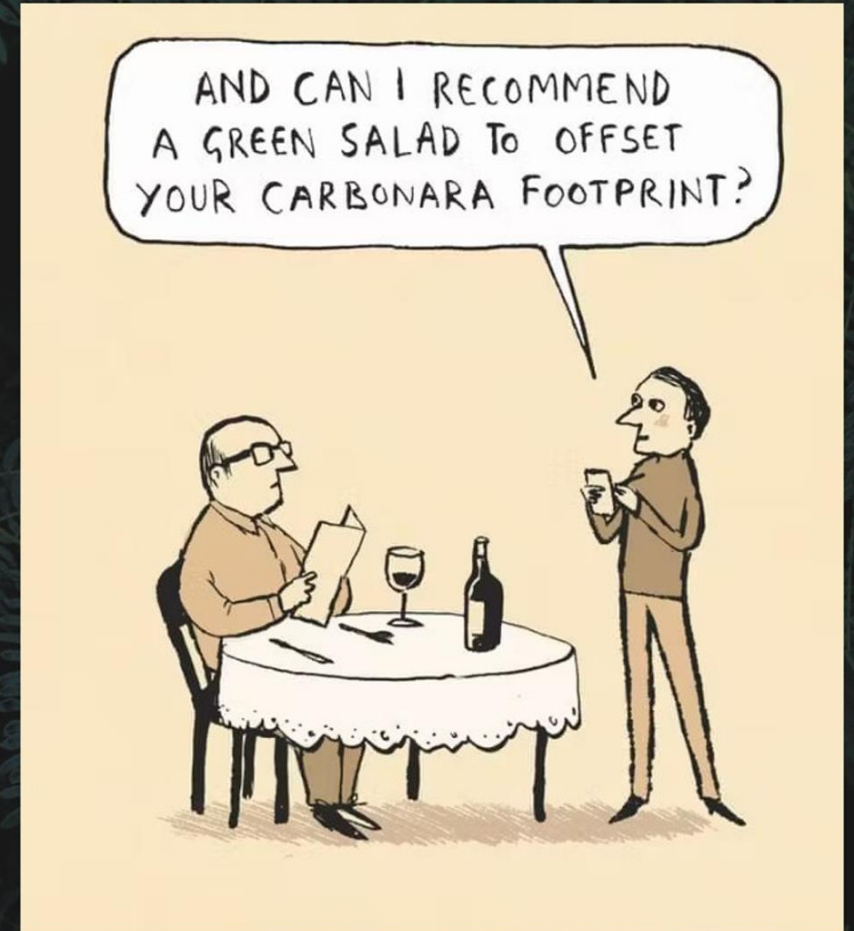
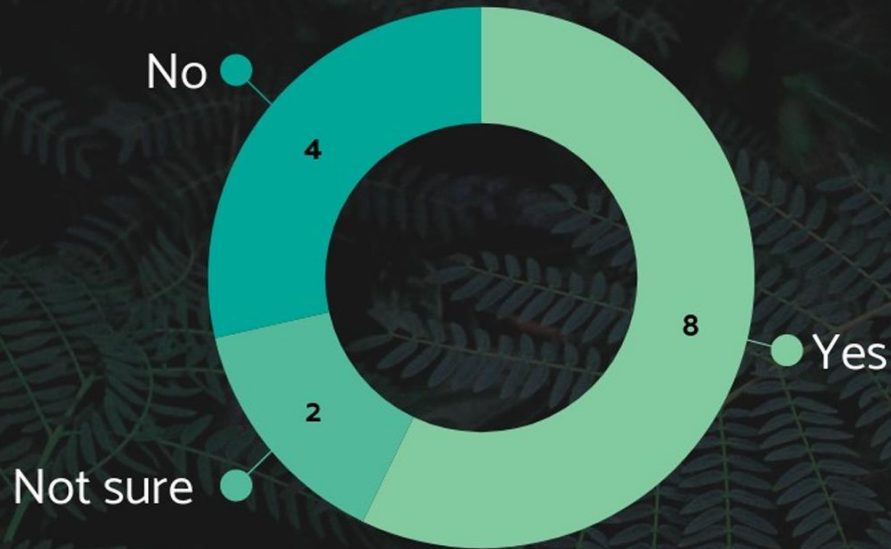
Net-zero targets must be aligned with climate science and international commitments under the Paris Agreement to limit global temperature rise to 1.5°C.

The Science Based Targets initiative (SBTi) has developed the first global science-based standard for companies to set net-zero targets. Companies which commit to setting science-based targets must align with the SBTi Net Zero Standard.

Objectives

- Understand the importance of setting science-based targets
- Understand the process for setting science-based targets
- Understand the SBTi Net Zero Standard framework and criteria
- Understand how science-based targets align with net-zero commitments

Does your firm have a net-zero emissions commitment

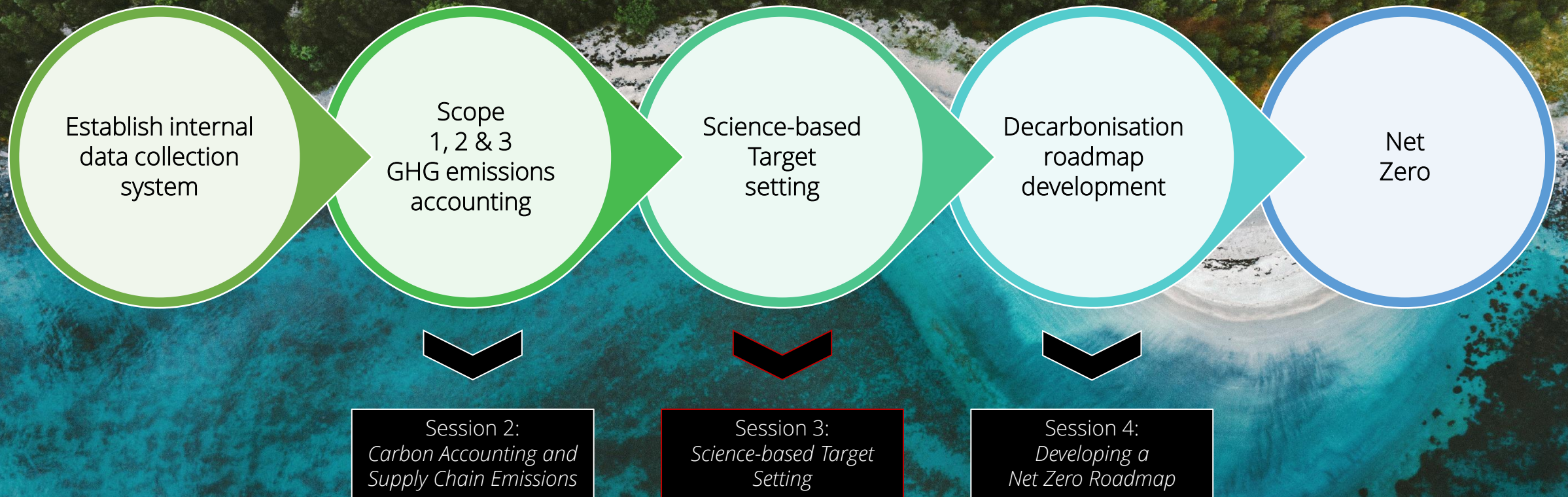


Does your firm have science-based emissions reduction targets?





Pathway to Net Zero





Context of Science-based Targets

The lack of a robust benchmark for corporate net-zero targets presented challenges and criticism for the following reasons:

1.

Incomplete boundary:
Selective inclusion of emission sources in net-zero targets

2.

Delayed action:
Lack of interim milestones for long-term targets

3.

Mitigation deterrence:
Focus on offsetting instead of reducing emissions

4.

Poor accountability:
Lack of scrutiny and accountability on voluntary commitments



Context of Science-based Targets



Paris Agreement commitment to limit the global temperature increase to 2 degrees Celsius while pursuing efforts to limit the increase to 1.5 degrees.



IPCC warned that global warming must not exceed 1.5°C to avoid the catastrophic impacts of climate change.



SBTi established to bridge the gap between international climate policy and corporate responsibility by helping companies to set emissions reduction targets that are in line with the latest climate science.



Who is SBTi?

Organisational Governance

The Science Based Targets initiative (SBTi) is a global team comprised of people from all partner organizations - CDP, UN Global Compact, WRI and WWF.

Frameworks



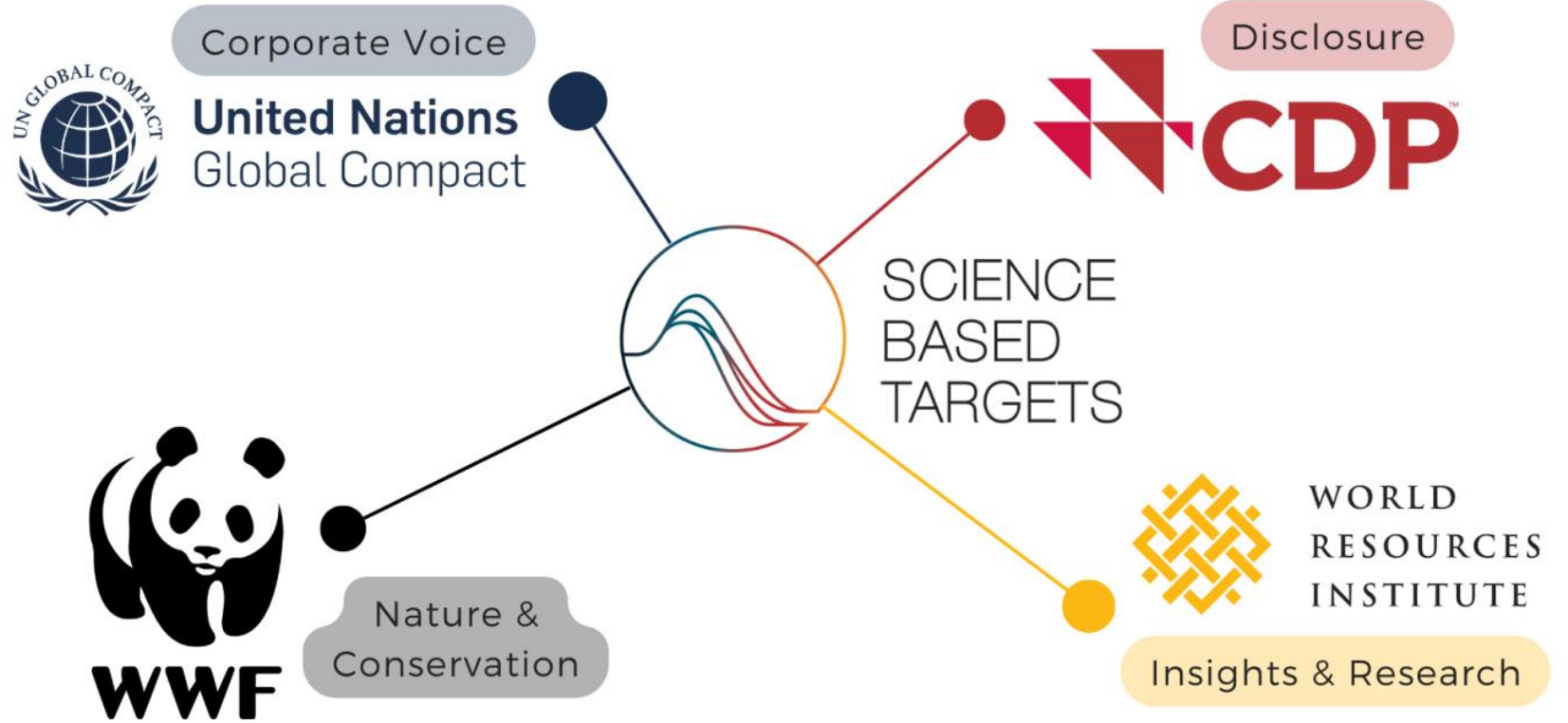
UNFCCC
Paris Agreement



IPCC
1.5°C Special Report



Partner Organisations





What does SBTi offer?

Drives ambitious climate action for organisations by enabling companies to emissions reduction targets based on the science of climate change.



1.

Defines and promotes best practice in emissions reductions and net-zero targets in line with climate science.



2.

Provides technical assistance and expert resources to companies who set science-based targets.



3.

Provides companies with independent assessment and validation of robust climate targets.



Corporate SBTi Alignment



Companies taking action



Companies with science-based targets



Companies with net-zero commitments



Approach to setting science-based targets

1. Select a base year

- Scope 1, 2, and 3 emissions data should be **accurate** and **verifiable**
- **Base year emissions** should be representative of a company's **typical GHG profile**

2. Calculate emissions

- **Comprehensive emissions inventory** which includes a complete scope 3 inventory
- Must use a **single GHG Protocol consolidation approach** (equity share or control approaches)
- The **emissions profile must exclude** the use of **carbon credits**

3. Set target boundaries

- **Near-term target boundary:** 95% of company-wide scope 1 and 2 emissions, and at least two-thirds (67%) of Scope 3 emissions if they account for more than 40% of total emissions
- **Long-term target boundary:** 95% of company-wide scope 1 and 2 emissions and 90% of scope 3 emissions

4. Choose a target year

- **Near-term targets:** target year 5-10 years from the date of submission to the SBTi
- **Long-term targets:** 2050 or sooner

5. Calculate targets

- **Methods for target setting (all scopes):** Cross-sector or sector-specific absolute reduction
- **Methods for target setting (scope 2):** Renewable electricity
- **Methods for target setting (scope 3):** Physical intensity or economic intensity reduction, engagement targets



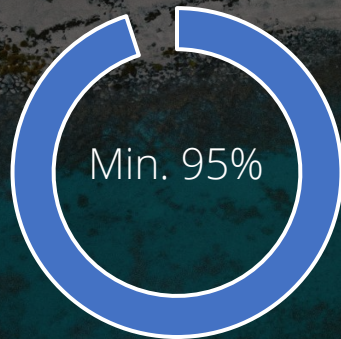
Science-based target boundaries

Emissions Boundary Coverage

Near-term targets (5-10 yrs)

Long-term targets (2050 latest)

Scopes
1 & 2



Scope
3



* if scope 3 emissions are at least 40% of total scope 1, 2 & 3 emissions.



SBTi Net Zero Standard Components

1

Setting near-term targets:

Halving emissions by 2030 must be the overarching priority for companies.

2

Set long-term targets:

The Net-Zero Standard also requires companies to set long-term science-based targets to cut all possible emissions before 2050.

3

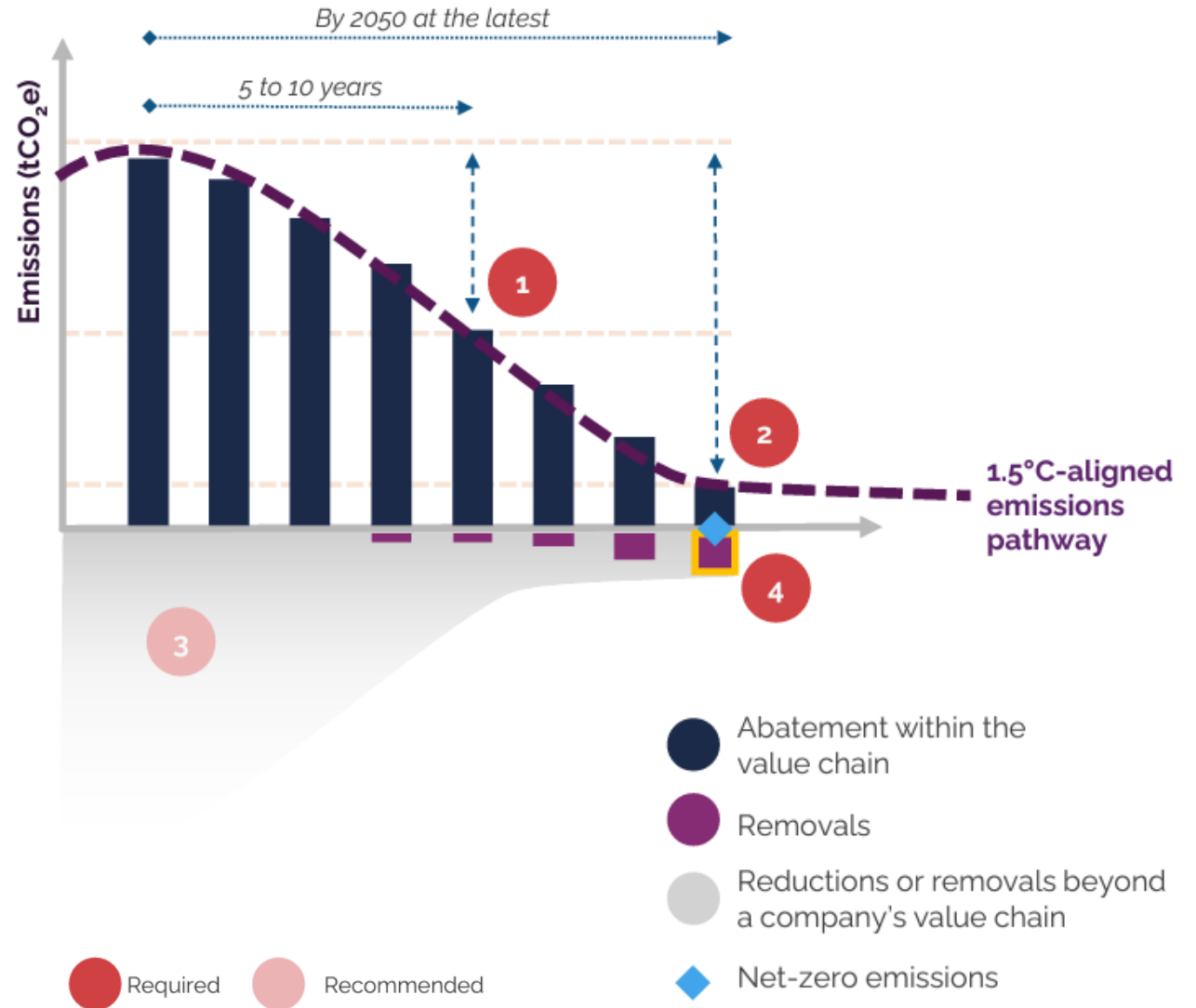
Climate finance beyond the value chain:

Companies should make these investments in addition to deep emissions cuts, not instead of them.

4

Neutralize residual emissions:

Cut emissions by >90% and neutralise <10% of residual emissions through carbon removal and storage.





SBTi Guidance for Small- or Medium-Sized Enterprises (SME)

SME Definition

Essential:

- Has <10,000 tCO₂e (Scope 1 & 2 combined)
- Does not own/control maritime transport vessels
- Does not own/control power generation assets
- Not in the Financial Institution or Oil & Gas sectors
- Non-subsidiary of a parent company

And (must meet two or more):

- <250 employees
- Turnover of <€40 million
- Total assets of <€20 million
- Not in a mandatory Forest, Land and Agriculture (FLAG) sector

SME Target Guidance

Near-term targets:

- Absolute Scope 1 & 2 emissions reduction target achieved by 2030.
- No requirement to set Scope 3 targets, but a commitment to measure and reduce Scope 3 emissions

Net-zero targets:

- Near-term targets must be aligned with 1.5°C pathway.
- Long-term absolute Scope 1, 2 & 3 emissions reduction targets achieved by 2050.
- Commitment to neutralise any unabated emissions when the long-term target is achieved.

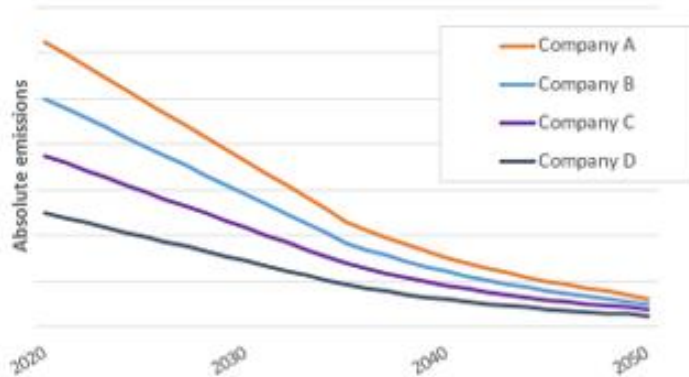


Methods for target setting

The *absolute reduction* or *sector-specific intensity* methods are eligible for Scope 1, 2, and 3 emissions.

Absolute reduction

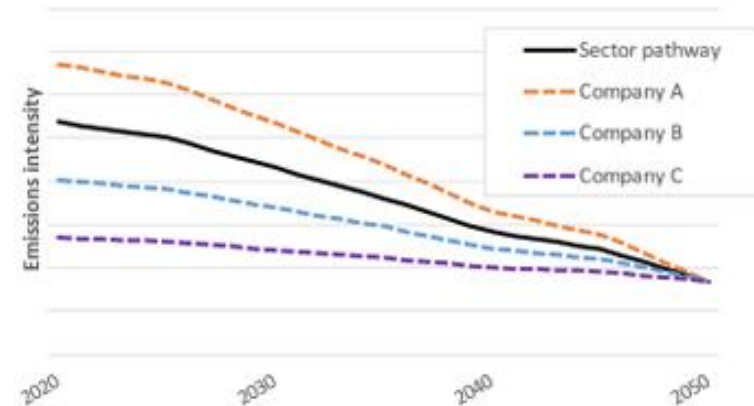
Absolute emissions are reduced by an amount that is, at minimum, consistent with the cross-sector or sector-specific pathway



- Targets may cover a mix of activities and emissions sources
- Applicable to all sectors except power generation and timber/forestry

Sector-specific intensity convergence

Emissions intensity targets are calculated based on all companies in a sector converging to a sector-specific emissions intensity by 2050 or sooner



- Targets cover a specific sector, physical output, or activity
- Applicable to homogenous sectors and activities¹



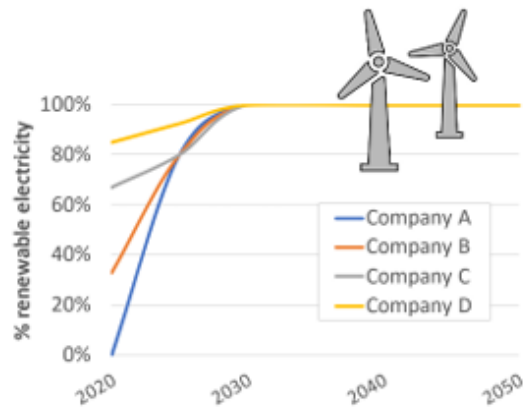
Methods for target setting

The following methods are eligible for specific emissions scopes and/or targets.

Scope 2

Renewable electricity

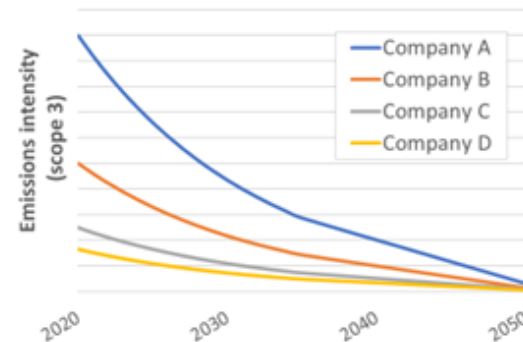
Companies actively procure at least 80% renewable electricity by 2025 and 100% renewable electricity by 2030



Scope 3

Scope 3 economic intensity reduction

Economic emissions intensity is reduced by an amount that is, at minimum, consistent with well-below 2C for near-term targets and 1.5C for long-term targets (based on the cross-sector pathway)



Scope 3 physical intensity reduction

Same as "Scope 3 economic intensity reduction" but for physical intensity targets

Engagement (only eligible for near-term SBTs)

Companies set a target for suppliers or customers representing a certain percent of emissions to set their own SBTs



Target year is a maximum of 5 years from the purchasing company's date of submission



Key aspects of the SBTi Net Zero Criteria

Emissions

- Targets must include **all GHG emissions** as defined by the GHG Protocol.
- Targets must cover all Scope 1 & 2 GHG emissions at the **parent- or group-level**.
- **Scope 3** emissions must be **included in near- and long-term targets** (exemption for SMEs).

Accounting considerations

- The use of **carbon credits** must not be counted as emission reductions toward the progress of companies' near-term or long-term science-based targets.
- Companies shall disclose whether they are using a **location- or market-based accounting** approach for measuring **Scope 2 emissions**.



Key aspects of the SBTi Net Zero Criteria

Target ambition level

- Near-term targets: Scope 1 & 2 (1.5°C), Scope 3 (Well below 2°C).
- Long-term targets: Scope 1, 2 & 3 (1.5°C).

Timeframe

- **Base year** emissions must be no earlier than 2015.
- **Near-term target** must cover a minimum of **5 years** and a maximum of **10 years** from the date the target is submitted.

Reporting

- The company must **publicly report its company-wide GHG emissions** inventory and progress against published targets on an **annual basis**.
- The SBTi recommends **disclosure** through standardized, comparable data platforms, such as CDP reporting, or annual or sustainability reports.



SBTi Process Overview



COMMIT *

Submit a letter establishing your intent to set a science-based target



DEVELOP

Work on an emissions reduction target in line with the SBTi's criteria



SUBMIT

Present your target to the SBTi for official validation



COMMUNICATE

Announce your target and inform your stakeholders



DISCLOSE

Report company-wide emissions and progress against targets on an annual basis

* Not required for SME streamlined target validation process.



SBTi SME Streamlined Process Overview

STEP 1:
Complete SME
target setting
form

STEP 2:
Due diligence
and target
approval

STEP 3:
Invoicing
and fee
payment

STEP 4:
Payment
verification
and target
confirmation

STEP 5:
Communications
pack and target
publication



SME service costs:

- Setting new near-term targets or replacing previous near-term targets: \$1,000 USD
- Setting new net-zero targets ONLY: \$1,000 USD
- Setting near-term targets AND net-zero targets: \$2,000 USD

Application:

<https://form.jotform.com/targets/sme-target-validation>



SBTi Key Resources

Getting Started Guide

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



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

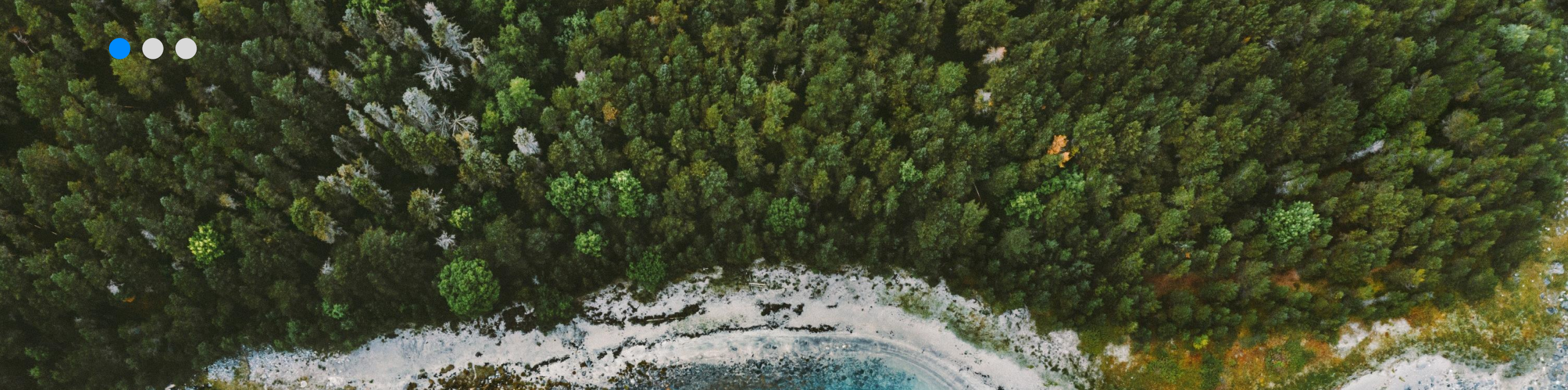
Target-setting tool to calculate long-term SBTs in line with the Net-Zero Standard.





Next Steps

- Participants are encouraged to :
 - Assess your firm's GHG baseline inventory against the SBTi Net Zero Standard
 - Assess your firms net zero commitment against the SBTi Net Zero standard
 - Assess whether your firm is eligible for the SME streamlined application process
- Next Session Topic: *Developing a Net-Zero Roadmap*
 - Date: TBC



Final contributions?

