Contents of the Net-Zero Standard **Pre-Launch Consultation** feedback report

> **Context**

Feedback report

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Net-Zero Standard development process timeline: this document focusses on the feedback from the pre-launch public consultation

2020 **2021**
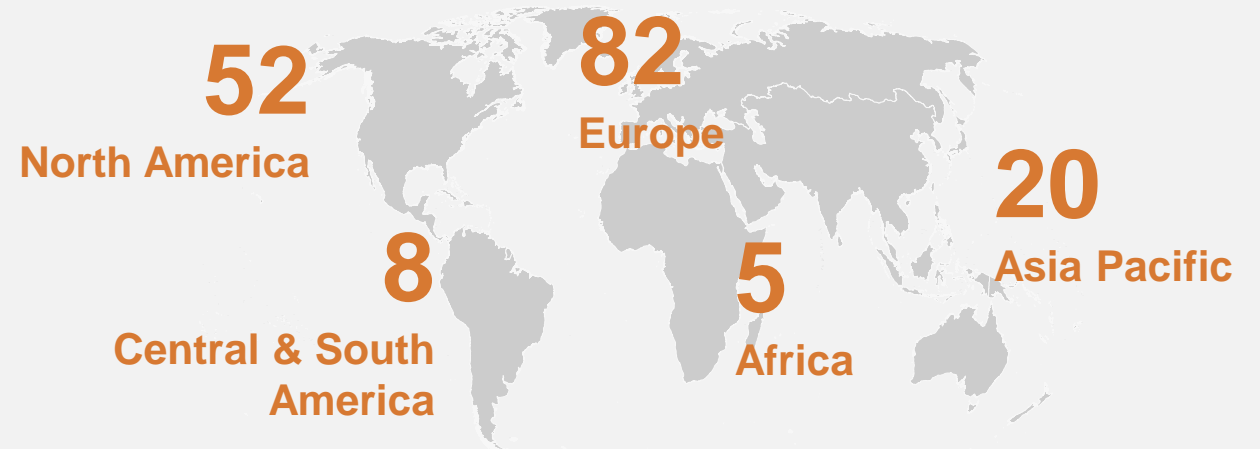
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov

Drafting of initial criteria

1st public consultation

Refine criteria

Draft Net-Zero guidance

Road-testing with companies

Pre-launch public consultation   *Focus of this document*

Finalisation of NZ Standard

Launch of NZ Standard

28 Oct

COP26
01-12 NOV 2021
GLASGOW
IN PARTNERSHIP WITH ITALY

2
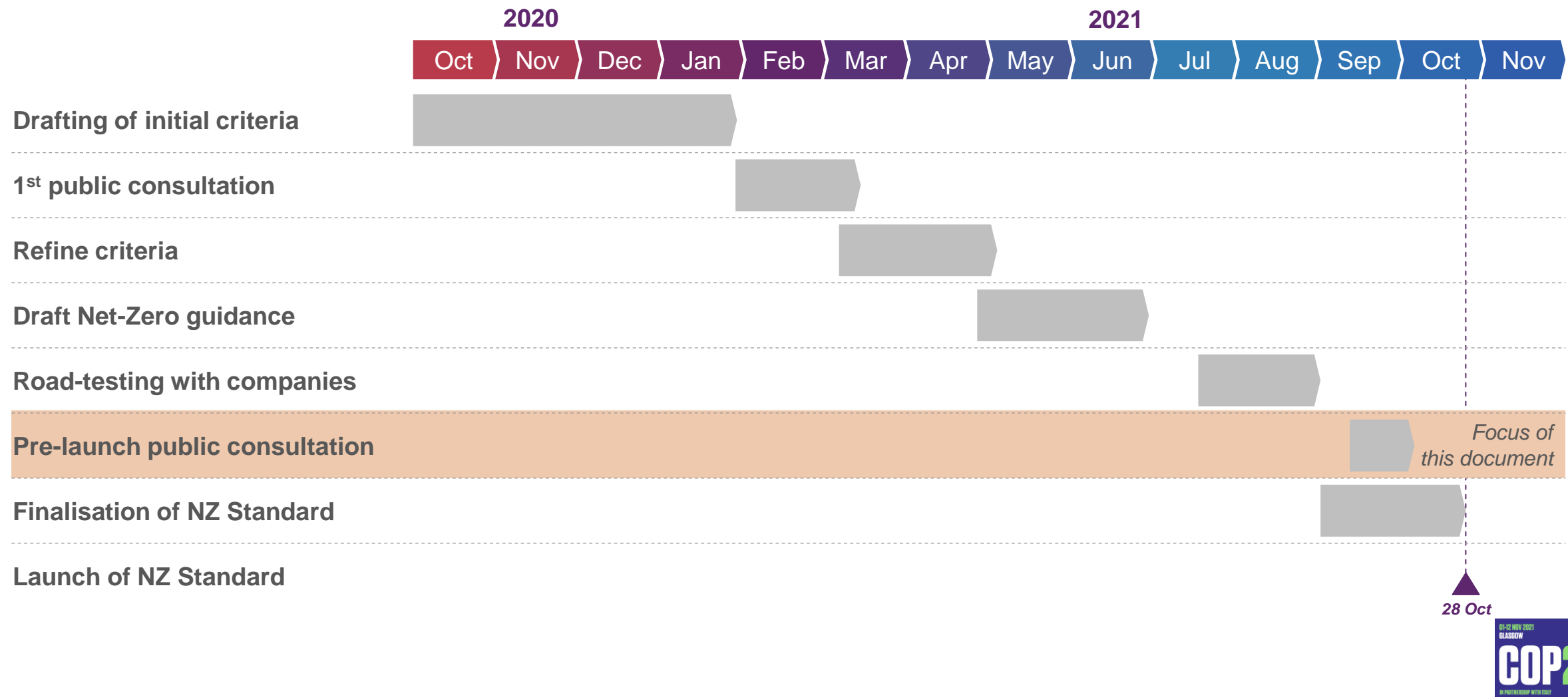
168 responses received to pre-launch publication

Type / sector

Consulting firm	28
Other company	22
Non-profit organisation	19
Consumer goods	18
Industry	18
Energy	13
Built environment	10
Land intensive	9
Finance	7
Chemicals & pharma	7
Transport & logistics	6
Other (e.g. association)	6
Professional services	5
Total	**168**

Geographies

- **52** North America
- **82** Europe
- **20** Asia Pacific
- **8** Central & South America
- **5** Africa

Current targets

Validated SBTs	50
Committed to set SBTs	19
Joined BA1.5C, incl. net-zero commitment	22
Joined BA1.5C, incl. near-term commitment	18
Considering committing to set SBT	35
Not interested	3

Contents of the Net-Zero Standard **Pre-Launch Consultation** feedback report

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Executive summary

3

Key focus areas of the pre-launch consultation

Tested support of overall method

- High level of support for added value of NZ Standard (70%), with >50% interested in gaining SBTi validation on their net-zero targets
- Participants strongly agree on importance of mitigation hierarchy as underlying principle for NZ Standard; 60% believes that companies should go further and invest in beyond value chain mitigation

Gathered input on materials & guidance

- ~40% feel more work needs to be done on expanding current range of methods and sector guidance
- Additional support on a variety of topics would be useful, e.g. removal accounting, scope 3 data quality and how to commit to unknowns
- Supporting materials in general rated good, room for improvement in simplification and reducing length
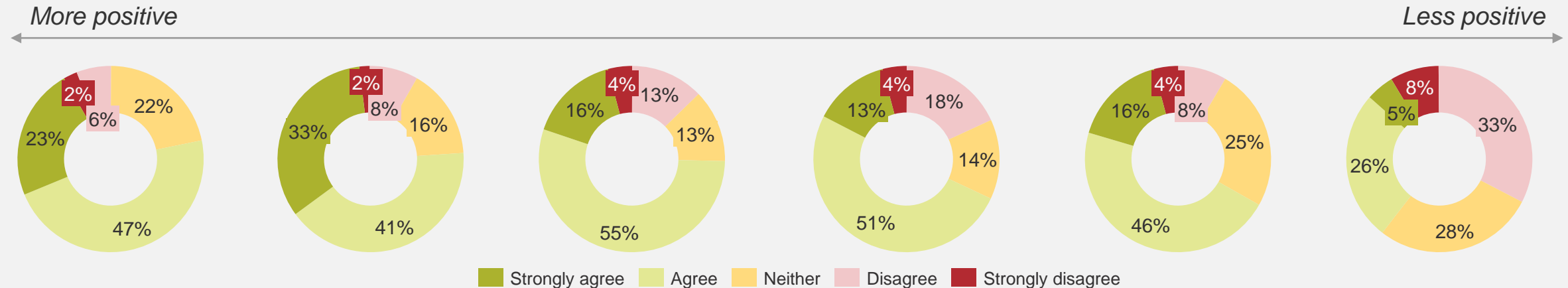
Solicited open feedback from wide range of stakeholders

- Compared to the first public consultation, participants do now better understand the mitigation hierarchy underlying SBTi's method.
- Feedback was mainly focused on beyond value chain mitigation, guidance on FLAG/Scope 3, and uncertainty around claims and communications

Respondents agree on added value of NZ Standard; but do indicate need for additional guidance and methods

More positive ⟵──────────────────────────────────⟶ *Less positive*

Legend: Strongly agree · Agree · Neither · Disagree · Strongly disagree

Chart 1: Strongly agree 23%, Agree 47%, Neither 22%, Disagree 6%, Strongly disagree 2%

Chart 2: Strongly agree 33%, Agree 41%, Neither 16%, Disagree 8%, Strongly disagree 2%

Chart 3: Strongly agree 16%, Agree 55%, Neither 13%, Disagree 13%, Strongly disagree 4%

Chart 4: Strongly agree 13%, Agree 51%, Neither 14%, Disagree 18%, Strongly disagree 4%

Chart 5: Strongly agree 16%, Agree 46%, Neither 25%, Disagree 8%, Strongly disagree 4%

Chart 6: Strongly agree 5%, Agree 26%, Neither 28%, Disagree 33%, Strongly disagree 8%

The SBTi Net-Zero Standard **will really add value** to achieving global climate goals

The SBTi Net-Zero Standard is the **most comprehensive framework f**or corporate climate change mitigation targets

I **understand** the Net-Zero Standard **and agree with** the overall approach

The SBTi Net-Zero Standard **demonstrates what is needed** from companies to set targets that will steer the economy to net-zero

The SBTi Net-Zero Standard will **help my company push for the transformational business changes** that are needed to achieve global climate goals

The SBTi Net-Zero Standard provides a **sufficient range of methods and sector-specific guidance** for a company like mine to set net-zero targets
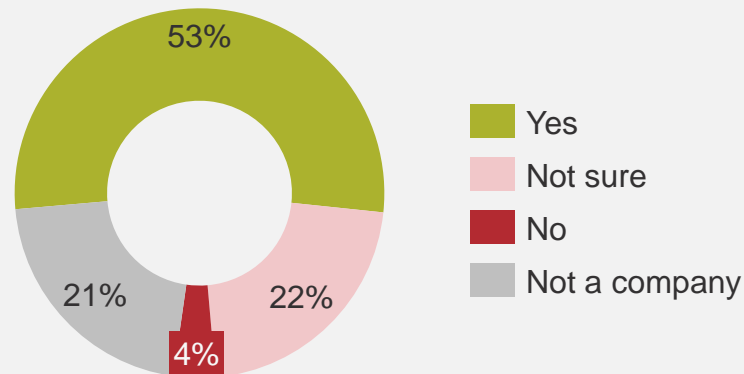
SCIENCE BASED TARGETS

>50% would be interested in gaining SBTi validation of their NZ commitment, but most not before 2023

Most companies would be interested in gaining validation

Would you be interested in gaining SBTi validation for your net-zero commitment in line with the SBTi NZ Standard? (N=164)

- 53% Yes
- 22% Not sure
- 4% No
- 21% Not a company

But do not expect to go through validation within a year from now

When do you anticipate going through the net-zero target validation process with the SBTi?
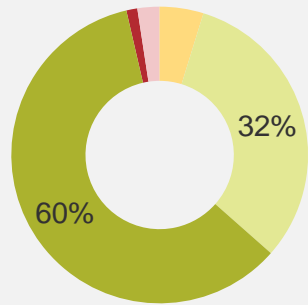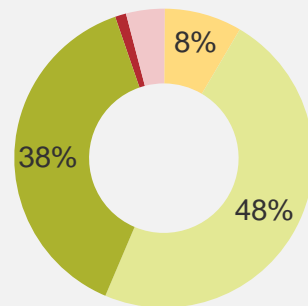

- 27% When the NZ target validation process is launched Jan '22
- 9% Q2 '22
- 9% Q3 '22
- 12% Q4 '22
- 42% 23 onwards
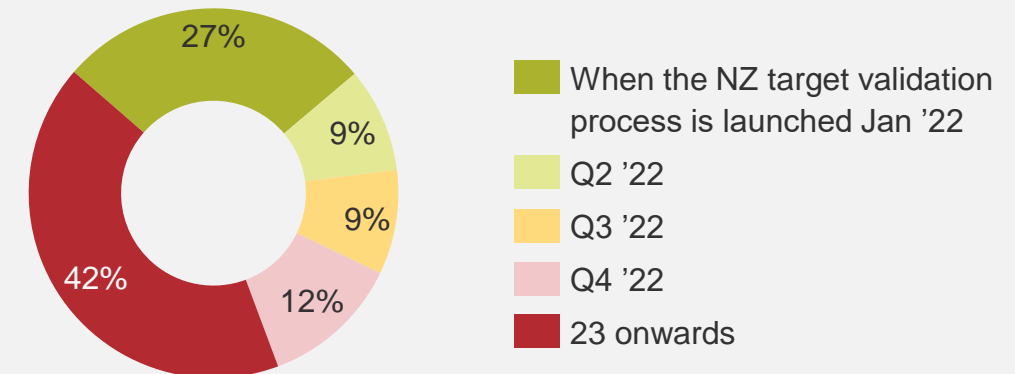
Participants strongly agree on the importance of abatement following the mitigation hierarchy...

...But do also believe beyond value chain mitigation is importnat

Questions on mitigation hierarchy,
N = 167

Questions on beyond value chain mitigation,
N = 165

Companies must follow the mitigation hierarchy that prioritizes **abatement** of their value chain emissions **over activities to mitigate emissions** beyond their value chains

32%
60%

How important is it for companies to go beyond their science-based targets and **invest or take action to mitigate for unabated emissions** outside their value chain?

5% 7%
27%
32%
28%

Do you feel that the **SBTi Net-Zero Standard reflects** the "mitigation hierarchy"?
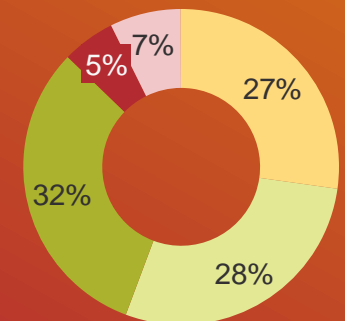
8%
38%
48%

■ Strongly disagree   ■ Disagree   ■ Neither   ■ Agree   ■ Strongly agree

Source: SBTi Net-Zero Standard Pre-Launch Consultation Survey, N=167, results retrieved 07-10-2021

SCIENCE BASED TARGETS

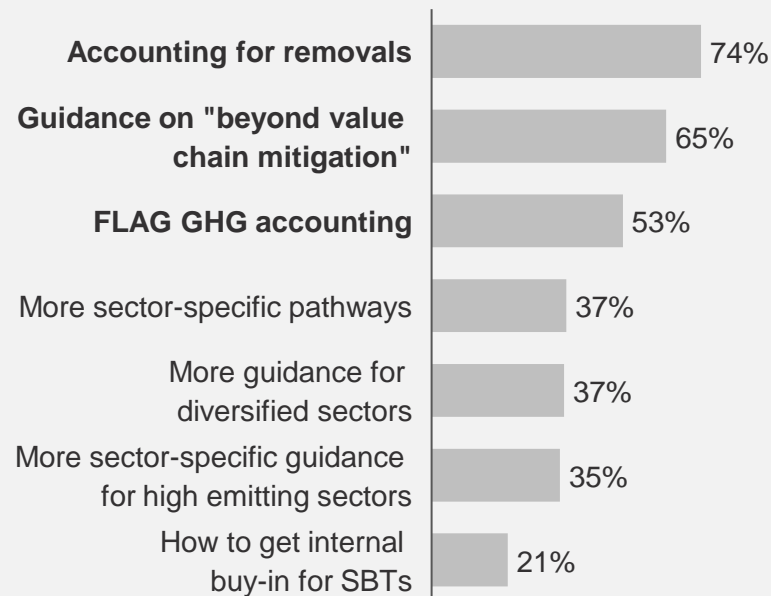8   DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Additional guidance and support in several areas required

In which areas do you feel companies need further guidance to align with the Net-Zero Standard?
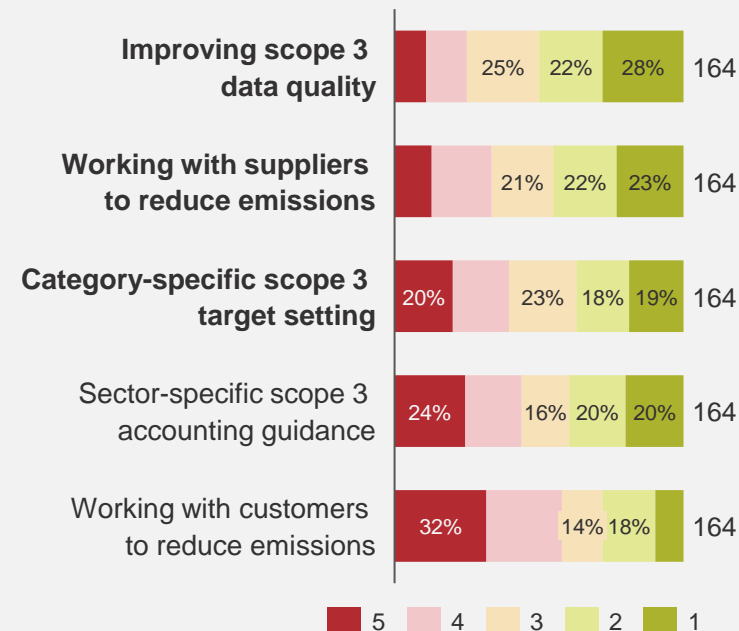
Please select all that apply

% of respondents that picked this option

Accounting for removals	74%
Guidance on "beyond value chain mitigation"	65%
FLAG GHG accounting	53%
More sector-specific pathways	37%
More guidance for diversified sectors	37%
More sector-specific guidance for high emitting sectors	35%
How to get internal buy-in for SBTs	21%

In which areas do you feel companies need further support to set and achieve net-zero targets, related to scope 3?

Please rank in order of importance

Ranking, 1 being most important

Improving scope 3 data quality		25%	22%	28%	164
Working with suppliers to reduce emissions		21%	22%	23%	164
Category-specific scope 3 target setting	20%	23%	18%	19%		164
Sector-specific scope 3 accounting guidance	24%	16%	20%	20%		164
Working with customers to reduce emissions	32%		14%	18%		164

Legend: ■ 5 ■ 4 ■ 3 ■ 2 ■ 1

In which areas do you feel SBTi could provide more support on implementation and communication of targets?

Please select all that apply

% of respondents that picked this option

Committing to aligning with net-zero, when the strategy to get there is unknown	72%
Updating near-term science-based targets to align with updated criteria	51%
Communicating changes with stakeholders	33%

Source: SBTi Net-Zero Standard Pre-Launch Consultation Survey, N=167, results retrieved 07-10-2021

SCIENCE BASED TARGETS
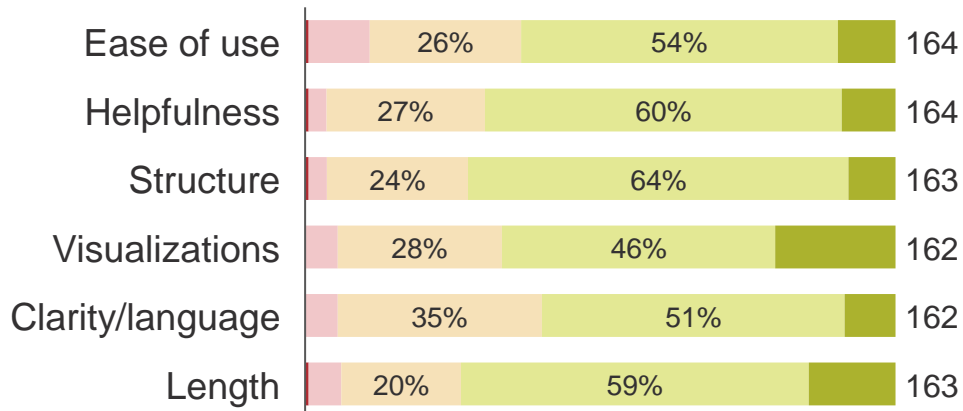DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Participants in general rate materials as "good" or useful, but still need to be shortened and simplified
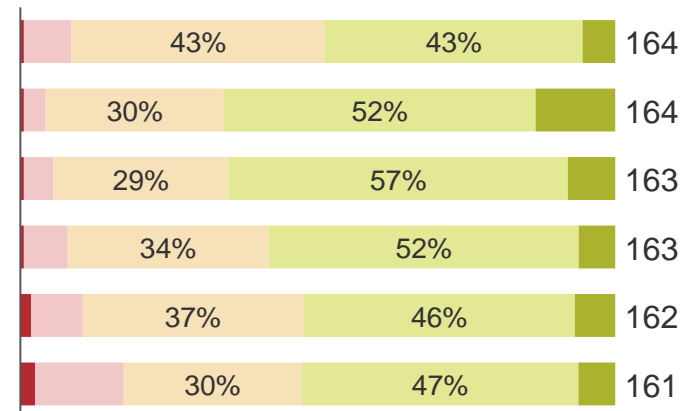
Getting Started guide

How would you rate the following aspects?

Ease of use	26%	54%	164
Helpfulness	27%	60%	164
Structure	24%	64%	163
Visualizations	28%	46%	162
Clarity/language	35%	51%	162
Length	20%	59%	163

Corporate Manual

How would you rate the following aspects?

43%	43%	164
30%	52%	164
29%	57%	163
34%	52%	163
37%	46%	162
30%	47%	161

Criteria

How would you rate the following aspects of the criteria (integrated in the corporate manual)?

44%	41%	164
43%	43%	164

Legend:
- Very poor
- Poor
- Average
- Good
- Excellent

Suggestions

❝ Would be useful to have an introduction before launching into the decision tree

❝ An interactive online tool with similar content would be really helpful
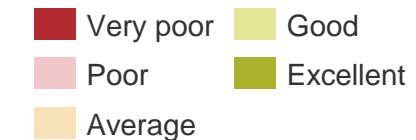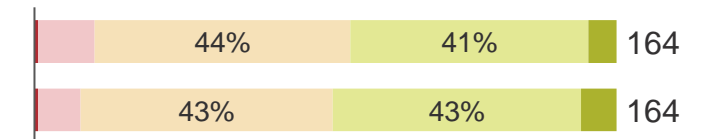
❝ Figure on page 4 is difficult to understand

❝ Clarify information on FLAG, sector intensity pathways, base year and Box 1

❝ Include specific examples, illustrations and visual schemes

❝ Simplify language and list of contents

❝ Consolidate all the criteria into one master document

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Only 20% of respondents think companies in high emitting sectors should be allowed to set targets with a 15-year timeframe

Should the SBTi make an **exception** for sectors where emissions reductions over a 10-year period are limited by **long asset lifespans in eligible 1.5°C scenarios** and allow near-term SBTs with a **15-year timeframe**?[1]

Companies without long-asset lifespans	29%	33%	32%	6%	63
Companies with long-asset lifespans	20%	22%	20%	38%	60
Companies that are unsure if they qualify	20%	20%	27%	33%	15
Other organizations	15%	42%	38%	4%	26
Total	23%	29%	28%	20%	164

Legend:
- No, all companies should be subject to the same requirements
- They should be required to set 10-year targets, but allowed to optionally include 15-year targets as well
- They should be allowed to file for an exception to set targets with a 15-year timeframe
- Yes, they should be allowed to set targets with a 15-year timeframe

Choosing a 10-year timeframe as default option, but creating a process for exceptional requests, might satisfy most parties

1. Self-reported if companies consider themselves to have long-asset lifespans, sectors with exception still to be defined by SBTi
Source: SBTi Net-Zero Standard Pre-Launch Consultation Survey, N=167, results retrieved 07-10-2021

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Open feedback |
~100 companies took the opportunity to write open feedback

Compared to the first public consultation, participants do now better understand the **mitigation hierarchy** underlying SBTi's method. Feedback was mainly focused on **3 key topics:**

Beyond value chain mitigation

> The SBTi standard should avoid seeking perfection now to the detriment of preventing action in the near term - allow companies to have ambitious abatement targets and support investment in high quality removal solutions
>
> - NGO

> With the new Net Zero standards, we believe that SBTi has a fantastic opportunity to catalyze demand for critical component of carbon removal to solving climate change
>
> - Other organization

> What about high value nature-based removal credits that are traceable, ex-post and have a social impact in addition to carbon removal?
>
> - Finance

Guidance on Scope 3 and FLAG

> I am still really unclear as to how our FLAG emissions and removals will be treated by SBTi
>
> - Land intensive

> Many industries have diversified S3 emissions and are merely able to conduct comprehensive measurements. 95% will turn the feasibility of committing to net-zero very low.
>
> - Industry company

Claims and communications

> It would be great if you could outline how you will be assessing progress and publicly disclose the data you're using to assess the company performance against goals.
>
> - Non-profit

> Some companies started their decarbonization journey long before 2015 and they are being penalized by the requirement to have a baseline no earlier than 2015.
>
> - NGO

> We are concerned about the lack of a 'transient' state of net-zero emissions (i.e. achieving a balance between emissions and removals before residual emissions have been reached)
>
> - Professional services

> Is the SBTi planning on following-up on performance and put in place some form of consequences for companies not achieving reductions fast enough?
>
> - Fashion