

The SBTi's Net-Zero Standard Road Test

Company road test kick-off

15th July 2021

Partner organizations



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Welcome to the Net-Zero company road test!

Congratulations on being selected as road tester for SBTi's Net-Zero Standard! Your input will be critical to the finalisation of the NZ standard.

Today's speakers and the Net-Zero project team



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CONTENTS

- The Net-Zero Standard Development process
- How SBTs fit into a net zero strategy
- The road testing process
- Road testing materials
- The NZ Tool
- Q&A

THE SCIENCE BASED TARGETS INITIATIVE (SBTi)



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Partner Organizations:



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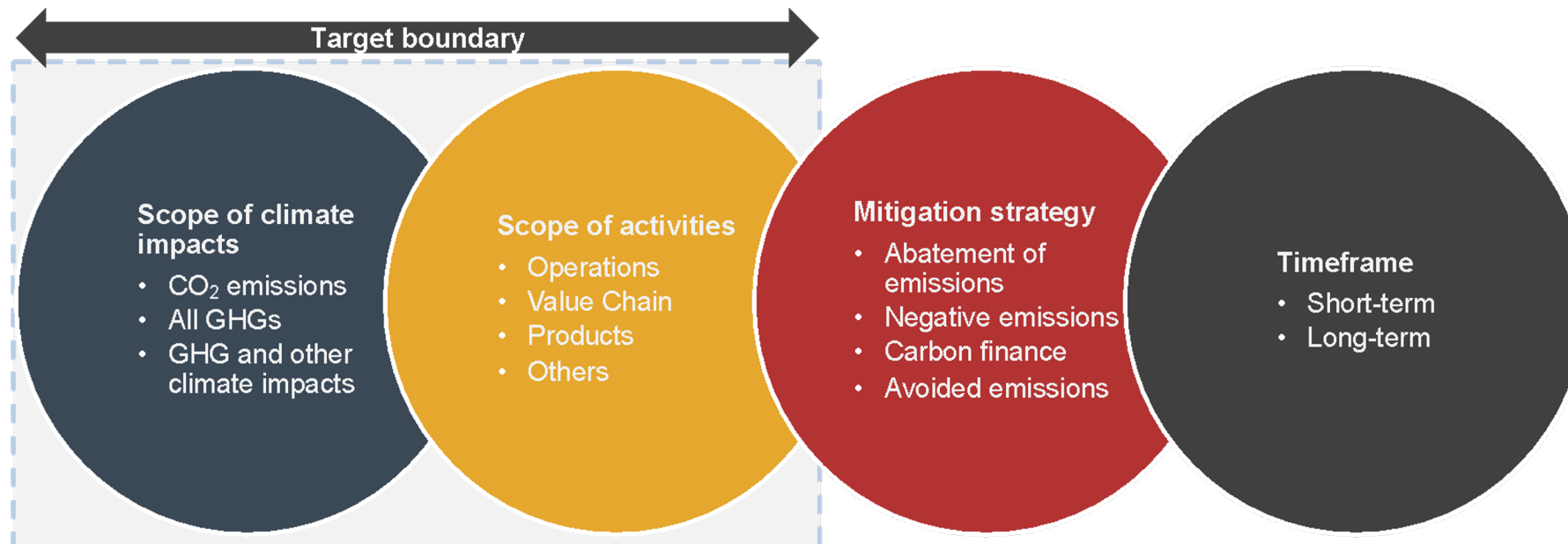
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Companies are setting net-zero targets without a global standard

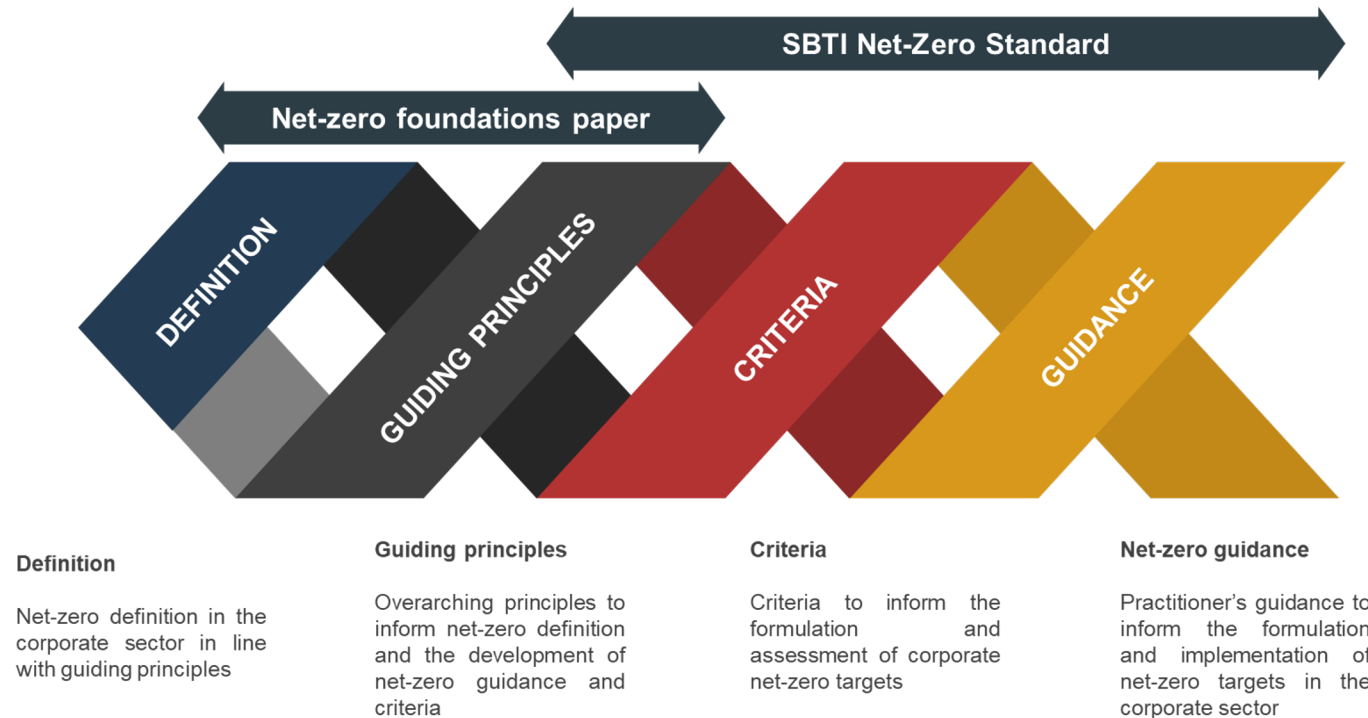
There is a high degree of heterogeneity in the current net-zero landscape. Net-zero targets differ across three important dimensions:

1. The sources of emissions included in the target;
2. The mitigation strategy pursued (including the degree of abatement achieved);
3. The timeframe of the target



What is the SBTi doing to address this issue?

SBTi corporate net-zero standard



- The SBTi is conducting an inclusive, stakeholder-informed process to develop a framework to enable companies to set robust and credible net-zero targets in line with a 1.5°C future.
- It includes criteria and guidance, which will enable companies to have their targets validated by the SBTi.

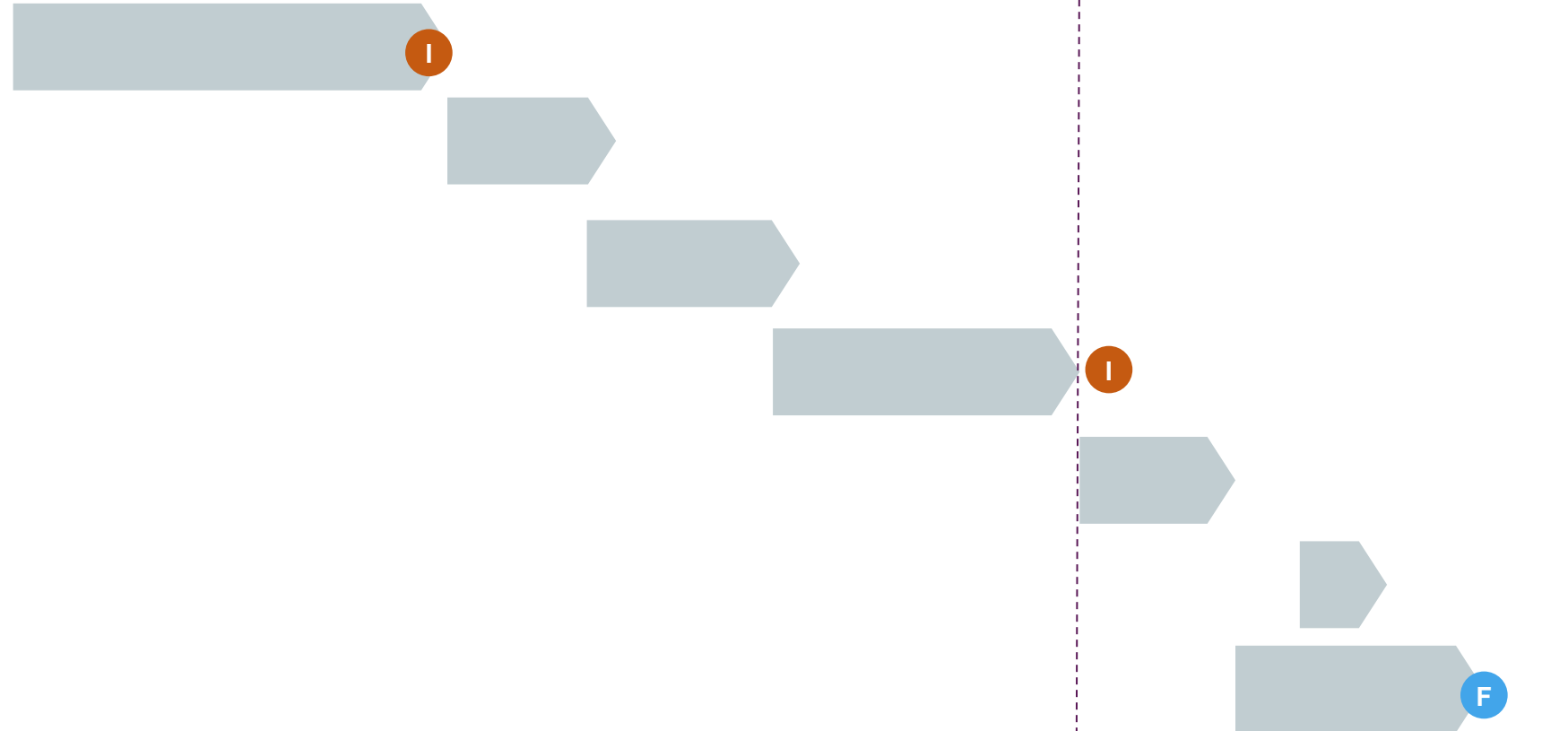
The Net-Zero Standard Development timeline

We are here



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

- Drafting of initial criteria
- Public consultation
- Refine criteria
- Draft net-zero guidance
- Road testing
- 2nd Public Consultation
- Finalisation of Net-Zero Standard
- Launch of SBTi Net-Zero Standard



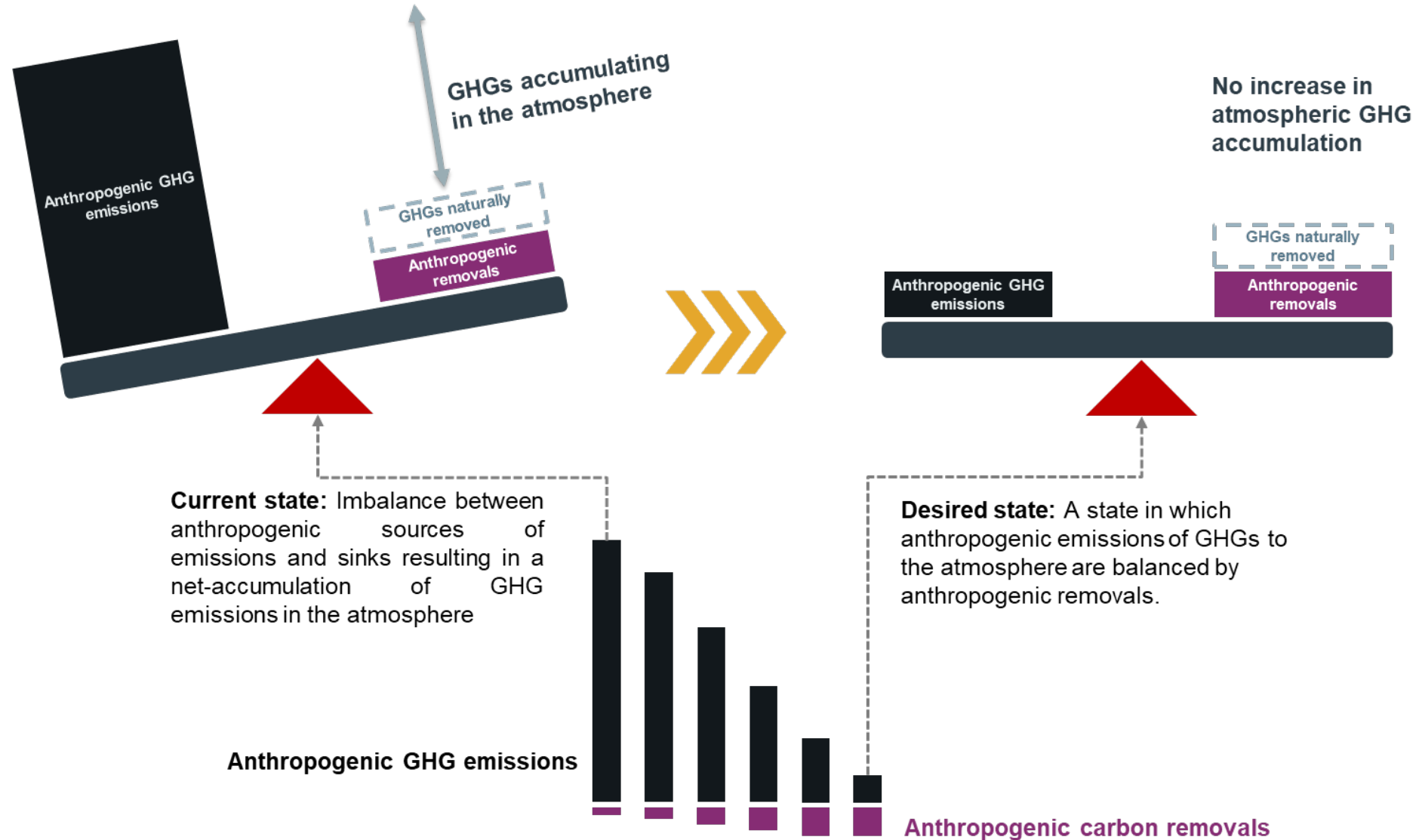
I Interim deliverable
F Final deliverable



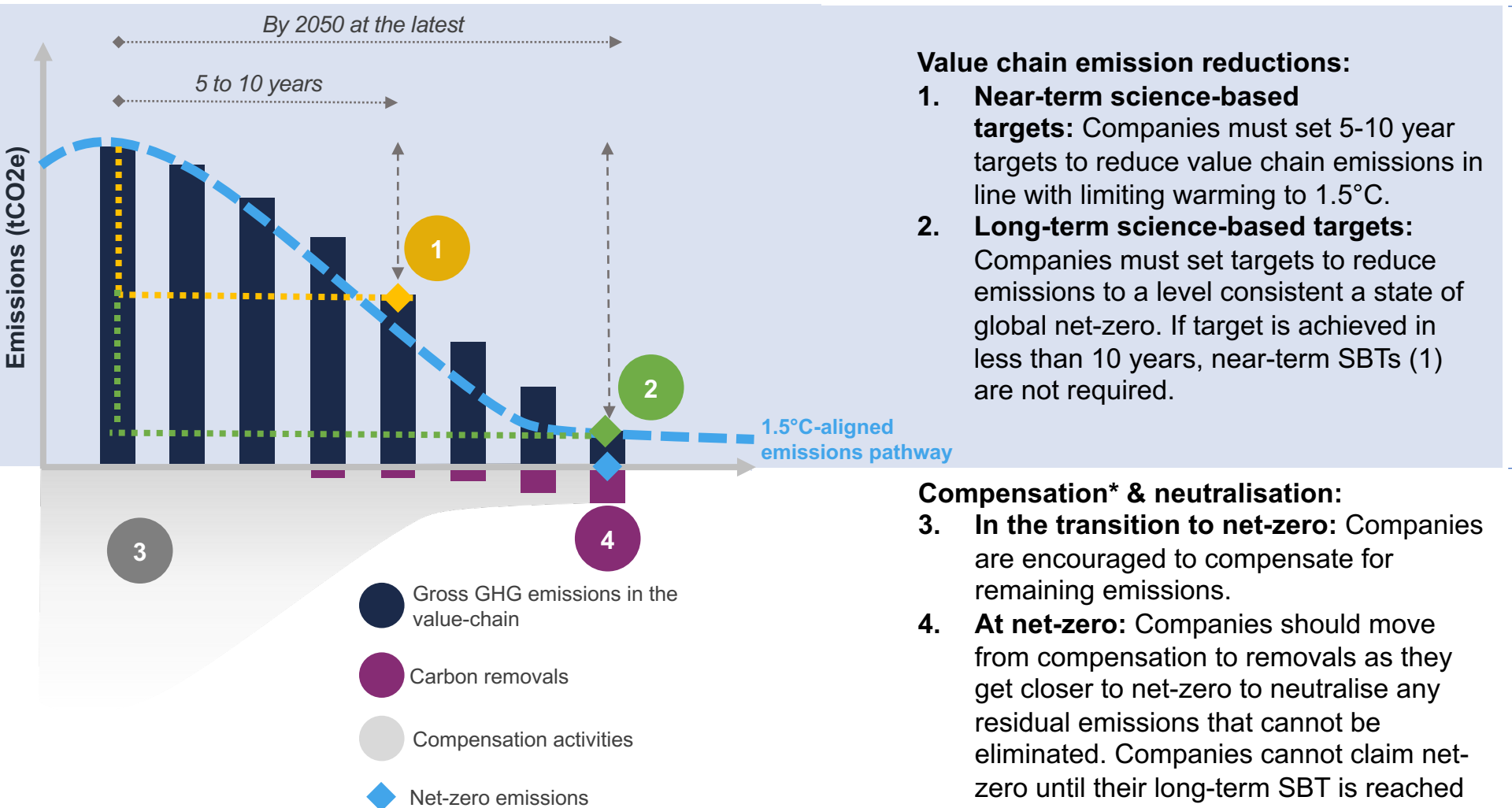
HOW SBTS FIT INTO A NET ZERO STRATEGY

What does net-zero mean?

Understanding net-zero at the global level



What are the key elements that make up a company's SBTi aligned net-zero commitment?

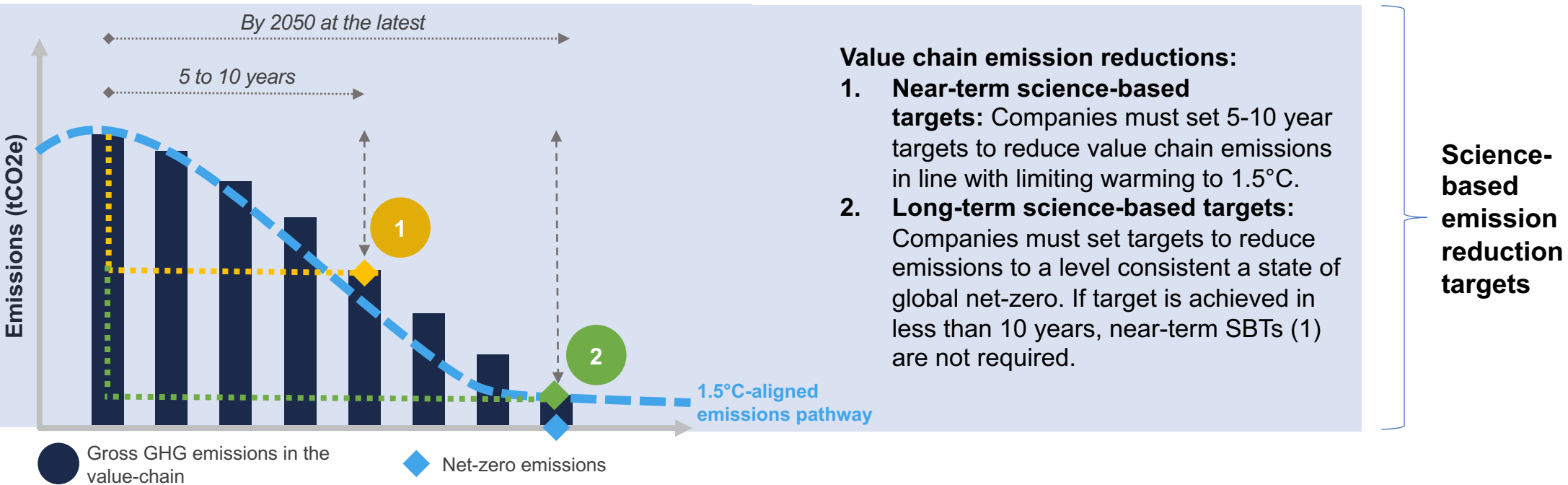


Science-based emission reduction targets

Net-zero commitment

** The term compensation is currently under review and is being used as a placeholder*

This road test focusses on science-based target setting as part of a company's net-zero commitment



SBTs help companies determine **how much** and **how fast** they need to reduce GHG emissions to reach net-zero.

Why are we focussing on emission reductions in this road test?

First things first...

Emission reductions are key to transition to global net-zero

1

- Complete emission inventory following GHG Protocol
- Set near- and long-term science-based targets to reduce value-chain emissions
- Disclose target progress annually

...while also recognizing need to go further

Compensation can accelerate the transition to global net-zero, while neutralisation is important to reach net-zero. *The SBTi is conducting further research to inform its approach.*

2

- In the near-term, companies are encouraged to participate in a variety of compensation actions that go further than the SBT
- In the long-term, companies will need to neutralise all residual emissions with equivalent removals



THE ROAD TESTING PROCESS

Three key objectives for the road testing process

- Gather feedback on the clarity, robustness and practicality of the target setting tool, criteria and guidance
- Identify key challenges for adoption and implementation of the standard across industries
- Build a strong network of companies on the journey to setting net-zero targets in line with climate science



Road testing deliverables



Deliver target modelling results

- Trial the target-setting tool
- Share results with SBTi



Provide detailed feedback through survey

- Review the criteria
- Answer all questions in the survey



Engage with SBTi to address issues

- Participate in workshops where possible
- Make use of office hours to discuss any questions, obstacles, or suggestions
- Participate in one-on-one discussions as needed



Become a NZ SBTi champion

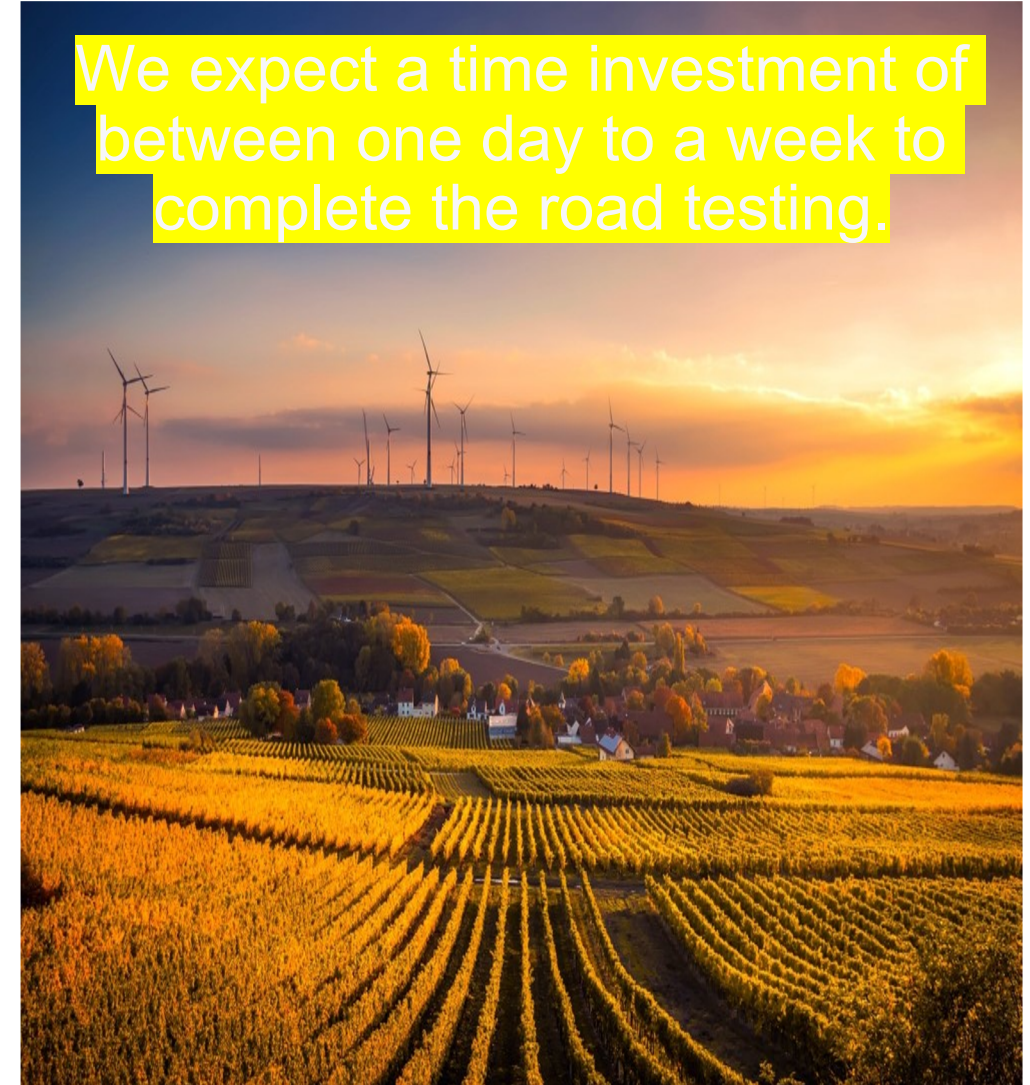
- Take part in deep dive interviews to discuss adoption barriers, expectations, gaps, etc.
- Develop case studies

Expected of all participants

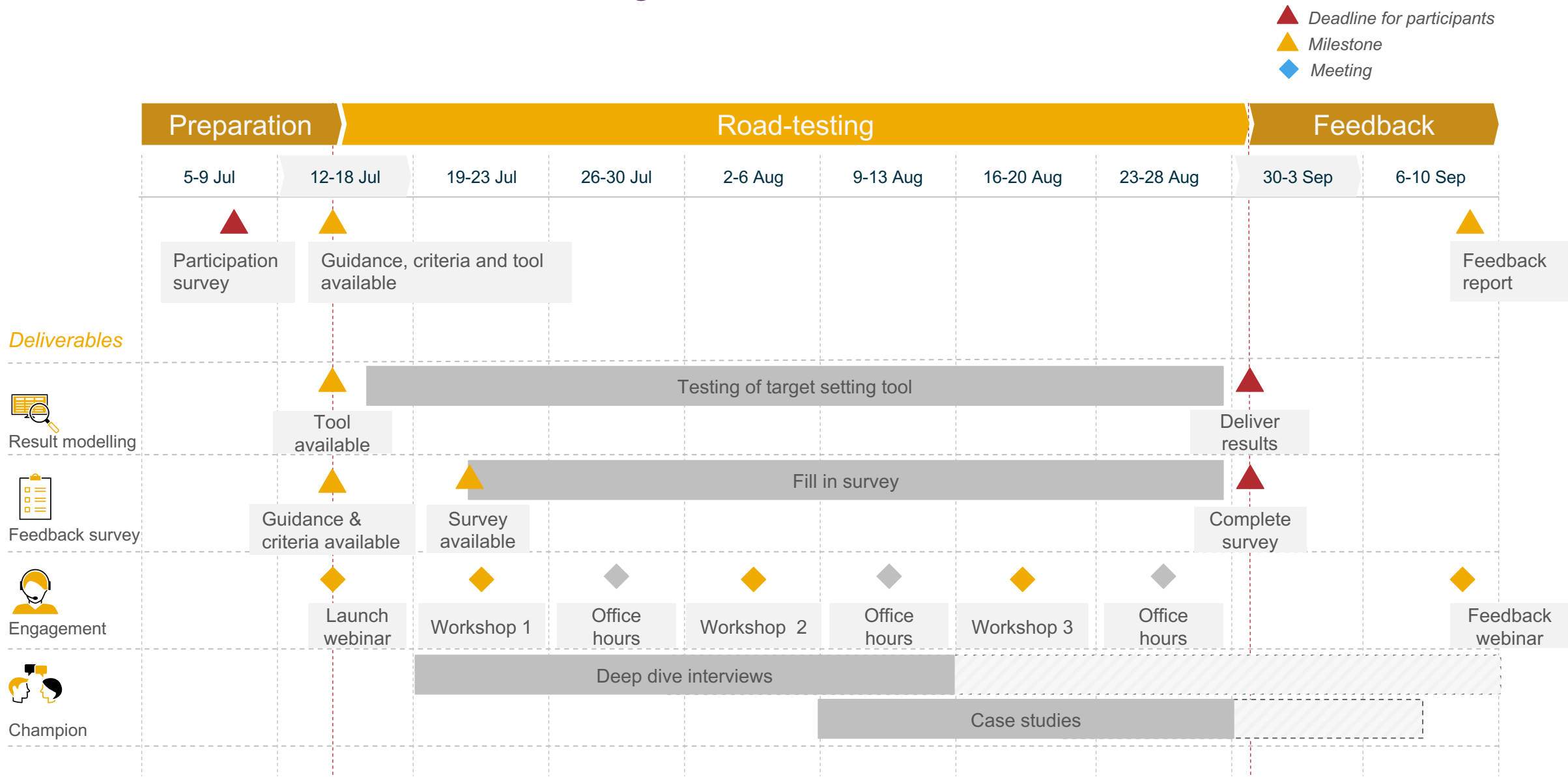
Recommended

Optional

We expect a time investment of between one day to a week to complete the road testing.



What is the timeline for road testing?



Meetings to support participants and gather feedback during the process

CONFIDENTIALITY
We offer one-on-ones for participants that wish to remain confidential

	◆	◆	◆	◆	◆	◆	◆
	Launch	Workshop 1	Office hours 1	Workshop 2	Office hours 2	Workshop 3	Office hours 3
<i>Eastern (CEST)</i>	15 July 10:00-11:00	22 July 10:00-11:00	28 July 10:00-10:50	5 August 10:00-11:00	11 August 10:00-10:50	19 August 10:00-11:00	25 August 10:00-10:50
<i>Western (CEST)</i>	15 July 15:00-16:00	22 July 16:00-17:00	29 July 16:00-16:50	5 August 16:00-17:00	12 July 16:00-16:50	19 August 16:00-17:00	26 August 16:00-16:50
Attendance	Required	Preferred	Optional	Preferred	Optional	Preferred	Optional
Topics covered*	Explanation of methods, tool, guidance, etc.	Further explanation & discussion around materials	Open to questions from participants	Discussion on criteria and clarity of materials	Open to questions from participants	Discussion on gaps, adoption barriers, etc.	Open to questions from participants





ROADTESTING MATERIALS

The Net-Zero Standard Criteria

The document is laid out into three chapters and describes the requirements for companies to set science-based targets as part of a net-zero commitment.



Near-term science-based target criteria

Lays out requirements for near-term science-based targets that supersede the requirements within the SBTi's science-based target criteria.

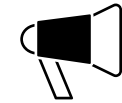
- I** Near-term Science-Based Targets



Long-term science-based target criteria

Addresses long-term science-based target criteria on timeframe requirements, how much value chain emissions must be reduced to reach net-zero, and how companies should define emission reduction boundaries.

- II** Long-term SBT timeframe
- III** Long-term SBT ambition
- IV** Long-term SBT boundary



Communication, Claims and Validity

The final chapter specifies official target wording that must be publicly available as well as reporting requirements.

- V** Target Formulation and Reporting



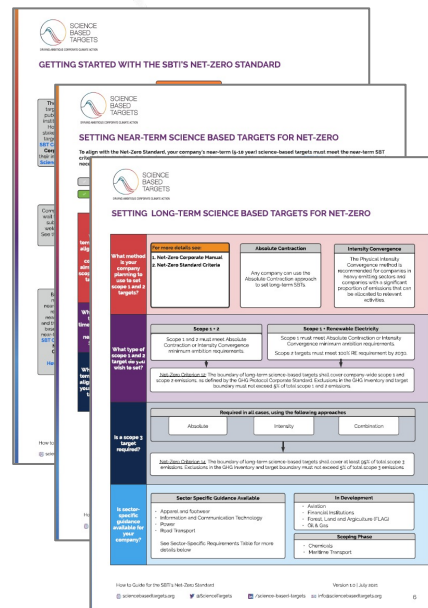
We have developed guidance documents to assist you in the road testing process

The Net-Zero How-to Guide

Step-by-step guide to setting near and long-term SBTs in alignment with the Net-Zero Standard

Includes information on:

- ☆ Planned 1.5°C pathways for near-term SBTs
- ☆ Near term SBT vs. long-term SBT requirements
- ☆ Sector-specific requirements for setting long-term science-based targets

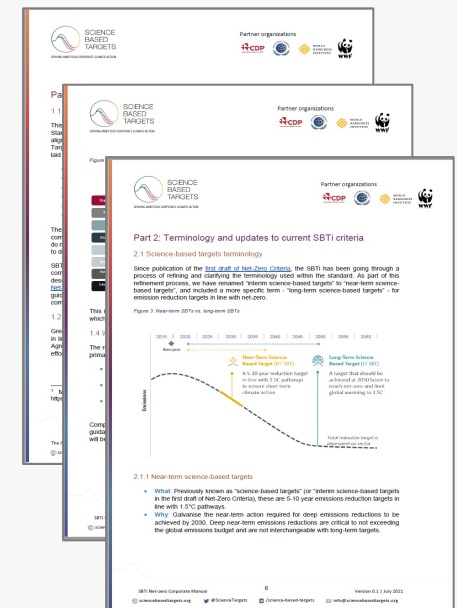


The Net-Zero Corporate Manual

Six part manual that gives detailed guidance on the Net-Zero Standard

Includes information on:

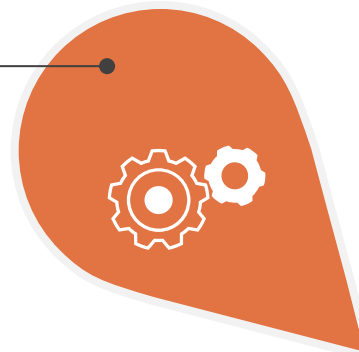
- ☆ Terminology and updates to current SBTi criteria
- ☆ Mitigation pathways in the Net-Zero Standard
- ☆ Setting near-term and long-term science-based targets
- ☆ Updating and communicating targets



Survey gathers your structured input on four key dimensions and will open next week

Overall NZ method

Questions on the criteria, pathways and framework options

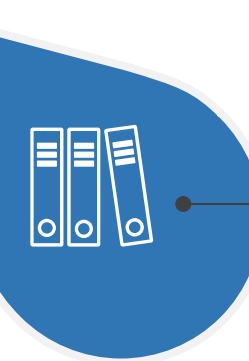
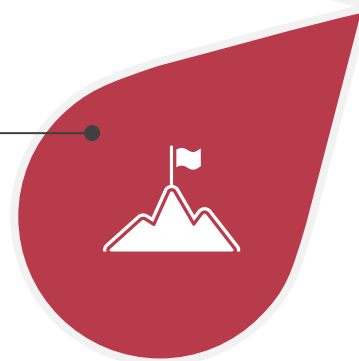


Target setting tool

Questions on user-friendliness of the tool in general

Feasibility and key challenges

Questions on how realistic the results and timelines are for your specific industry and what adoption barriers you would see for wide-scale implementation



Supporting materials

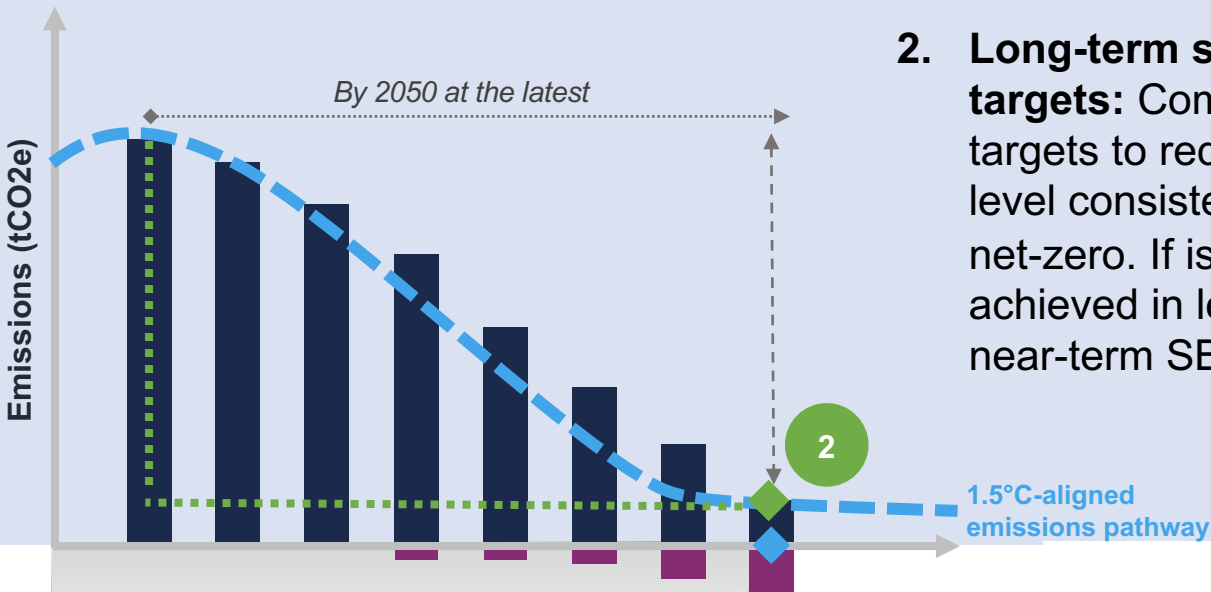
Questions on ease of use and clarity of the materials provided to support the process (e.g. instructions, guidance, etc.)





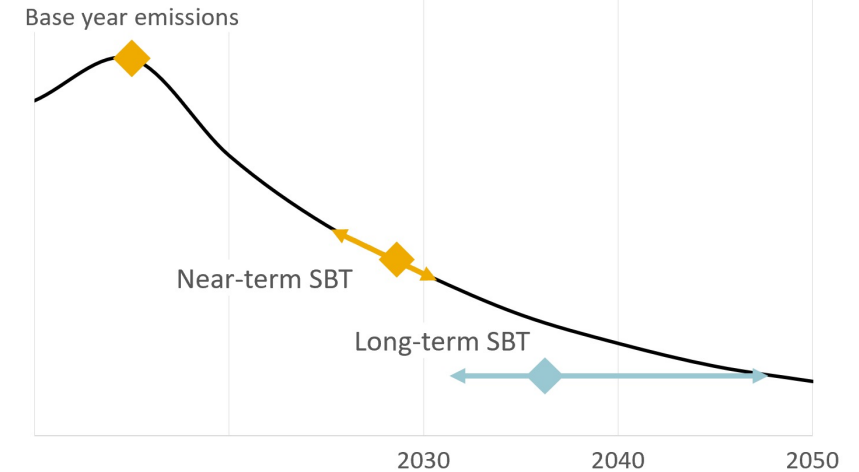
THE NET-ZERO TOOL

The SBTi has developed long-term science-based target setting methods to define what “residual emissions” are for corporates.



2. Long-term science-based targets: Companies must set targets to reduce emissions to a level consistent a state of global net-zero. If is this target is achieved in less than 10 years, near-term SBTs are not required.

- Gross GHG emissions in the value-chain
- Carbon removals
- Compensation activities
- Net-zero emissions



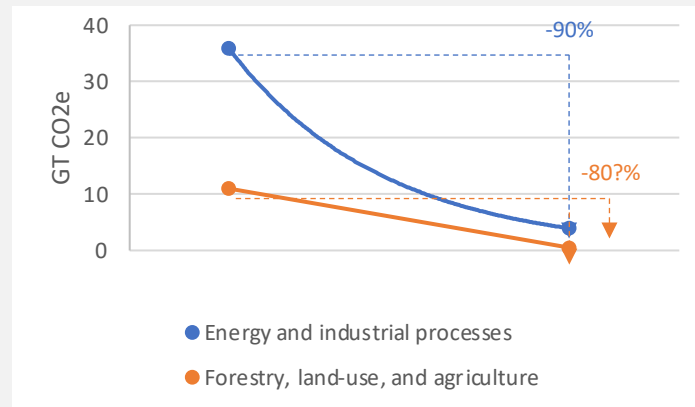
Near-term SBTs require a scale of emissions reduction that is company target year-dependent, while long-term science-based targets are company target year-independent.



We have developed two net-zero science-based target methods

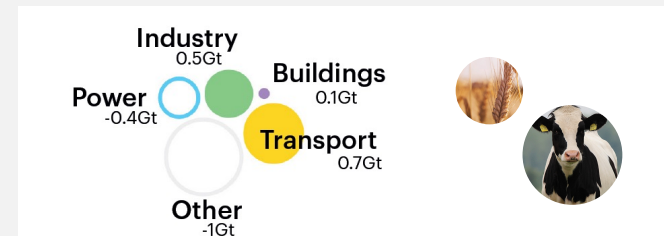
Method 1. Absolute contraction

- “One-size-fits-all” method
- Separate absolute targets required for *energy & industrial processes* and *forestry, land-use and agriculture (FLAG)*



Method 2. Sector/activity-based

- Company-specific targets reflect different levels of residual emissions per activity
- Companies in heavy-emitting sectors may use the method to calculate intensity convergence targets (like SDA)
- Demand-side companies may use the method to calculate company-specific absolute targets based on sectoral absolute contraction



You will be able to test both methods to calculate your Net Zero emission reduction target and target year in the SBTi tool



What data is required to model my targets?

Data needed to calculate your Net-Zero target with the SBTi Tool

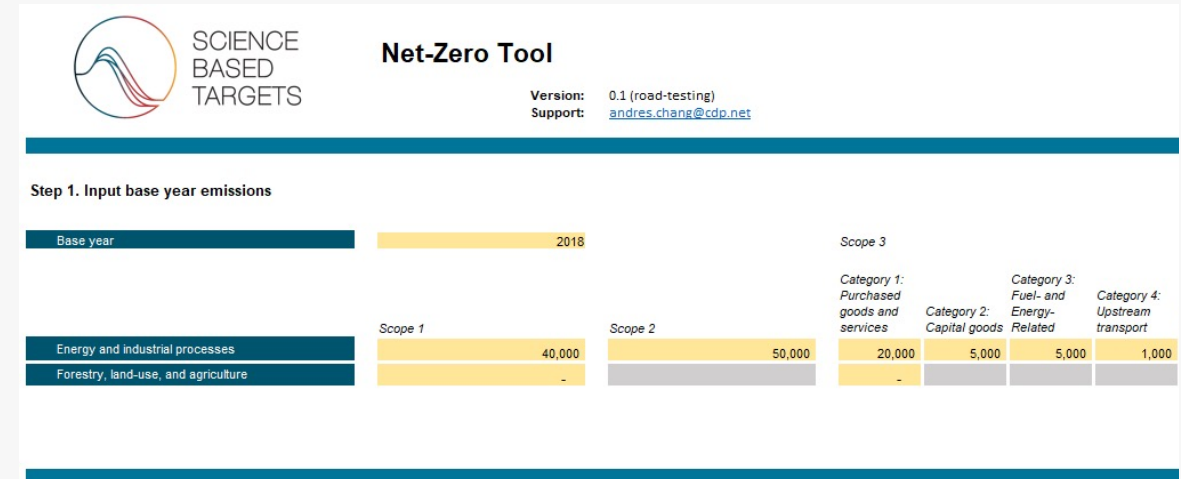


Your scope 1, 2 & 3 emission inventory
Broken down by activity/sector for pro tool



Your base year

Base year emissions data input tab



Net-Zero Tool

Version: 0.1 (road-testing)
Support: andres.chang@cdp.net

Step 1. Input base year emissions

Base year	Scope 3					
	Scope 1	Scope 2	Category 1: Purchased goods and services	Category 2: Capital goods	Category 3: Fuel- and Energy-Related	Category 4: Upstream transport
2018						
Energy and industrial processes	40,000	50,000	20,000	5,000	5,000	1,000
Forestry, land-use, and agriculture	-					



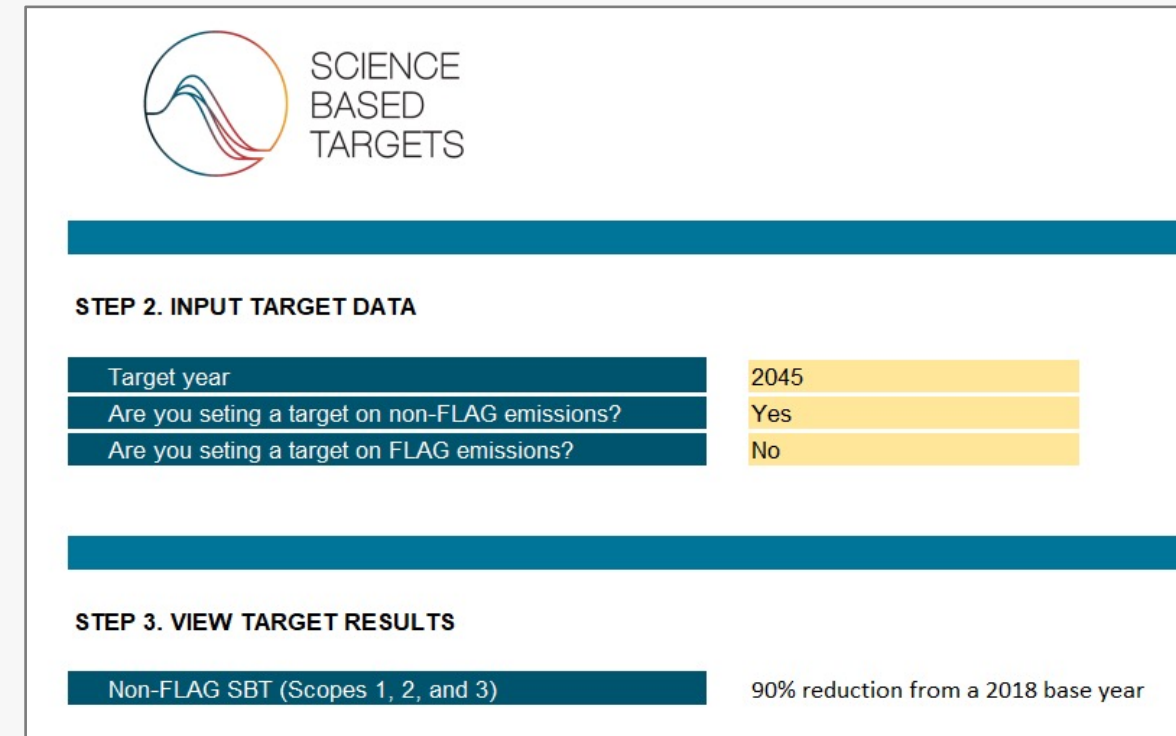
High-level overview of the basic tool

Allows companies to set a single combined target each for non-FLAG emissions and FLAG emissions

3 steps to calculate long-term SBTs with absolute contraction method

- 1 Select a target year
- 2 Select whether you are setting a target on non-FLAG and/or FLAG emissions
- 3 View target results

The tool



The screenshot shows the Science Based Targets tool interface. It features the logo and name 'SCIENCE BASED TARGETS' at the top. Below the logo is a blue horizontal bar. The main content is divided into two sections: 'STEP 2. INPUT TARGET DATA' and 'STEP 3. VIEW TARGET RESULTS'.

STEP 2. INPUT TARGET DATA

Target year	2045
Are you setting a target on non-FLAG emissions?	Yes
Are you setting a target on FLAG emissions?	No

STEP 3. VIEW TARGET RESULTS

Non-FLAG SBT (Scopes 1, 2, and 3)	90% reduction from a 2018 base year
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27 1. Only possible to if your target is covering a single activity and your company is a “demand-side” company (company which is purchasing or using rather than producing goods and services)



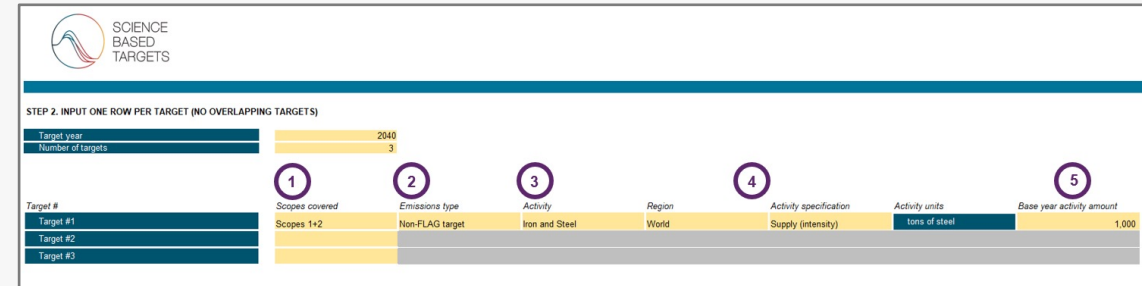
High-level overview of the pro tool

Allows companies to set multiple targets (including activity-specific targets) that cover all relevant emissions sources

For each target

- 1 Select the scopes covered
- 2 Select whether target covers FLAG or non-FLAG emissions
- 3 Select pathway – universal, agricultural or activity-specific
- 4 If using an activity-specific pathway, select whether your company is demand or supply side
- 5 If relevant, enter base year activity data
- 6 Input emissions per scope or scope 3 category

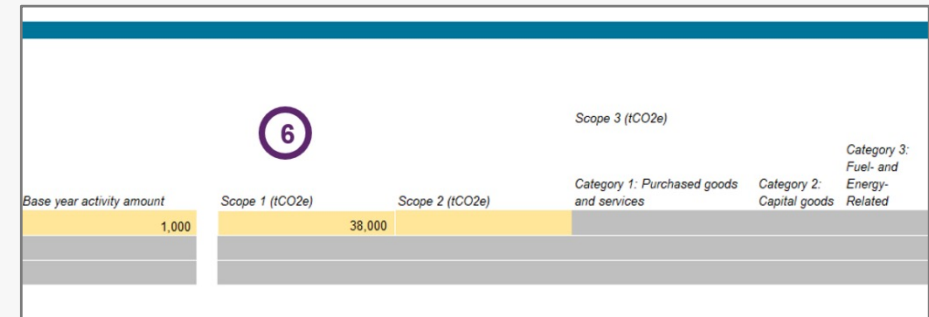
The tool



STEP 2. INPUT ONE ROW PER TARGET (NO OVERLAPPING TARGETS)

Target year	2040				
Number of targets	3				


Target #	Scopes covered	Emissions type	Activity	Region	Activity specification	Activity units	Base year activity amount
Target #1	Scopes 1+2	Non-FLAG target	Iron and Steel	World	Supply (intensity)	tons of steel	1,000
Target #2							
Target #3							



Base year activity amount	Scope 1 (tCO2e)	Scope 2 (tCO2e)	Scope 3 (tCO2e)
1,000	38,000		

Category 1: Purchased goods and services
Category 2: Capital goods
Category 3: Fuel- and Energy-Related





Do you have any
questions?



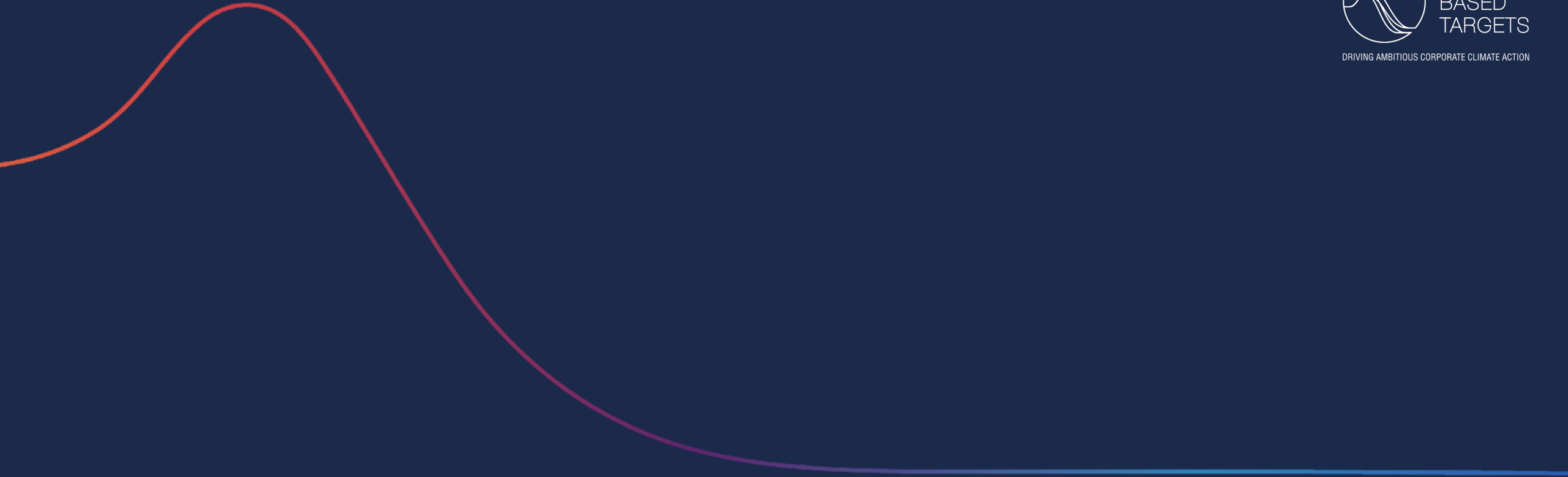
Thank you for listening!

For questions related to the road-testing process and the Net Zero Standard in general, please contact:

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The next workshop will take place next Thursday, the 22nd of July, where we will explore the NZ methods and documentation in more detail.



Thank you!



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