



The SBTi's Net-Zero Standard Road Test

Workshop 2

5th of August 2021

Partner organizations



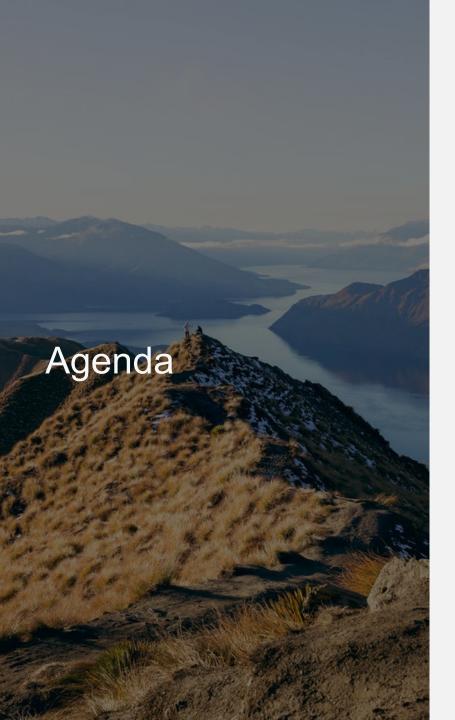






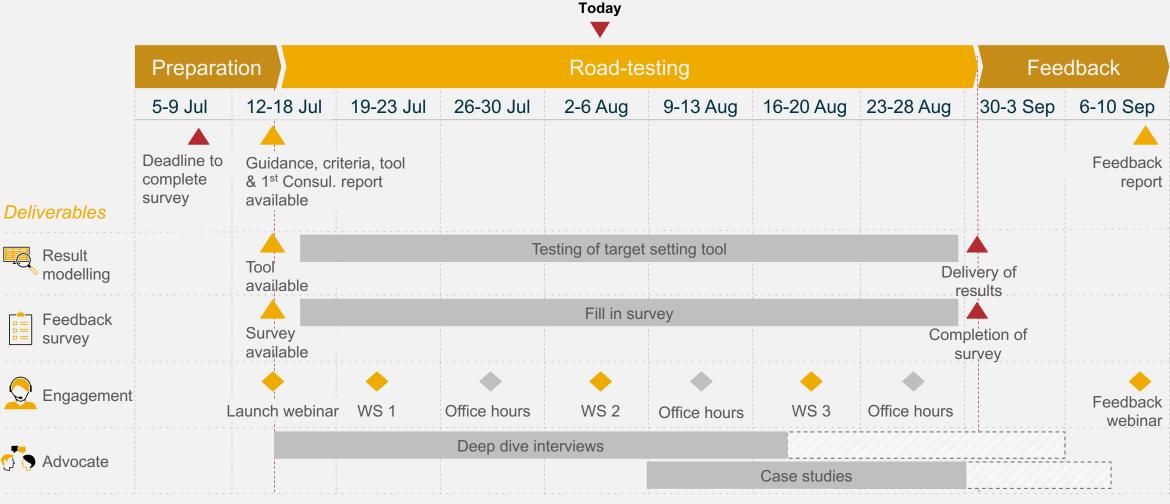
In collaboration with





Recap: Net-Zero Standard Development process
 Todays' objectives
 Walk through the Net-Zero How-to Guide
 Step-by-step example of using the NZ Tool
 Highlights from the Net-Zero Corporate Manual

What is the timeline for the road test?





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
Eastern (CEST)	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
Western (CEST)	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	Using the tool and workshopping targets	Open to questions from participants	Discussion on gaps, adoption barriers, etc.	Open to questions from participants
				i		Next workshop	SCI

We are here

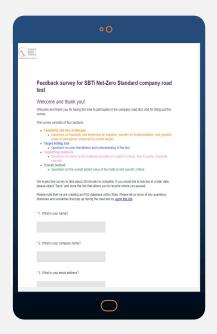
^{*} Note: subject to change

Reminder to provide feedback through the survey and Slido Q&A tool

Feedback Survey

A 30-minute survey to complete after trying out the target setting tool and using the supporting materials

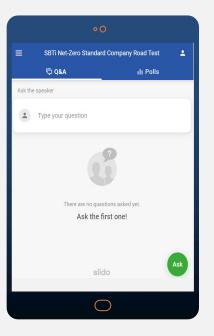
- Provide feedback on the feasibility, key challenges, ease of use of the target setting tool, and overall method
- Link <u>here</u>



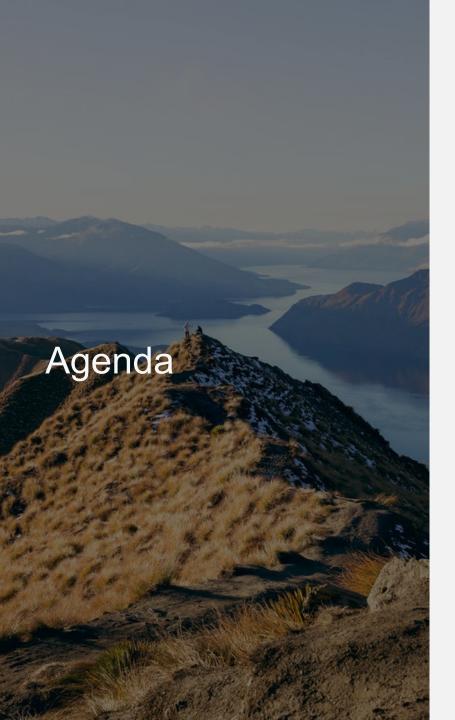
Slido and FAQ database

Question, answer and polling platform for the company road test

- Enter in any questions that pop up during the road test into Slido (please see link here)
- Review answers to questions in the Google Sheet







Recap: Net-Zero Standard Development process

Todays' objectives

Walk through the Net-Zero How-to Guide
Step-by-step example of using the NZ Tool
Highlights from the Net-Zero Corporate Manual

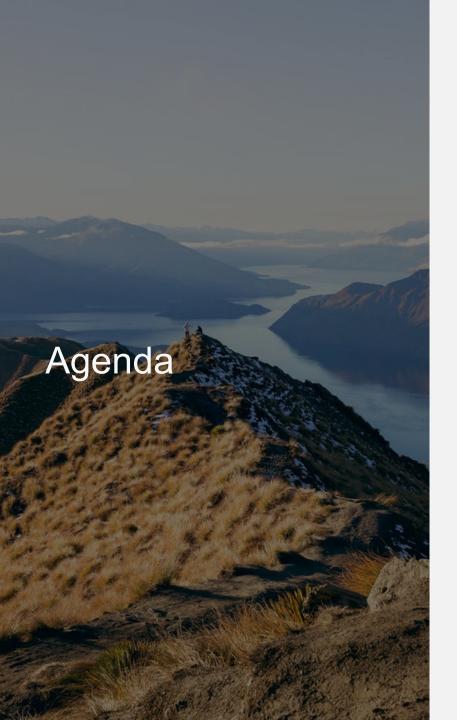
Key objectives for today

Provide a quick explanation of the How-to Guide

Walk through the Net-Zero Tool step by step

Ensure a greater understanding of the Net-Zero Corporate Manual



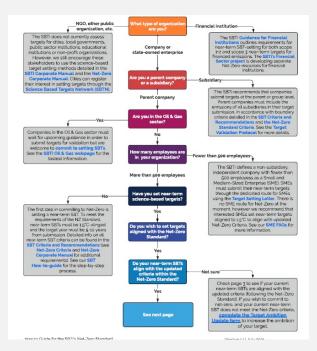


Recap: Net-Zero Standard Development process
Todays' objectives

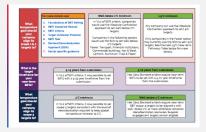
Walk through the Net-Zero How-to Guide Step-by-step example of using the NZ Tool Highlights from the Net-Zero Corporate Manual

The How-to Guide provides visual step-by-step guidance in three key sections

- Getting started with the Net-Zero Standard
- Answer questions in the decision tree to find out what next steps apply to your company (page 1-2)



- Setting near-term SBTs for Net-Zero
 - Find out which criteria for nearterm SBTs are eligible (page 3)



 More info on available pathways for high-emitting sectors (page 4-5)

Pathway	Allocation method	
Status: Currently available		
Universal pathway, applicable to all companies Apprex. 4.2% linear annual reduction in absolute emissions	Absolute contraction	
Power generation Approx. 5.7% linear annual reduction in emissions intensity	Intensity convergence	
Status: Planned for COPz6		
Iron and steel	Intensity convergence	
Buildings	Intensity convergence	
Aviation	Intensity convergence	
Coment	Intensity convergence	

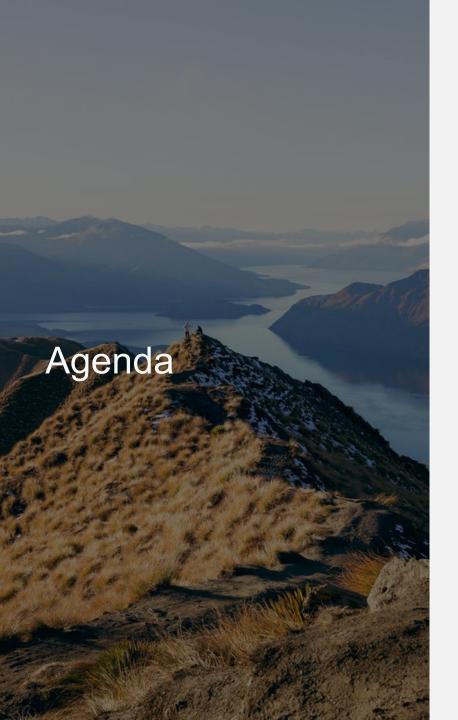
- Setting long-term SBTs for Net-Zero
- Find out how to set long-term SBTs (page 6-7)





 More info on sector-specific requirements (page 8-10)

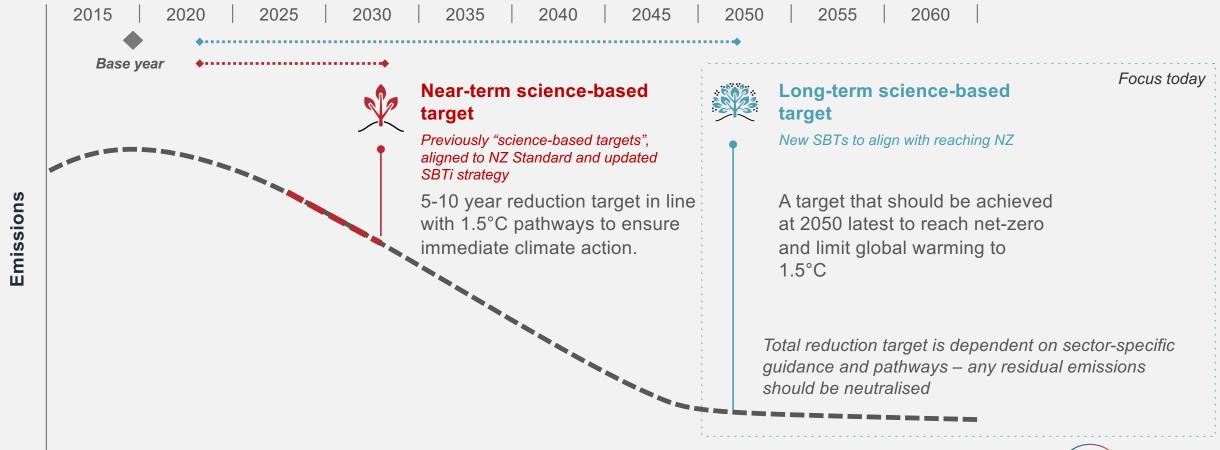
Passer Generation	The intensity convergence method must be used by power generation companies, as specified in the Guidance for Flochic Utilities.	Compariso in the power sector with scope a emission that represent 40% or more of owned emission must set on intensity length covering At sold discribitly identified purchased and resided resides in scope 1 category 3.1 in wirklian to a larget covering power generation in scope 1.	
Forest, Land-use & Agriculture (FLAG)	Some companies will be required as set TLAC septicit ball are coursed from the SSE passing as local remission. If ILAC septicit result was the ELAC septice reliability. ELAC septicit result was the ELAC septice respectation method or the intervally convergence method. I believely pathways will be weaklable for their dispersion of the intervallus and their popularies. The set interval supplies of their companies will be inequired to use their intervallay convergence reflected for resultance.	The FLAG sector guidance is planned for completion by the end of Ox 2011.	
Old & Gas.	The SBT is developing larger-setting methods for et & gas companies and companies.	For English validation by the SETL TOLE Gas "recludes, but is not invitated in long-select Oil. Size companies interprated this companies. Established in Physiciation, companies, Referring and Melastring companies. OE Practicats Distributions and Employee. Companies of the Residence of the Resi	
Fessil Fuel Sale/ Trensmission/ Distribution* This Information is only applicable to companies that receive less than got of their revenue from plant fuel size of their revenue from plant fuel size. Instalmation, or childhold in For companies, transmission, or childhold in For companies, the meeting stiff or more of their revenue from these notificialies, played not the CRI is Chas person activities.	In addition is guidance for the primary sector, coope 3 targets must be set on occupe 3 category 11 vice of sould predicts' errossoms using absolute confluences.	The gets must be set for scape 3 chiegory 11, insuperchie of the share of these emissions compared to the statistism-th-this considers of the compared Sequence scape 3 benefits may need to be set in this case.	ENCE
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Recap: Net-Zero Standard Development process
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Walk through the Net-Zero How-to Guide

Step-by-step example of using the NZ Tool Highlights from the Net-Zero Corporate Manual

SBTi's Net-Zero Standard covers both near-term and long-term SBT methods for corporate target setting





Long-term science-based targets: key criteria

Long-term emission reduction targets are critical part of any corporate net-zero commitment. They drive economy-wide alignment and long-term business planning to reach the level of global emissions reductions

needed to limit global warming to 1.5°C and reach net-zero by 2050.



Timeframe

Long-term SBTs to be set for a target year **no**later than 2050



Target Ambition

Emissions in scopes 1, 2, and 3 that are covered by the long-term SBT boundary must align with 1.5°C net zero pathway at the global or sector level



Companies to cover at least 95% of scope 1 & 2, and 95% of scope 3 emissions in the long-term SBT boundary

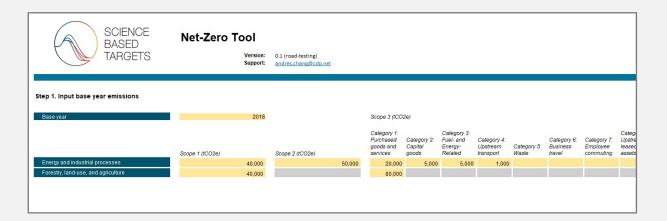




Step 1: Input your company's base year emissions

Requirements

- Companies must have a completed base year emissions inventory split by GHG emissions scope and scope 3 category
- Emissions from forestry, land-use, and agriculture (FLAG) should be reported separately from other emission
- Base year emissions are then input into the Net-Zero Tool



Additional resources

- Greenhouse Gas Protocol Corporate Standard
- Greenhouse Gas Protocol Scope
 3 Standard
- Greenhouse Gas Protocol Scope
 3 Calculation Guidance
- Quantis Scope 3 Evaluator Tool



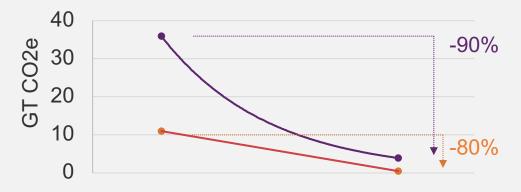


Two approaches to calculating long-term SBTs



Basic tool

- "One-size-fits-all" approach
- Separate absolute targets required for energy & industrial processes and forestry, land-use and agriculture (FLAG)

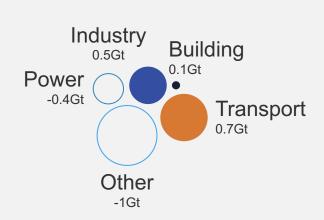


- Energy and industrial processes
- Forestry, land-use, and agriculture

2

Pro tool

- Company-specific targets reflect different levels of residual emissions per activity
- Companies in heavy-emitting sectors may set intensity convergence targets (like SDA)
- Demand-side companies may set absolute targets based on activity-specific absolute contraction











Additional pathways and methods may be used | Eligibility depends on

Yes! You can still use activity-based methods if they are relevant to your company and base year emissions are allocated correctly to the activity

	Eligible methods by company				
Activity-specific pathways	Absolute contraction (Eligible for demand-side companies – examples below)	Physical intensity convergence (Eligible for supply-side companies – examples below)			
 Land intensive: Agriculture (except timber and forestry) Beef, chicken, dairy, maize, palm oil, pork, rice, soya, wheat, roundwood 	RestaurantsGroceriesOther agricultural commodity purchasers	 Agricultural commodity producers Agricultural commodity processors 			
Transport:	 Airline users Car users Retail companies (e.g., scope 3 emissions from upstream or downstream transport) Other transportation service purchasers 	 Airlines Original equipment manufacturers (e.g., automakers, airplane makers) Transportation service providers 			
Industry: Iron and steel Cement Other industry	 Building companies (e.g., scope 3 emissions from purchased goods and services and capital goods) Real estate Auto manufacturers Other steel and cement purchasers 	 Steel and cement producers Capital goods producers (e.g., scope 3 downstream emissions from machinery used to produce materials) 			
Built environment: Residential buildings Service buildings	Building tenantsBuilding users	Real estate companies			
Energy Power generation	Electricity users	Electric utilities SCIENCE BASED TARGETS TA			

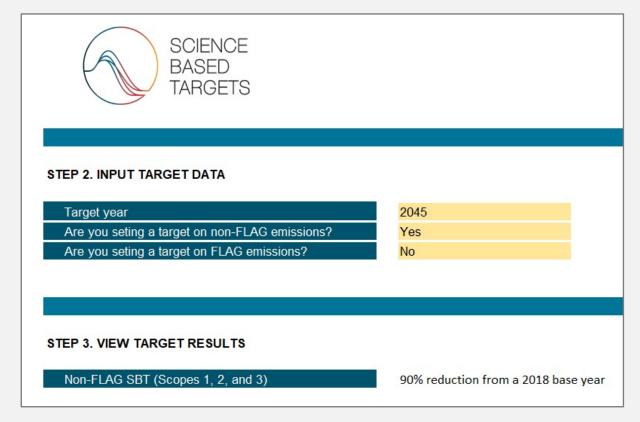
company



1 How to use the basic tool

The "basic" tool tells companies how much to reduce scope 1, 2, and 3 emissions by the net-zero target year based on a universal or agriculture pathway

It is recommended for most companies (except power sector and timber companies)





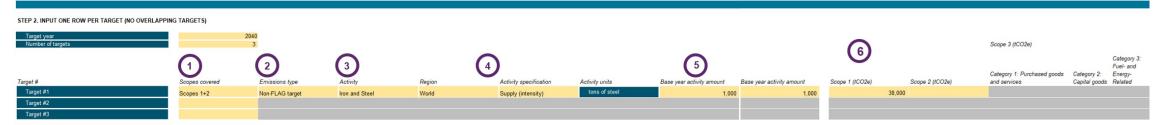


How to use the pro tool (I/III)

Long-Term SBT

- Companies may calculate up to 11 targets, which cover different scopes and/or activities
- Enter one row per target and fill out each of the relevant columns





1. Scopes covered	
Scope 1	
Scope 2	
Scope 3	
Scopes 1+2	
Scopes 1+2+3	
All sold electricity (relevar	nt to power utilities)
	e (relevant to transport operators and OEMs)
Renewable electricity	

2. Emissions type 3. Activity (Non-FLAG target) Non-FLAG target Universal pathway FLAG target Iron and Steel 3. Activity (FLAG target) Agriculture pathway Beef

SCIENCE BASED **TARGETS**

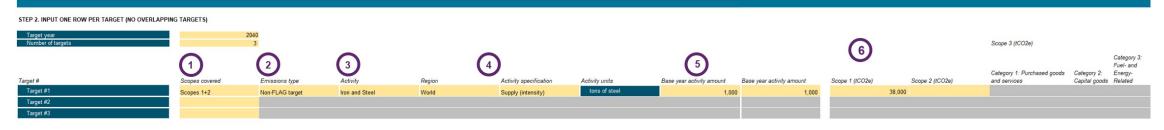


How to use the pro tool (II/IV)



- Companies may calculate up to 11 targets, which cover different scopes and/or activities
- Enter one row per target and fill out each of the relevant columns





4. Region (only shown for activity-specific pathways, i.e., not universal or agriculture pathway)

World

Canada (FLAG commodities only)

• •

5. Base year activity amount (only shown for supply/intensity targets)

• • • •

6. Base year emissions in target boundary

...

Activity specification (only shown for activity-specific pathways)

Supply (intensity)

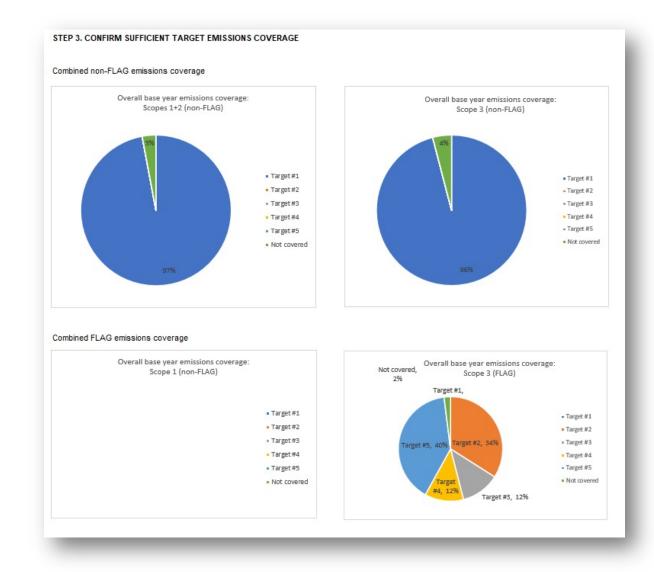
Demand (absolute)





2 How to use the pro tool (III/IV)

Check that your targets cover 95% of emissions in scope 1 & 2, and 95% of emissions in scope 3

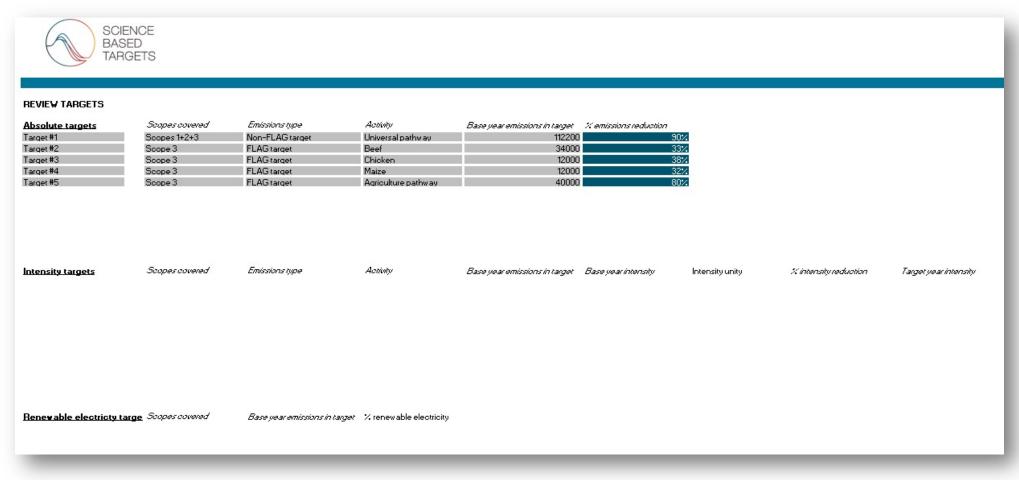






2 How to use the pro tool (IV/IV)

View your results in the review targets section of the tool in the tab "03-Pro tool (output)"







How should I take advantage of the ability to calculate multiple targets?



Set different targets for different scopes

- E.g., For some companies, Scope 3 "Downstream Transportation" can be wellapproximated by an absolute target based on the Trucking pathway
- E.g., Scope 2 can be covered by a "Renewable electricity" target

Set targets with a sectorspecific boundary

Only for electric utilities and transport

- Power generation companies are required to set a target on all sold electricity, which includes emissions from power generation in scope 1 (and optionally scope 2), as well as emissions from electricity purchased and resold to customers (scope 3 category 3)
- Transport targets should cover "well to wheel" or "well to wake" emissions, which is Scopes 1+2+Scope 3 category 3 for transport service operators and Scope 3 Category 11 for vehicle manufacturers

Compare long-term SBTs with existing targets

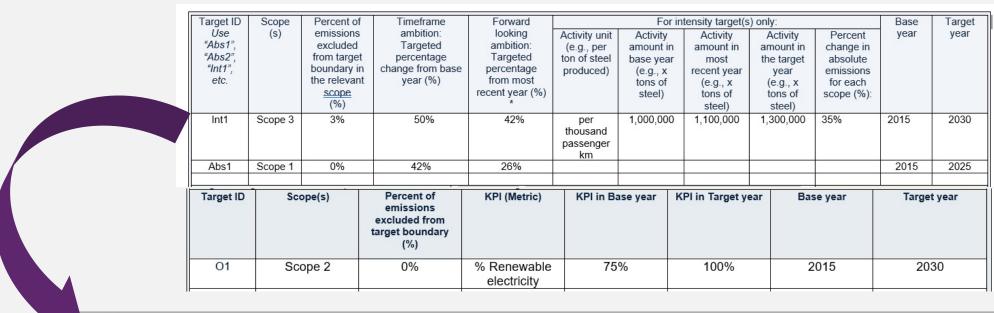
- Step 1: review your company's existing targets
- Step 2: Enter targets with the same boundary into the Pro Tool
- This exercise can help your company understand the difference between your approved near-term SBT and what is required for long-term SBTs, or to show the difference between your company's existing net-zero target and what is required to be sciencebased



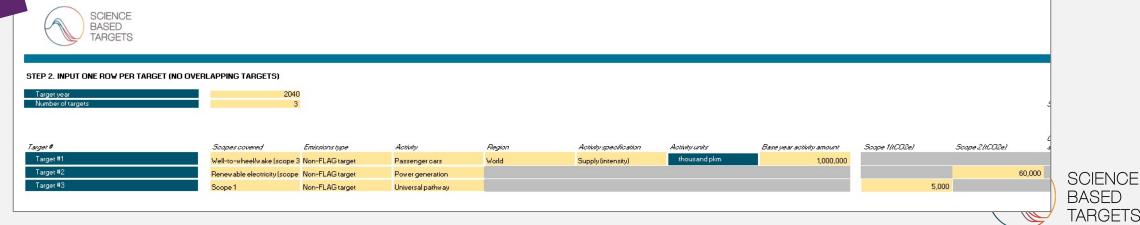


2 How to compare long-term SBTs with existing targets?

Enter targets with the same boundary into the Pro Tool



Screenshots from the SBT submission form

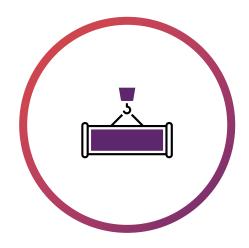


TARGETS



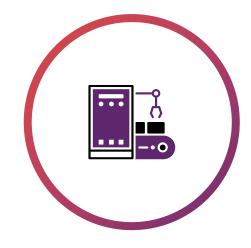
Using the pro tool: Demo examples

Live demo



Link <u>here</u>

Steel company



Mixed metals company (steel and brass)

Link here



Grocery chain

Link here



Auto manufacturer

Link here



"Making net-zero emissions a reality hinges on a singular, unwavering focus from all governments – working together with one another, and with businesses, investors and citizens."- IEA

Pathways limiting global warming to 1.5°C with no or limited overshoot would require rapid and farreaching transitions in energy, land, urban and infrastructure (including transport and buildings), and industrial systems (high confidence)." - IPCC

What if the target reduction seems unrealistic? How can I design a strategy for these targets?

- Achieving net-zero targets will require collective action and major changes to business strategy
- Companies may use scenario analysis to explore how their long-term SBT strategy would be affected by different policy outcomes
- Companies are encouraged to use appropriate 1.5C scenarios to inform their strategy and their position on collective action.
 Other scenarios are suggested to be used for sensitivity analyses and to understand strategic changes that would become needed under different scenarios

SCIENCE BASED

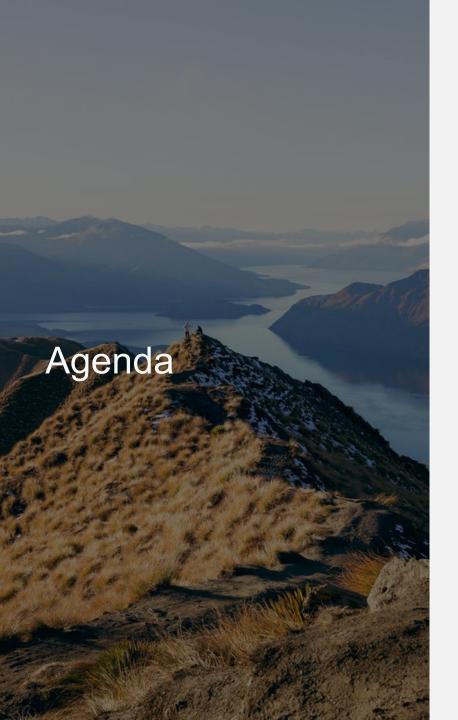


Long-term SBTs

The technical basis

How much mitigation is needed from each sector (and sector grouping) to reach net-zero?	Transformative mitigation is required from all sectors, as shown by scenarios like the IEA Net-Zero Roadmap and Roe et al. 2019 (land sector). Net-zero SBTs will be defined based on each sector's emissions in 2050 or year of sector net-zero, if earlier
Are intensity targets sufficient to ensure deep decarbonisation?	Intensity targets are necessary but insufficient at the economy level because they do not cover emissions reductions from behavior change like reduced material demand and modal shifts. These reductions are a greater share of total mitigation than most industry sectors
How can the SBTi maximize alignment with other climate action initiatives?	The SBTi is developing sector "emissions corridors" that will align with the goals of Race to Zero and may be incorporated into investor-facing tools by groups like AOA. They will also enable us to collaborate more effectively with pathway developers such as MPP
What types of targets would be most useful to SBT data users?	Physical intensity targets are often preferred by SBT data users, especially for companies in heavy-emitting sectors, because they may be viewed as more comparable and more relevant to assessing mitigation. Intensity targets will be eligible for supply-side companies
To what extent should sector targets align with common business planning timeframes?	As a complement to near-term SBTs, long-term SBTs may have timeframes that are longer than most common business planning horizons. Regardless, they can impact near-term investment decisions for some sectors and reflect an important shared milestone
What method would accommodate the widest range of companies, while reflecting sufficient ambition?	Methods with fewer application constraints and less reliance on business activity projections are more widely applicable. Sector/activity-based approaches help accommodate companies where a global approach is considered less relevant SCIENT BASEI

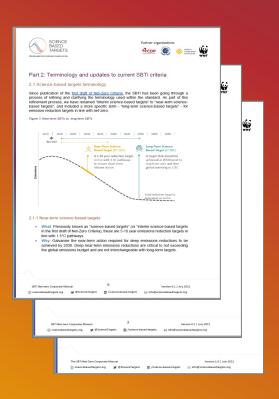
TARGETS



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Highlights from the Net-Zero Corporate Manual

The Corporate Manual provides detailed guidance



Today we will delve into three key topics covered in the Manual

- Insetting
 Can insetting be used for scope 3 reductions?
- 2 Forest, Land-use and Agriculture (FLAG) What options are available to set FLAG targets?
- 3 Nature-Based Solutions (NBS)
 Can NBS be used in SBTs?



Can insetting count towards my scope 3 reduction?



What is insetting?

- There are multiple definitions for the term "insetting and no standardisation of the term,
- Insetting can be used to describe mitigation projects that are wholly contained within a scope 3 supply chain boundary of a company, a project partially within their scope 3 supply chain boundary, and a project adjacent to a supply chain boundary.



What are the difficulties?

- No clear determination of what can and cannot be included within scope 3 reductions
- Accounting approaches for insetting also vary
- Further work is ongoing to standardise the definition of insetting and a clear accounting methodology



What is SBTi's standpoint?

- Companies should only include emission reductions or removals from "insetting" projects that:
 - Use a corporate accounting approach and are wholly contained within their supply chains, or
 - Include only the portion of a "partially-included" project that is within their supply chain and linked directly to sourcing.
- We will assess insetting projects on a case-by-case basis during the validation process and may not approve their use

BASED TARGETS

Guidance around the land sector is evolving

Two key projects to address FLAG/AFOLU emissions



- **1 WWF** is developing specific emission reduction pathways
- Will allow companies to set SBTs that fully incorporate deforestation and land-related emissions
- Will also include removals within the land sector
- Expected to complete by Q4 2021
- **2 GHG Protocol** is developing guidance on accounting for land sector activities and CO₂ removals
- The following activities will be included: land use and land-use change, carbon removals and storage, bioenergy and other biogenic products, and related topics
- Draft guidance is expected to be available for review by the Review Group and Pilot Testing Group in Q1 2022, with publication planned for 2022.

Limited support will be provided on this topic during the road test, but we encourage companies to seek to further understand FLAG emissions and keep up to date with these projects





What options are available for your company to set FLAG emission reduction targets?

Before launch of the FLAG tools in Q4

After launch of the FLAG tools in Q4



Near-term SBTs

- Absolute contraction for all emissions
- FLAG emissions are often not accounted for and therefore not included
- Absolute contraction for all emissions
- FLAG intensity pathways
- After the grace period ends, inclusion of FLAG emissions in the target boundary will be a requirement for companies with significant land sector emissions



- Absolute contraction for all emissions
- Intensity pathways for beef, chicken, dairy, palm oil, pork, rice, soya and wheat (please refer to Table 3 in corporate manual)
- Absolute contraction for all emissions
- Intensity pathways for beef, chicken, dairy, palm oil, pork, rice, soya and wheat (please refer to Table 3 in corporate manual)



Companies with land sector emissions can include nature-based solutions (NBS) to meet their science-based targets

Companies with land sector (FLAG) emissions in their supply chain

Companies without land sector (FLAG) emissions in their supply chain

Eligibility of NBS in SBT



- This applies to both near-term and long-term science-based targets
- Examples include stopping deforestation and conversation, peatland and mangrove restoration



- Corporate funding for NBS should not be used to avoid or delay action to reduce emissions from fossil fuels within a company's own operations or supply chain
- Companies are encouraged to explore investment in NBS toward future nature targets, or as part of compensation and neutralisation strategies

SCIENCE

Next time, we will...

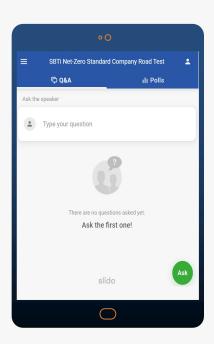
Discuss gaps, adoption barriers, and challenges

- How can I map out my companies emission reductions in between the near and long-term target
- How to communicate with stakeholders when previous net-zero targets do not align with the Net-Zero Standard
- What is the SBTi doing to further enable companies to set 1.5°C aligned targets?
- ☆ How will the SBTi validate net-zero targets?
- How else can the SBTi support you to align with the NZ Standard?

Reach us via Slido or email

Please make sure of the Slido platform to log general questions, but feel free to reach out directly to us with anything specific.

- Enter in any questions that pop up during the road test process
- Review answers to questions in the Google Sheet
- Vote up questions that you have too
- Link:
 https://app.sli.do/event/wbdzq
 2qt/live/questions







Thank you for listening! Any questions?

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

- Emma Watson
 Senior Manager Net-Zero emma.watson@cdp.net
- Paulina Tarrant
 Net-Zero Engagement Manager
 paulina.tarrant@cdp.net

Next week we will be available to answer questions on Wednesday and Thursday during office hours.

SCIENCE BASED TARGETS



Thank you!











