

Net-Zero Criteria Draft for Public Consultation **Feedback report**

August 2021





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- A** Background information
- B** Summary of findings and decisions on the criteria
- C** Next steps for the development process
- D** Overview of changes to the criteria for road test
- E** Survey question results per stakeholder group

The Science Based Targets initiative invited the public to provide feedback on draft criteria for its global Net-Zero Standard for corporate target setting

The public consultation was open from Jan 28th until Feb 26th 2021, and extended until March 12th 2021.

The objective was to review draft criteria of the Net-Zero Standard and get input on key questions. Please visit the SBTi Net-Zero webpage to see the Net-Zero Criteria Consultation materials:

- [SBTi Net-Zero Standard Criteria Draft for Public Consultation](#)
- [Key Questions that were put to Public Consultation](#)

For questions related to this report and the Net-Zero Standard in general, please contact

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A refresher on the definition of net-zero from the SBTi Net-Zero Foundations Paper

SBTi Net-Zero Standard | At the point of reaching net-zero, a company has reduced its emissions in alignment with global net-zero in 1.5°C pathways and neutralised any residual emissions.

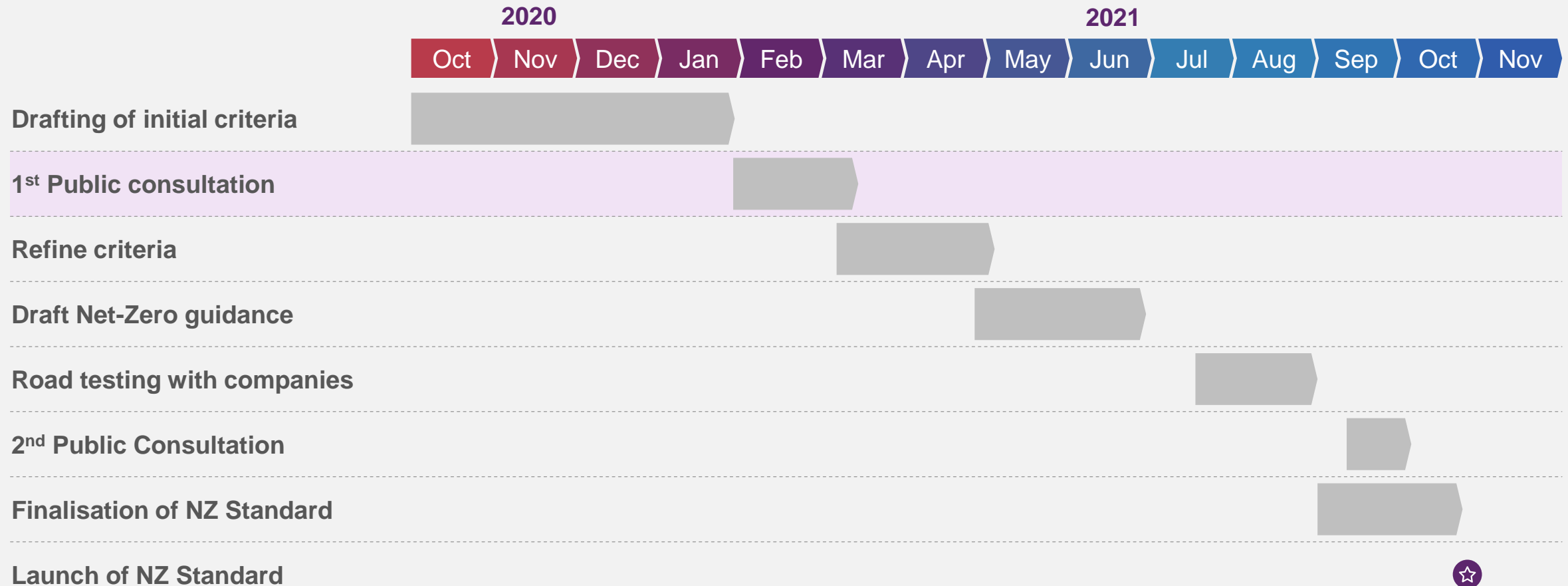
Defining the end state

- Reaching a state of no impact on the climate from GHG emissions
- Setting Net-Zero targets aligned with meeting societal climate goals means:
 - Achieving a scale of value chain emissions reductions consistent with the depth of abatement at the point of reaching global net-zero in 1.5°C pathways
 - Neutralising the impact of any residual emissions by permanently removing an equivalent volume of CO₂



Please read our [Net Zero Foundations Paper](#) for more detail

Development process | Outputs of the public consultation have been used to refine the net-zero standard criteria



☆ Target launch date has been moved forward to Monday, 18th of October.



Response | Almost 400 responses received from stakeholders

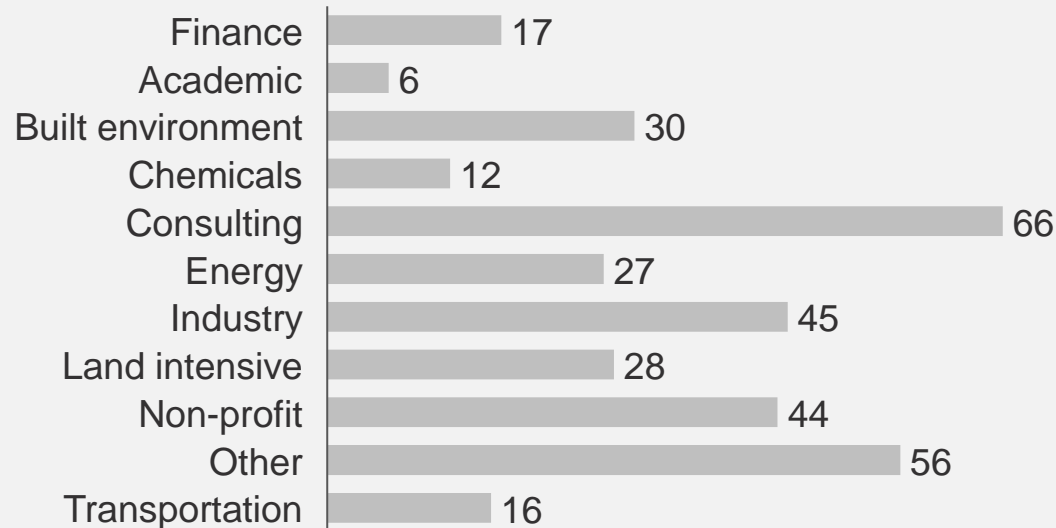


Responses to the survey



Responses through e-mail and one-on-ones

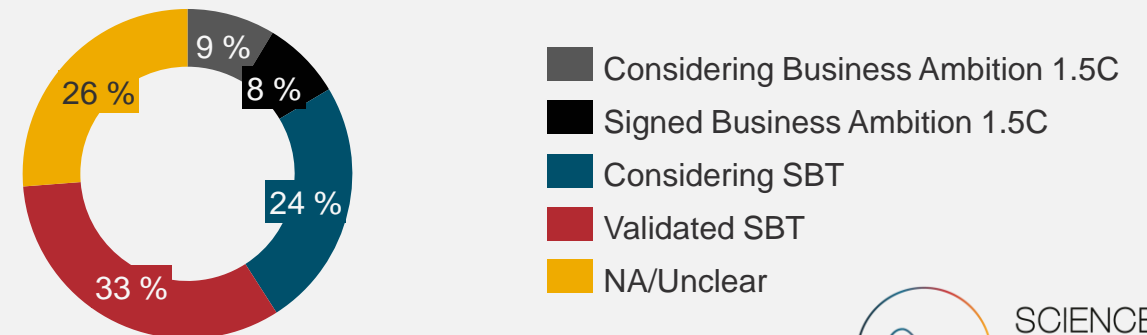
Industries



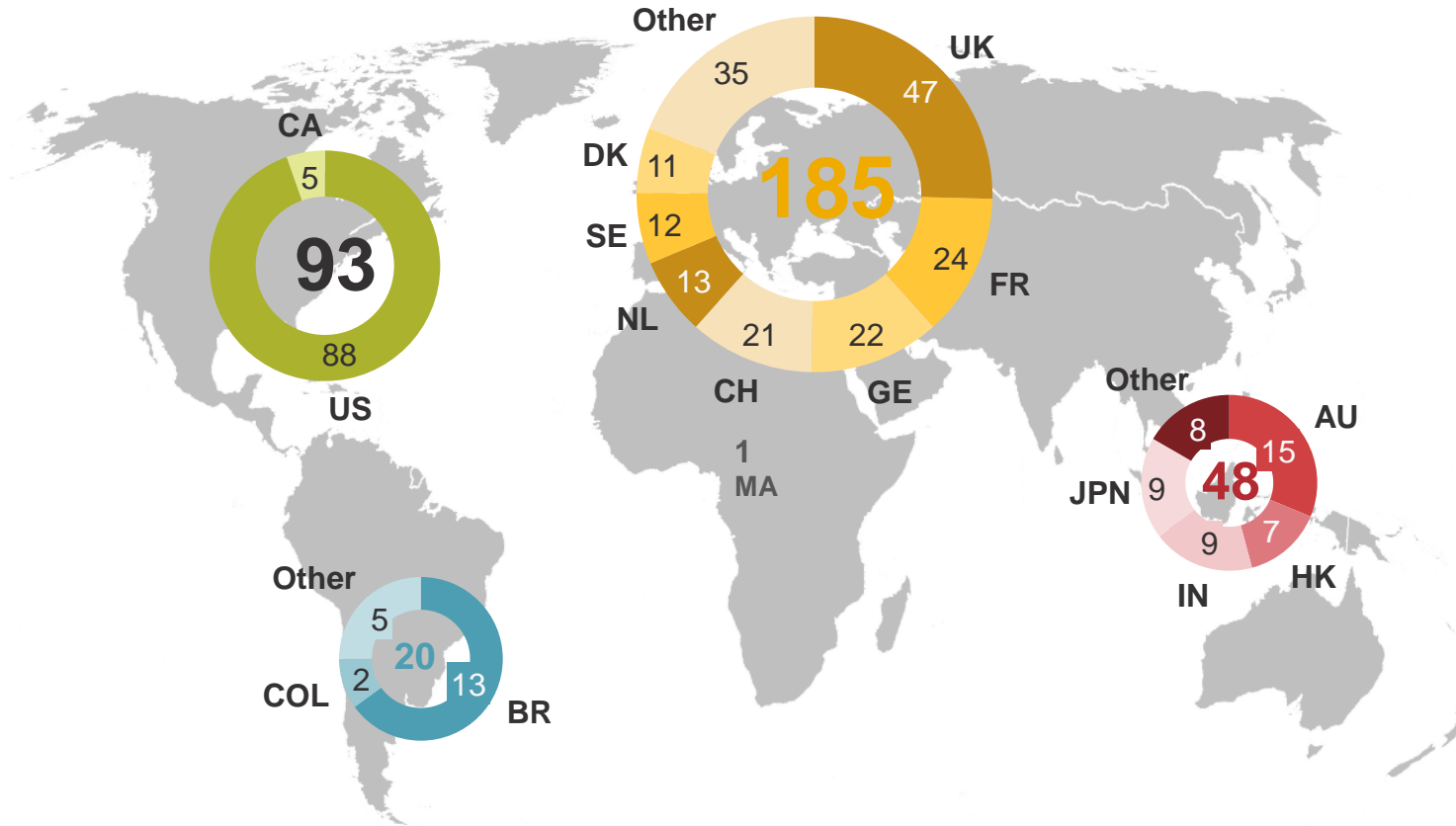
Geographies



Commitments



Zoom on geographical spread | We will work to improve geographical diversity in our next engagements



We received more than 50% of total responses from Europe, and only 1 response from the Middle East and Africa.

We highly value a diversified set of inputs and will actively reach out to regions where we have less geographical coverage to improve the distribution in our next engagements to develop the Net-Zero Standard.

Terminology | Clarification on key terms used in this document

Term	Definition	Comment
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.	
Compensation	Measures that companies take to prevent, reduce or eliminate sources of GHG emissions outside their value chain. Examples include purchasing high-quality carbon credits or providing direct finance to climate mitigation programs.	This term is under review
Decarbonisation	The process by which CO ₂ emissions associated with electricity, industry, and transport are reduced or eliminated.	
Interim science-based target (near-term SBT)	GHG reduction targets that are in line with what the latest climate science deems necessary to limit warming to 1.5°C above pre-industrial levels and are achieved within a 5-15 year timeframe from the set base year.	This term has been updated to “ near-term science-based target ” in the latest version of criteria
Net-zero target (long-term SBT)	GHG reduction targets that are in line with an amount consistent with reaching net-zero at the global or sector level in scenarios that limit warming to 1.5°C in scopes 1, 2, and 3.	This term has been updated to “ long-term science-based target ” in the latest version of criteria
Residual emissions	Emissions sources that remain unabated in a specific year of a mitigation scenario. Long-term SBTs are consistent with the level of residual emissions in the year of global or sector net-zero in 1.5°C-aligned mitigation pathways with low or no overshoot.	

To ensure consistency with any further publications on the Net-Zero Standard, we will use the updated definitions in the remainder of this document: “**near-term SBT**” and “**long-term SBT**” instead of interim targets and net-zero targets



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Overview | The criteria for 1st public consultation were organised into five chapters



General Criteria

Overarching timeframe requirement and criteria that ensure companies account for all relevant emissions and removals following the Greenhouse Gas Protocol

Sub-chapters:

- Timeframe and Milestones
- Greenhouse Gas Inventory



Near-term SBT Criteria

Requirements for companies with a long-term SBT more than 10 to 15 years from the date of submission to also have near-term SBTs covering a shorter timeframe

Sub-chapters:

- Near-Term Science Based Target Criteria

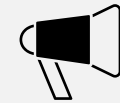


Long-term SBT Criteria

Overarching targets and ambition for emission reduction, boundary of emission abatement and criteria for neutralising unabated emissions with carbon removals

Sub-chapters:

- Emission Abatement: Ambition
- Emission Abatement: Target Boundary
- Neutralisation



Communication, Claims and Validity

Specification of the official target wording that must be publicly available and reporting requirements and conditions that trigger a mandatory target recalculation

Sub-chapters:

- Target Formulation and Reporting
- Recalculation and Target Validity



Optional Compensation

Recommendations to help guide companies' additional actions and investments beyond delivering SBTs and net-zero targets

Sub-chapters:

- Compensation actions

Please see **Section D** for an overview of all criteria that were open for Public Consultation

General criteria & Near-term SBT criteria | Criteria adopted in line with stakeholder feedback; both chapters to be merged in new version



Timeframe & Milestones NZ-C1–NZ-C3

Stakeholder feedback

- Companies in sectors where short-term emissions reductions were limited by long asset lifespans preferred a timeframe of 15 years, especially due to concerns around technical possibilities and infrastructure (NZ-C2)
- Other stakeholder groups preferred a shorter timeframe (e.g. finance, academics, non-profit) (NZ-C2)

Key decisions

- ✓ The maximum target year will be shortened to a maximum of 10 years
- ? SBTi is considering continuing to allow a 15-year time frame for companies in sectors where options for decarbonization may be less available in a 10-year timeframe



Greenhouse Gas Inventory NZ-C4–NZ-C10

- Except for minor clarifications, criteria in this section were copied from the current SBTi Criteria

- ✓ Criteria were already adopted



Near-term Science Based Targets NZ-C29-C34

- High level of agreement that minimum Scope 1+2 ambition should be 1.5C (72%) (NZ-C30)
- Mixed preferences for the minimum ambition of Scope 3 SBTs, where 51% of respondents preferred well-below 2C while 49% preferred 1.5C (NZ-C33)

- ✓ Minimum ambition of scope 1+2 will be in line with 1.5°C
- ✓ When Scope 3 is required, emissions must be covered with targets consistent with, or more ambitious than, well-below 2°C

✓ Criterion adopted in line with feedback

✓ Criterion adopted not or only partly in line with feedback

? For consultation in road test

➤ Further development & research needed

Note: SBTi has decided to integrate the General criteria & Near-Term SBT Criteria in the new version of the criteria and has deleted criteria that were redundant as they are already covered in the SBTi criteria.

Long-Term SBT criteria | Criteria on ambition and boundaries have been adopted; however, neutralisation criteria need further consultation



Emission Abatement: Ambition NZ-C11–NZ-C15

Stakeholder feedback

- High level of agreement on the eligibility of absolute and intensity targets, as well as combined scope targets (NZ-C12, NZ-C14)
- Stakeholders recognized that determining quantitative benchmarks and methods poses a major challenge for the definition of residual emissions

Key decisions

- ✓ Both absolute and intensity targets will be allowed
- ✓ Targets must be expressed consistently with the method used to calculate and validate targets
- ✓ Combined scope targets are eligible, but only if S1+2 portion can be reviewed
- ⊕ Methods to determine residual emissions will be explored in the company road test



Emission Abatement: Boundary NZ-C16–NZ-C18

- Mixed preferences for the emission abatement boundaries of Scope 3, with most companies opting for a 67% boundary while other stakeholders preferred a 95% boundary for Scope 3 (NZ-C18)

- ⊕ An emission abatement boundary of long-term SBTs that cover at least 95% of total scope 3 emissions. Exclusions in the GHG inventory must not exceed 5% of total scope 3 emissions

SBTi has decided not to follow the most preferred option (of 67% S3) as all emissions should be considered in order to ensure sufficient action to reach net-zero



Neutralisation NZ-C19–NZ-C28

- Mixed responses to all questions around neutralisation criteria, with many concerns raised in open-ended questions
- Concerns around emphasis on robust permanence for land-intensive companies and missing an opportunity to accelerate near-term finance for a wide-range of climate solutions when stimulating compensation

- All criteria regarding neutralisation and compensation need further research and exploration
- Relationship between neutralisation and compensation will be refined

✓ Criterion adopted in line with feedback

⊕ Criterion adopted not or only partly in line with feedback

⊕ For consultation in road test

➤ Further development & research needed

Communication, claims & validity and **Optional compensation** | Recommendations for compensation need further research



Target Formulation and Reporting NZ-C35–NZ-C39

Stakeholder feedback

- Mixed preferences whether companies should specify carbon removal approaches to meet a neutralisation target (60% agreed) (NZ-C36)
- High level of agreement on the proposed pieces that are required to report on annual basis (64-84%)

Key decisions

- SBTi is considering the practicalities of reporting the information specified in the criteria



Recalculation and Target Validity NZ-C40–NZ-41

- Except for minor clarifications, criteria in this section have been copied from the current SBTi Criteria

- ✔ Criteria were already adopted



Optional Compensation NZ-CR1–NZ-CR5

- In the proposed model on compensation, 50% of the stakeholders would be unsure whether to set a compensation target (CR1-CR5)
- Mixed responses whether companies should apply an indicative carbon price that increases overtime (C-R3)
- High level of agreement on the quality conditions (67-84%) (CR4)

- SBTi is reconsidering all criteria on compensation by conducting further research and consultation with stakeholders

✔ *Criterion adopted in line with feedback*

✔ *Criterion adopted not or only partly in line with feedback*

? *For consultation in road test*

➤ *Further development & research needed*

Key decisions based on the 1st public consultation summarized in 6 points



Timeframe

Maximum target year will be reduced to 10 for near-term SBTs, but SBTi is considering to allow a 15-year timeframe for sectors where short-term emission reductions are limited by long asset lifespans.



Near-term SBT

Minimum ambition of near-term SBTs will increase from WB2 °C to 1.5°C for scope 1 and scope 2, and when coverage of scope 3 is required, targets should at least be consistent with a well-below 2°C outcome



Long-term SBT ambition

Both absolute and intensity targets will be allowed, as will combined scope targets. The SBTi has developed approaches for long-term SBT setting to determine residual emissions. These are being piloted during the road test.



Long-term SBT boundary

Despite stakeholder preferences for a 67% coverage of long-term SBTs, SBTi will increase the minimum Scope 3 boundary coverage to 95% as all emissions must be included within a target boundary to reach true net-zero.



Neutralisation

Criteria on neutralisation need further refinement. The SBTi is collaborating closely with EAG members and other stakeholders and conducting further research to explore this area in more detail. In the meantime, the requirement for companies to have an explicit, quantitative neutralisation target has been removed



Compensation

Recommendations on compensation need further refinement. Feedback revealed that the current model would not incentivize companies to set compensation targets. The SBTi is collaborating closely with EAG members and other stakeholders and conducting further research to explore this area in more detail.

Open feedback | 170+ stakeholders took the opportunity to write feedback

Stakeholders underline the importance of the work SBTi has done so far in the development of the Net-Zero Standard, and encourage SBTi to further simplify, create flexibility, and provide sector-specific guidance

Selection of statements

- “ Corporate over-reliance on offsets in order to justify alignment with 1.5C is a risk to delivering 1.5C - one that has been highlighted by the IPCC. SBTi can play a key role in minimising this risk by limiting the amount that corporates can rely on offsets to deliver their short and medium-term targets to a minimum.
- “ The criteria should encourage industry to mobilize, rather than to analyze (...) the guidance needs more clarity around residual and hard to abate emissions, and how these definitions change over time, so that companies understand what they are getting into
- “ Key thing is to try to keep some level of practicality which would encourage companies to set net zero targets
- “ We believe current criteria would benefit from simplifying the language to cater not only to the scientific community (...) the current version of the document to be very valuable in terms of content but also difficult to digest
- “ Please take the final decision on what science says and not what's easy or preferable by business. You are after all science-based targets and the guardian of the integrity of corporate climate agenda



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Next steps | We will continue technical development while testing the criteria with external stakeholders



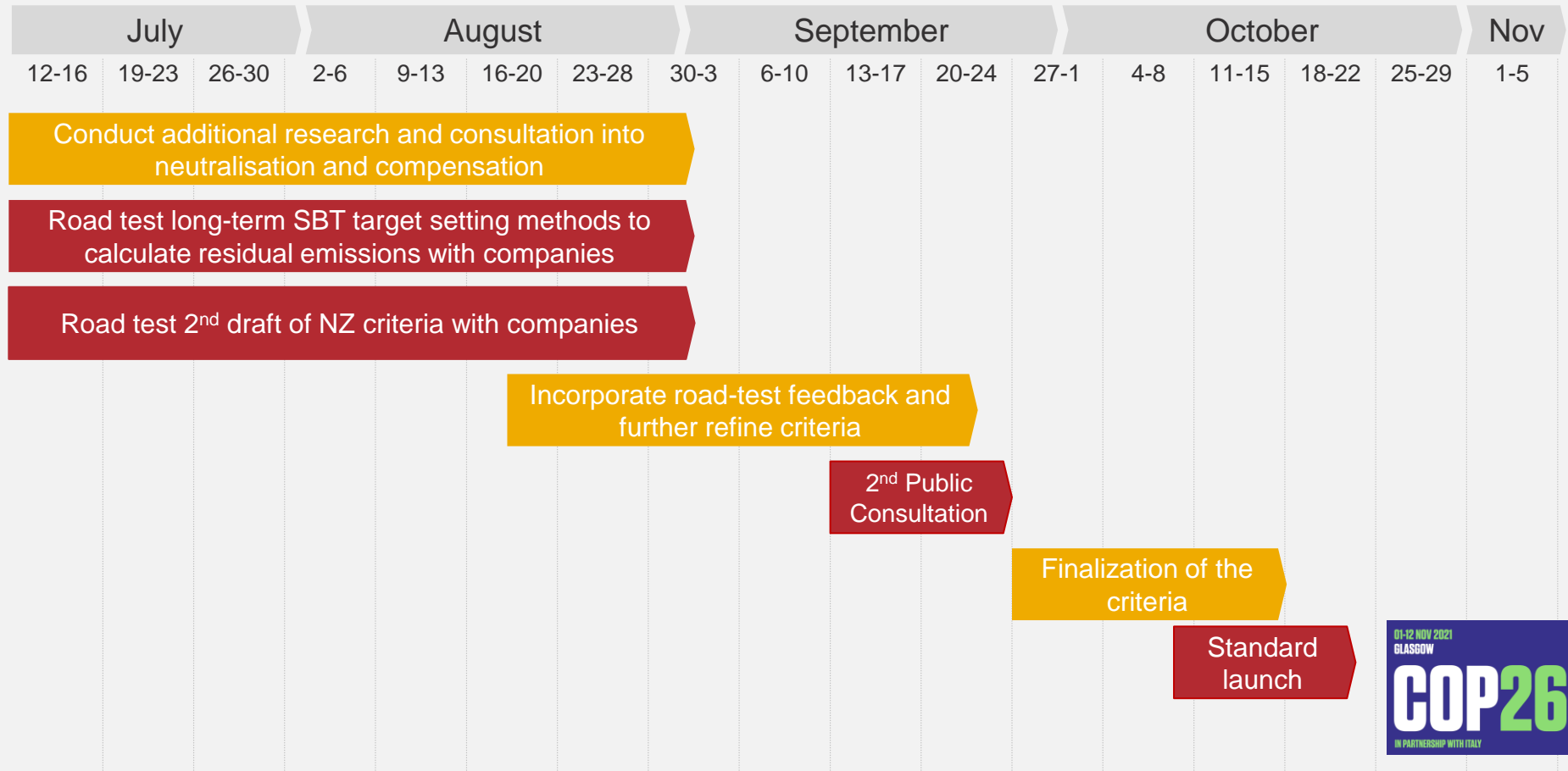
Technical development

Some criteria still need further consultation and research before they will be tested again



Testing with the public

A diverse set of stakeholders (e.g., to increase geographical diversity) will be engaged to test the criteria



Note: exact dates subject to change



DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



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Overview of changes to criteria for road test (I/IV)

Criteria open for 1st Public Consultation



Criteria included in Road test

Part	#	Criterion		Part	#	Criterion (if updated)
General	NZ-C1	Net Zero target year no later than 2050	Adopted	NZ Long-term SBT	NZ-C5	Same
	NZ-C2	Near-term SBT year: multiple options for consultation	Adopted ¹	NZ Near-term SBT	NZ-C2	5-10 years, considering an exception for some sectors
	NZ-C3	Base year: same base year, no earlier than 2015	Adopted	NZ Long-term SBT	NZ-C6	Same
	NZ-C4	Inventory must require all relevant GHGs	Covered	SBTi criteria	C3	-
	NZ-C5	Companies may exclude up to 5% S1 & S2	Covered	SBTi criteria	C2	-
	NZ-C6	Location or market-based S2 accounting	Covered	SBTi criteria	C14	-
	NZ-C7	Requirement to have S3 emission screening	Covered	SBTi criteria	C16	-
	NZ-C8	Bioenergy accounting	Covered	SBTi criteria	C4	-
	NZ-C9	Parent companies must include subsidiaries	Covered	SBTi criteria	C5	-
	NZ-C10	S1&3 carbon removal accounting will be reported	Under review	-	-	-
Long-term SBT	NZ-C11	Deep decarbonization: consistent with 1.5C	Adopted	NZ Long-term SBT	NZ-C7	Same
	NZ-C12	Absolute & intensity emissions abatement targets	Adopted	NZ Long-term SBT	NZ-C8	Criterion is split in 8.1 and 8.2
	NZ-C13	Targets must be modelled using latest approved tools	Adopted	NZ Long-term SBT	NZ-C9	Same
	NZ-C14	Combined scope targets are permitted	Adopted	NZ Long-term SBT	NZ-C10	Same
	NZ-C15	Ambition of targets on fossil fuel sale, transmission etc.	Adopted	NZ Long-term SBT	NZ-C11	Same
	NZ-C16	S1+2 target boundary must not exceed 5% exclusion	Adopted	NZ Long-term SBT	NZ-C12	Same
	NZ-C17	Requirement to have a S3 target	Adopted	NZ Long-term SBT	NZ-C13	Same
	NZ-C18	S3 target boundary: multiple options for consultation	Adopted	NZ Long-term SBT	NZ-C14	Cover at least 95% of S3, exclusions must not exceed 5%

Adopted Under review² Removed Already covered in SBTi criteria


1. Criterion is open for consultation in road test, 2. Criterion is not included in road-test and is currently being reviewed or additional research will be conducted to inform SBTi's position
 Note: Please see SBTi criteria [here](#)

Overview of changes to criteria for road test (II/IV)

Criteria open for 1st Public Consultation



Criteria included in Road test

Part	#	Criterion		Part	#	Criterion (if updated)
	NZ-C19	Companies shall set neutralisation targets	Removed	-	-	-
	NZ-C20	Neutralisation boundary all S1-3 emissions	Under review	-	-	-
	NZ-C21	Neutralisation target year no later than the net zero target year	Removed	-	-	-
	NZ-C22	Minimum volume of carbon removed in target year and subsequent year shall be determined by volume, GWP, risk of non-permanence and when relevant additional volume to address non-permanence/leakage	Under review	-	-	-
 Long-term SBT	NZ-C23	Actual volume of carbon removal required shall be adjusted ex post to ensure all unabated emissions are effectively counterbalanced	Under review	-	-	-
	NZ-C24	Companies shall neutralize unabated direct emissions (S1) with direct removals (S1) or removals through contractual instruments	Under review	-	-	-
	NZ-C25	Companies shall demonstrate all unabated indirect emissions (S2&3) are neutralised	Under review	-	-	-
	NZ-C26	Neutralisation targets with a target year exceeding 10-15 years from the date of submission shall be supported by one or more interim carbon removal targets with a target year 5-10/10-15 years from date of submission. This will ensure a proportional removal by applying a simple linear growth rate or growth rate consistent with 1.5C	Under review	-	-	-
	NZ-C27	Quality conditions for removals and contractual instruments	Under review	-	-	-
	NZ-C28	Eligible carbon removal activities shall not infringe on efforts to achieve SDGs, 4 conditions have to be met	Under review	-	-	-

Adopted Under review¹ Removed Already covered in SBTi criteria

1. Criterion is not included in road-test and is currently being reviewed or additional research will be conducted to inform SBTi's position



Note: Please see SBTi criteria [here](#)

Overview of changes to criteria for road test (III/IV)

Criteria open for 1st Public Consultation



Criteria included in Road test

Part	#	Criterion		Part	#	Criterion (if updated)
 Near-term SBT	NZ-C29	Requirement to have a near-term SBT	Adopted	NZ Near-term SBT	NZ-C1	Same
	NZ-C30	Near-term SBT level of ambition S1+2: multiple options	Adopted	NZ Near-term SBT	NZ-C3	Near term S1+2 ambition in line with 1.5C
	NZ-C31	Requirement to have a S3 target	Covered	SBTi criteria	C17	-
	NZ-C32	Near-term S3 boundary: multiple options	Covered	SBTi criteria	C18	-
	NZ-C33	Near-term S3 emission reduction target: multiple options	Adopted	NZ Near-term SBT	NZ-C4	Near term S3 ambition in line with WB2C
	NZ-C34	Supplier/customer engagement target acceptable	Covered	SBTi criteria	C20	-
	NZ-C35	Publicly set target that clearly indicates magnitude of emissions abatement & neutralisation	Adopted	NZ Comms & Validity	NZ-C19	-
	NZ-C36	Supporting targets shall indicate % reduction of S1-3 emissions against base year by target year	Removed (consolidated in NZ-C15)	-	-	-
 Comms	NZ-C37	Companies shall publicly set targets to neutralise unabated emissions on annual basis by target year and specify approaches to achieve carbon removal and specify S1, S3 removal and contractual instruments	Under review	-	-	-
	NZ-C38	Companies shall report on annual basis	Covered	SBTi criteria	C22	-
	NZ-C39	Companies shall publicly report: (1) emissions and removals in GHG inventory; (2) documentation for contractual instruments, (3) information on certificates, (4) approaches for carbon removal, (5) details regarding impermanence risks	(1) Adopted (2-5) Under review	NZ Comms & Validity	NZ-C20	Companies shall publicly report on progress against published targets, incl. emissions and removals in the annual GHG inventory

Adopted Under review¹ Removed Already covered in SBTi criteria

1. Criterion is not included in road-test and is currently being reviewed or additional research will be conducted to inform SBTi's position

Note: Please see SBTi criteria [here](#)

Overview of changes to criteria for road test (IV/IV)

Criteria open for 1st Public Consultation



Part	#	Criterion	
Comms	NZ-C40	Mandatory recalculation at minimum every 5 years	Covered
	NZ-C41	Companies with approved targets must announce publicly on SBTi website within 6 months of approval date	Covered

Criteria included in Road test

Part	#	Criterion (if updated)
	C23	-
	C24	-

Recommendations open for 1st Public Consultation



Part	#	Criterion	
Compen sation	NZ-R1	Companies are encouraged to undertake compensation actions that address unabated value chain emissions	Under review
	NZ-R2	Companies may set a commitment to compensate unabated emissions annually over a specified timeframe	Under review
	NZ-R3	Compensation actions should be, at minimum, proportional to the cost of unabated emissions (S1-3) using an indicative carbon price that increases over time	Under review
	NZ-R4	Quality condition for compensation actions	Under review
	NZ-R5	Social and environmental conformance for compensation activities	Under review

Recommendations included in Road test

Part	#	Criterion (if updated)
-	-	-
-	-	-
-	-	-
-	-	-

Adopted Under review¹ Removed Already covered in SBTi criteria

1. Criterion is not included in road-test and is currently being reviewed or additional research will be conducted to inform SBTi's position
 Note: Please see SBTi criteria [here](#)



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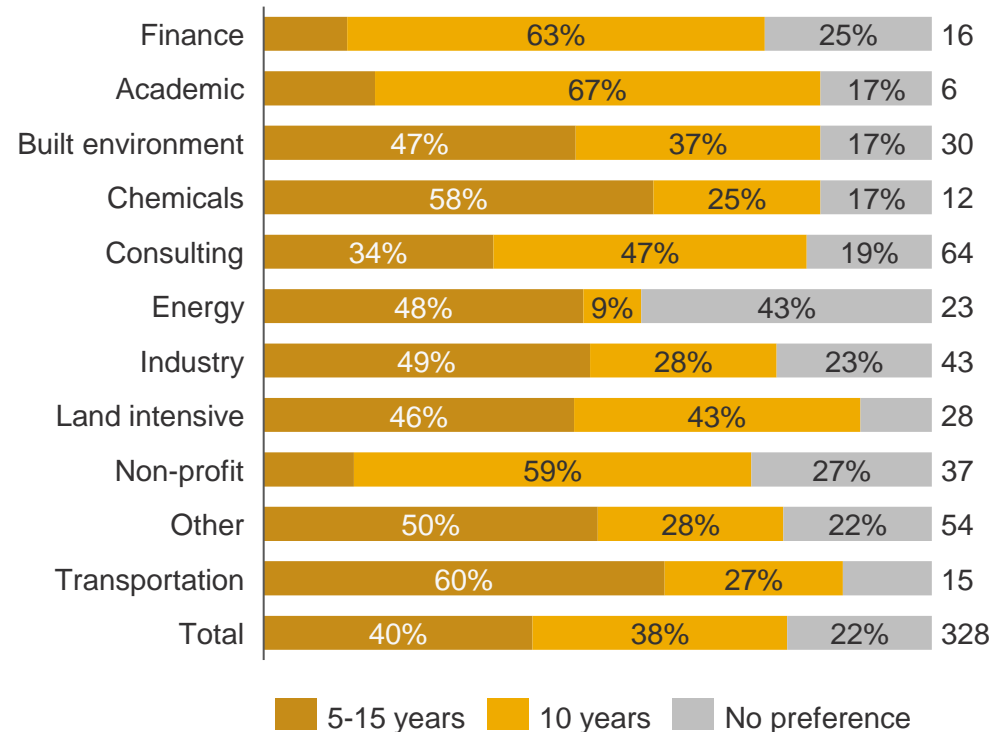
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Question 1 — NZ-C2 | Target year for near-term SBTs

Feedback received

What should the target year be from date of submission?



- Companies with long asset lifespans prefer a longer timeframe of 15 year (e.g., chemicals, industry, energy, transportation), especially due to concerns around technical possibilities and long lifespans of infrastructure
- Other stakeholder groups prefer a shorter timeframe (e.g., finance, academic, non-profit) to avoid setting targets too far in the future whereas action is needed now

Follow-up

- SBTi has decided to shorten the timeframe to a maximum of 10 years because of the proximity to 2050 and to incentivize action in advance of 2030
- SBTi is considering continuing to allow a 15-year time frame for companies in sectors where short-term emission reductions are limited by long asset lifespans.

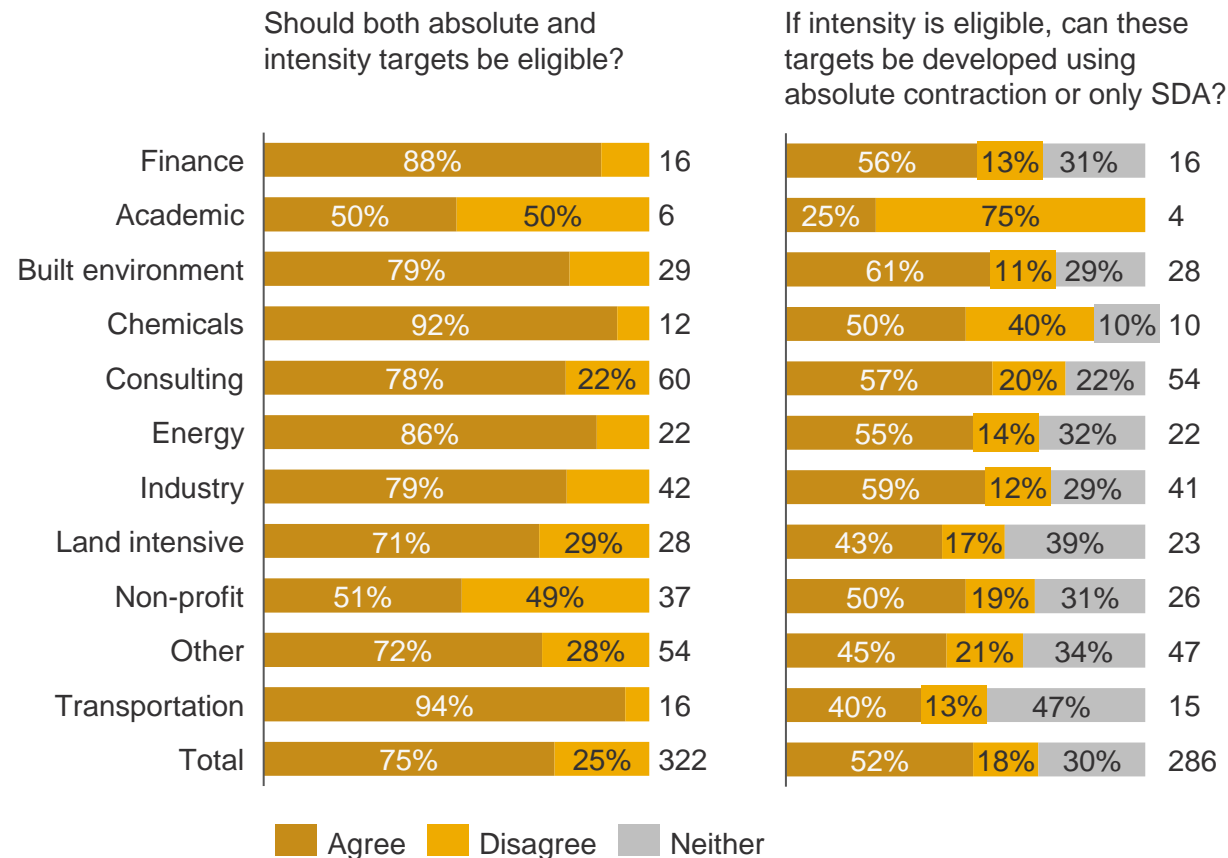
Source: Responses to 1st Public Consultation, February 2021, N = 347





Question 2 — NZ-C12 | Emission Abatement: absolute and intensity targets

Feedback received



- All stakeholder groups agree that both targets should be allowed
- Stakeholders comment that absolute targets should be prioritized over intensity targets
- Relatively mixed feedback on the method for intensity targets

Follow-up

- SBTi will continue to allow both absolute and intensity targets, however intensity targets will only be allowed where targets have been calculated using an intensity-based method
- Companies must express targets consistent with the method used to calculate and validate targets to address concerns around transparency

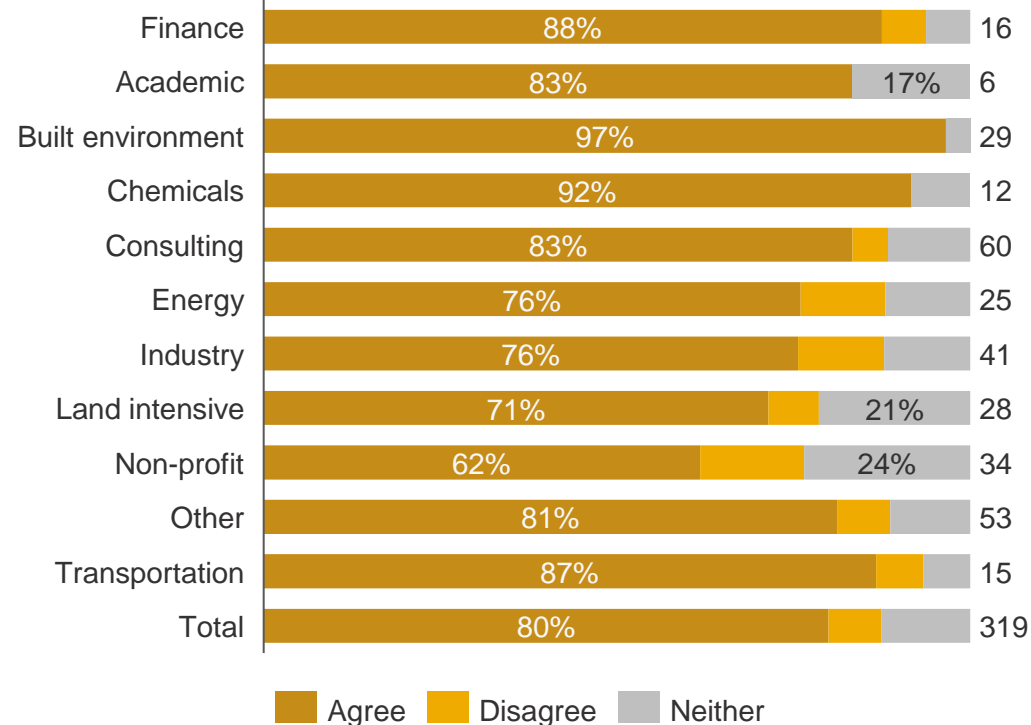
Source: Responses to 1st Public Consultation, February 2021, N = 347



Question 3 — NZ-C14 | Combined scope targets

Feedback received

Do you agree that combined scope targets are eligible, but only if SBTi can review the ambition of S1+2 portion and confirm that it meets the criteria?



- Large majority of respondents agrees to the eligibility of combined scopes (80% of total)
- Reasons for disagreement would be more flexibility for sectors with high scope 3 emissions or more transparency (e.g., distinct targets)

Follow-up

- The criterion will be adopted
- SBTi is considering how to incorporate concerns raised around simplicity and transparency in the reviewing process

Source: Responses to 1st Public Consultation, February 2021, N = 347

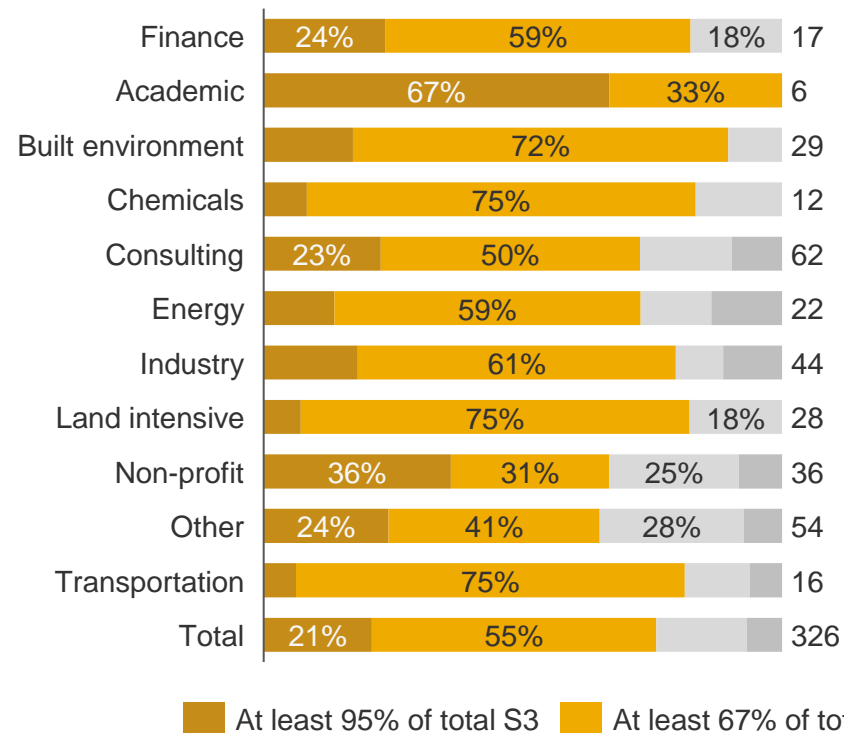




Question 5 | Residual emissions

Feedback received

Which option do you prefer to determine minimum scope 3 boundary coverage?



- Overall preference for Option B (at least 67% of total scope 3), except for non-company stakeholders
- Reasons for Option B are related to data challenges, influence, barriers to entry, consistency with criteria, and sector specific requirements
- Reasons for Option A would be ambition, aligned with best practices, encourages larger engagement with supplier
- Reasons for Option C are related to flexibility while ensuring accountability

Follow-up

- SBTi proposes to apply a 95% boundary for Scope 3 despite stakeholder feedback as all emissions should be considered when in order to reach true net-zero

1. With additional sector-specific requirements for activities that must be included in the target boundary
 Source: Responses to 1st Public Consultation, February 2021, N = 347



Question 4 — NZ-C18 | Emission abatement target boundary for Scope 3

Feedback received

In Foundations for Net-Zero Target Setting in the Corporate Sector, the SBTi defined residual emissions as emissions sources that remain unabated by the time net-zero is reached in 1.5°C mitigation pathways with low or no overshoot. Residual emissions are a key research topic for the SBTi in coming months because the residual emissions level of a sector or activity will be reflected by SBTi target-setting methods that may be used to meet the criteria in this section. Do you agree with this definition of residual emissions? Are you aware of approaches to determining residual emissions at the sector or activity level?

- Most respondents agree with the high-level definition of residual emissions, while recognizing that determining quantitative benchmarks and methods poses a major challenge
- Some respondents voice the need for a clearer definition of residual emissions to always be relative to a point in time
- Options for further clarification that were put forward:
 - Determine residual emissions via multi-stakeholder engagement
 - Sector-level focus with participation from sector business organizations
- Many respondents highlight the fact that this is an important area of research for SBTi

Source: Responses to 1st Public Consultation, February 2021, N = 347

Follow-up

- SBTi is exploring approaches to determine residual emissions through the company road test





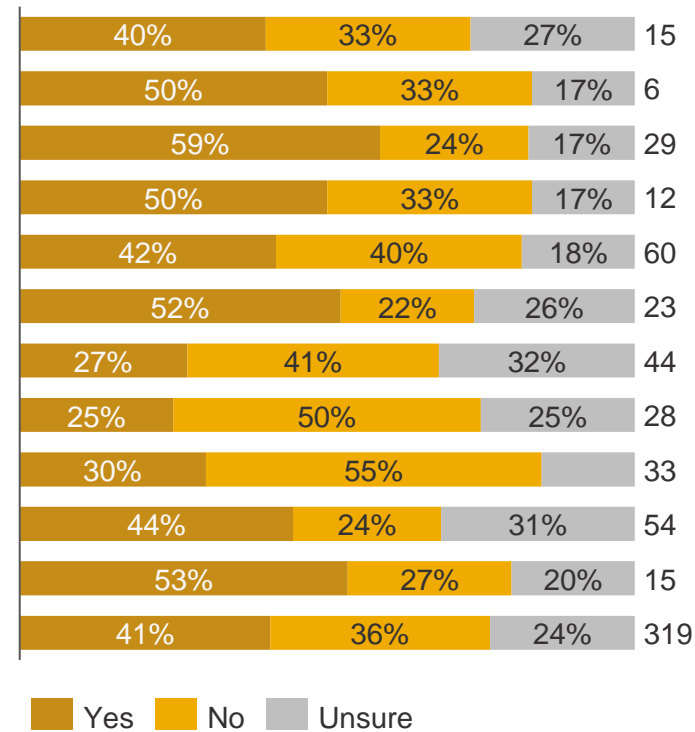
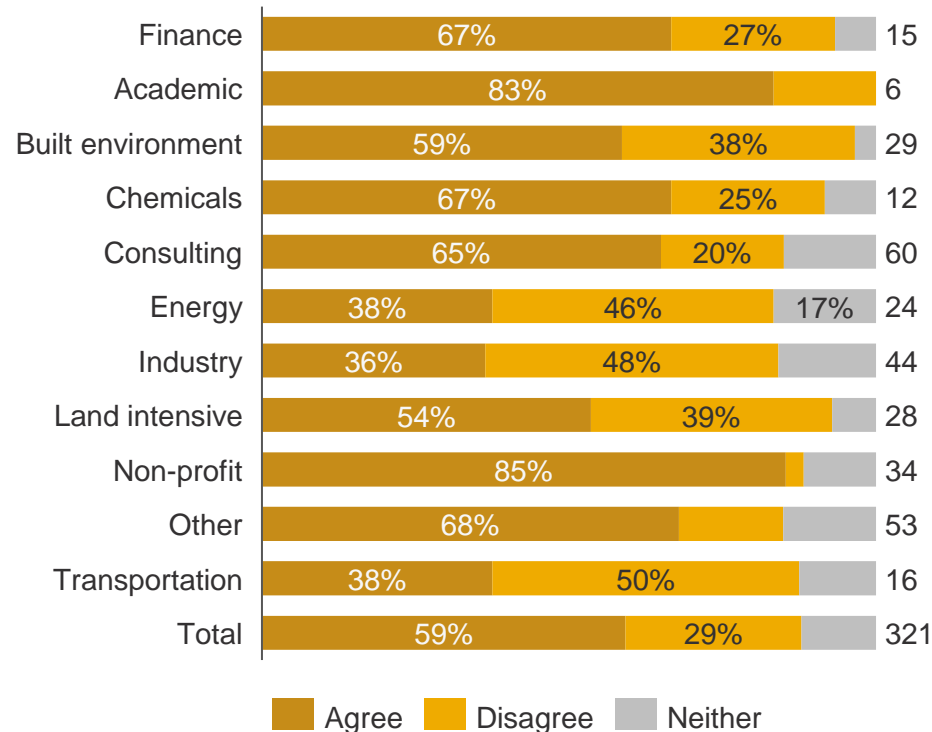
Question 6 — NZ-C20 | Neutralisation boundary

Feedback received

Follow-up

Should neutralisation boundary cover 100% of scope 1, 2, and 3 emissions?

Is it important for the neutralisation boundary to be identical to the emission abatement boundary?



- SBTi believes this requires more consideration and will conduct additional research and interviews to develop neutralisation criteria before the 2nd Public Consultation

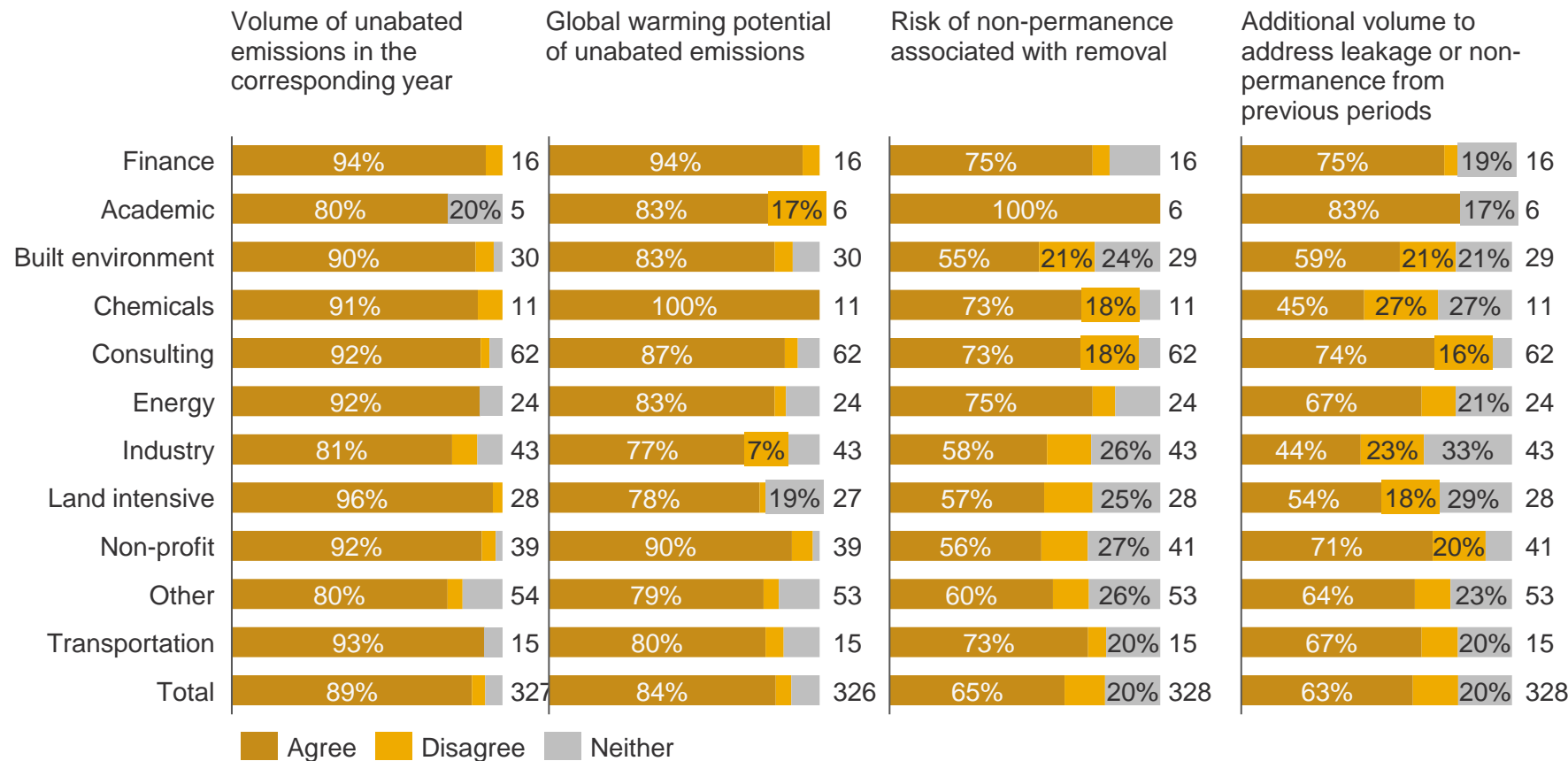
Source: Responses to 1st Public Consultation, February 2021, N = 347



Question 7 — NZ-C22 | Factors for magnitude of carbon removal

Feedback received

The volume of carbon removal that is required to neutralize emissions depends on four factors. Do you agree with these?



Source: Responses to 1st Public Consultation, February 2021, N = 347

Follow-up

- SBTi believes this requires more consideration and will conduct additional research and interviews to develop neutralisation criteria before the 2nd Public Consultation



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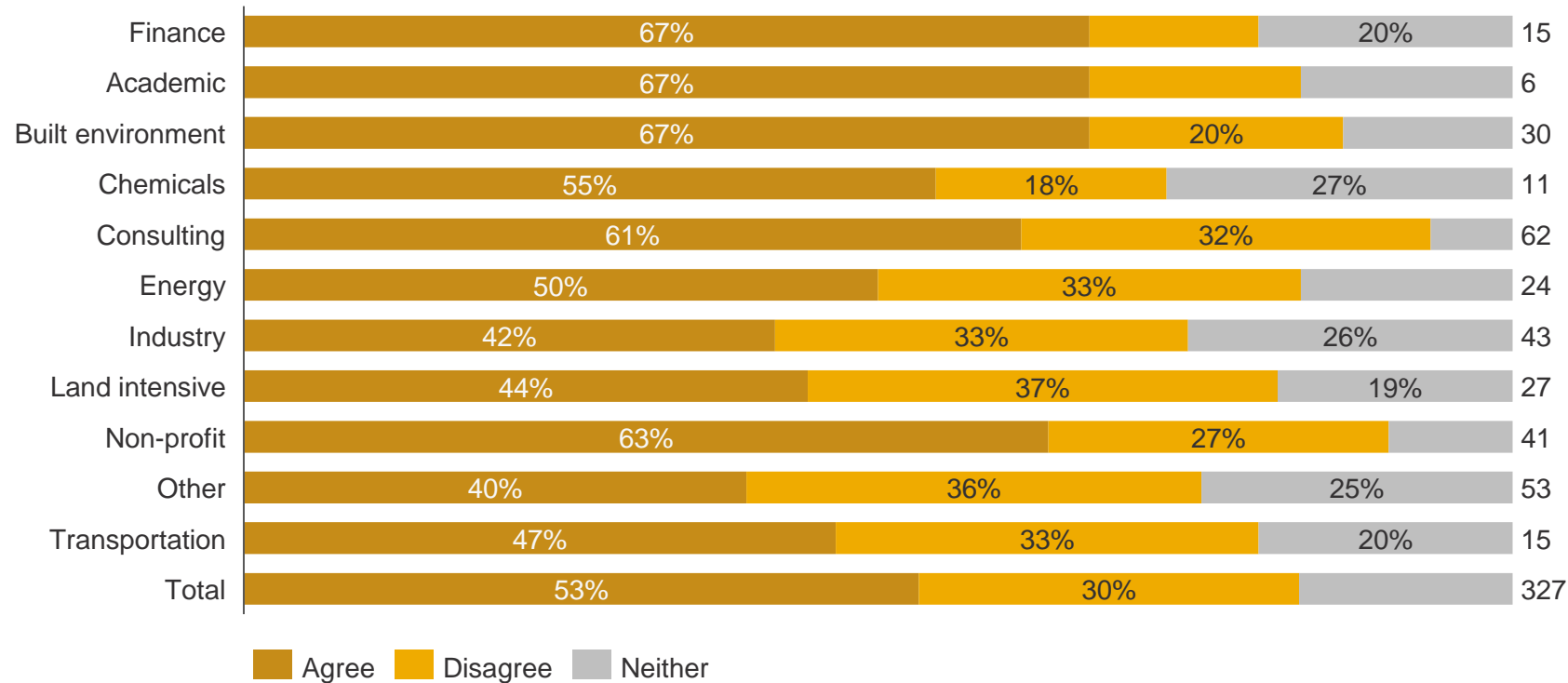


Question 8 — NZ-C27 | Quality conditions for carbon removal

Feedback received

Follow-up

Do you agree that CO2 emissions should be neutralised by carbon removal activities that are permanent on the timescale of several hundred years or more?



- SBTi believes this requires more consideration and will conduct additional research and interviews to develop neutralisation criteria before the 2nd Public Consultation

Source: Responses to 1st Public Consultation, February 2021, N = 347



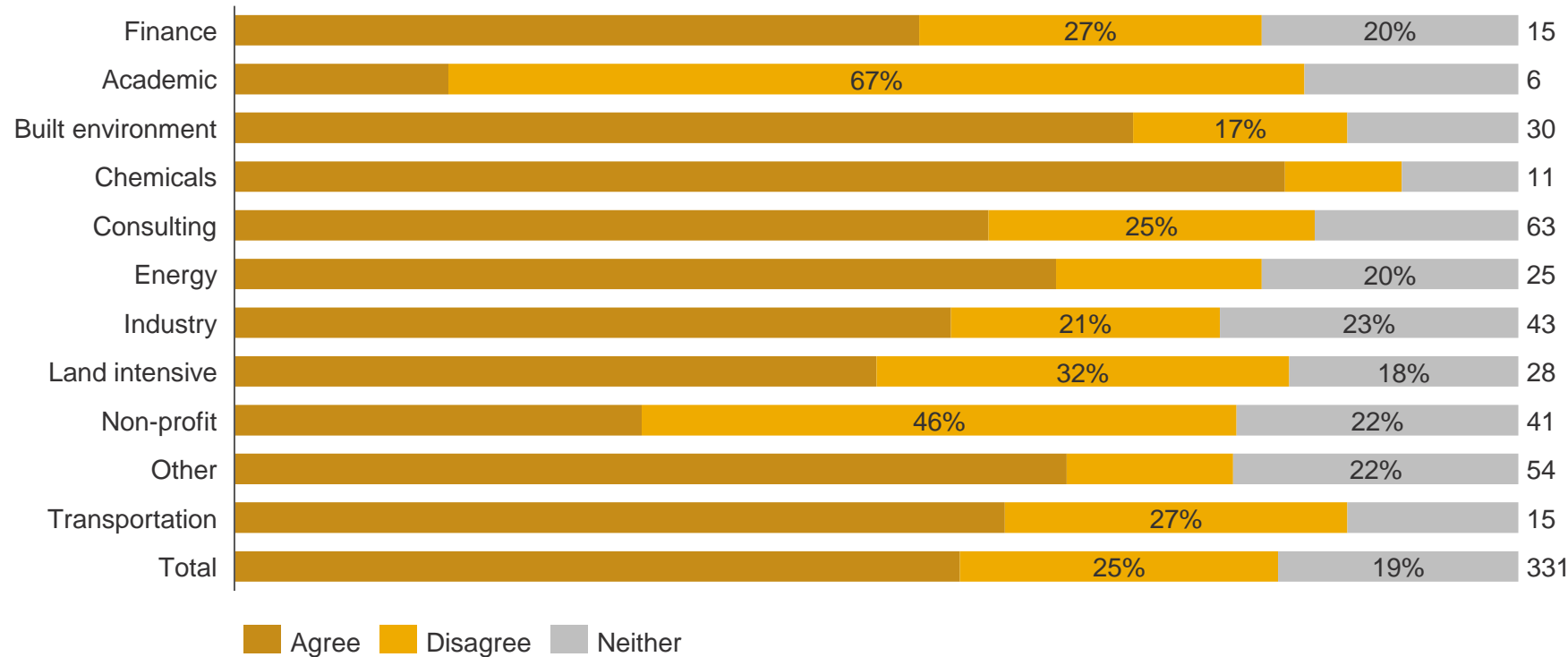


Question 9 — NZ-C22-27 | Eligibility of low permanence removals when removed with high permanence later on

Feedback received

Follow-up

Do you agree that the proposed eligibility is an effective and credible option for companies to neutralise emissions?



- SBTi believes this requires more consideration and will conduct additional research and interviews to develop neutralisation criteria before the 2nd Public Consultation

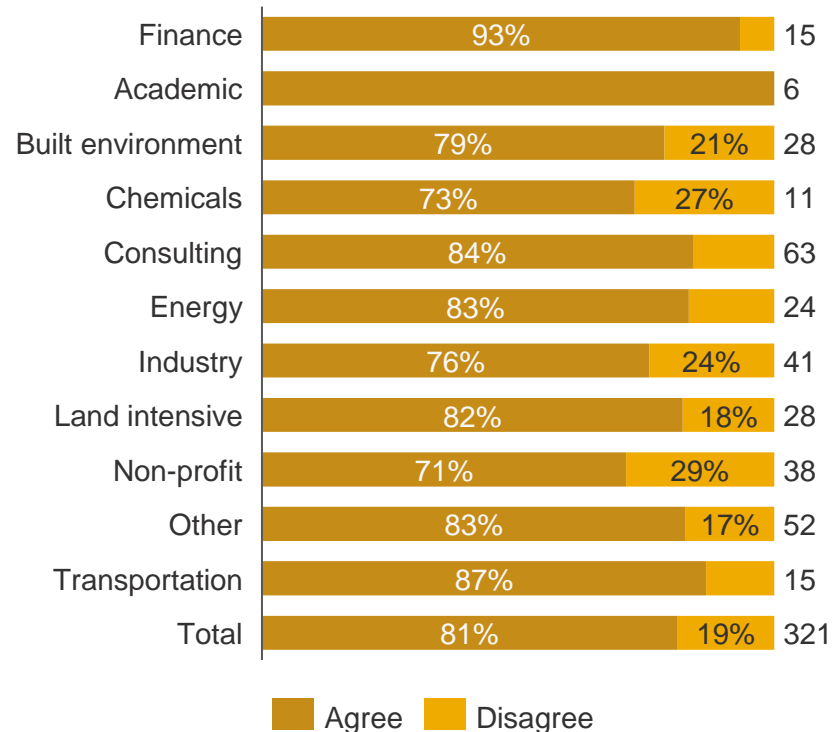
Source: Responses to 1st Public Consultation, February 2021, N = 347



Question 10 — NZ-C24 | Neutralisation of all direct emissions

Feedback received

Do you agree that companies should neutralize all direct emissions with S1 removals or contractual instruments?



- Confusion over the definition “contractual instruments” leads to different interpretations and widely different responses over use of offsets/credits
- Confusion over the term “Scope 1 removals” also lead to comments about defining eligibility within or outside the value chain.
- Respondents expressed concerns around quality, credibility, double counting, interaction with regulatory trading schemes, and perverse incentives related to contractual instruments. Also, concerns were raised around incentives of land acquisition in the global south instead of opting for contractual instruments for Scope 1 removals.

Source: Responses to 1st Public Consultation, February 2021, N = 347

Follow-up

- SBTi will improve definition of S1 removals and contractual agreements
- SBTi believes this requires more consideration and will conduct additional research and interviews to develop neutralisation criteria before the 2nd Public Consultation



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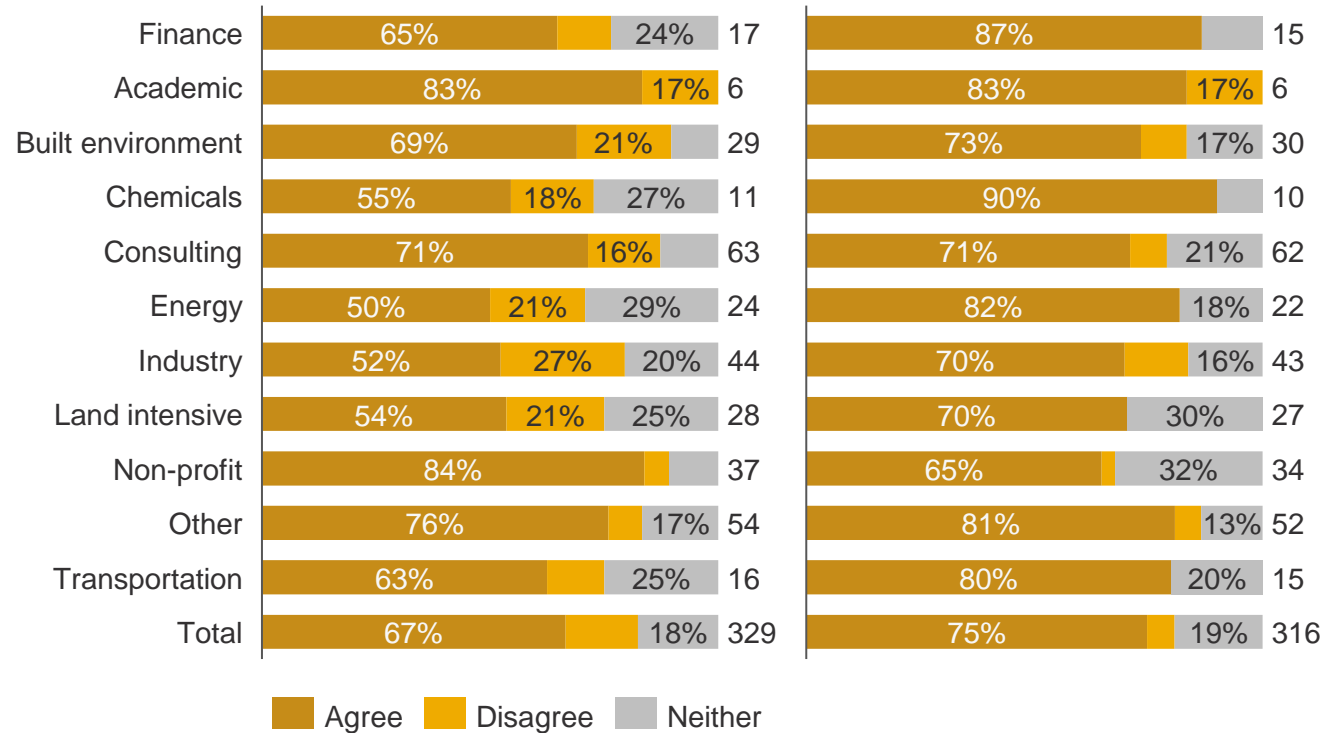


Question 11 — NZ-C25 | Demonstration of unabated emissions as uniquely neutralised

Feedback received

Should companies be required to demonstrate that all unabated indirect emissions are uniquely neutralised?

Should companies be limited to scope 1 removals and removals acquired using contractual instruments to neutralise indirect emissions?



- Confusion over definition of "uniquely neutralised"
- Concerns around this approach being too complex, burdensome, inaccurate and difficult to demonstrate uniqueness

Follow-up

- SBTi believes this requires more consideration and will conduct additional research and interviews to develop neutralisation criteria before the 2nd Public Consultation

Source: Responses to 1st Public Consultation, February 2021, N = 347



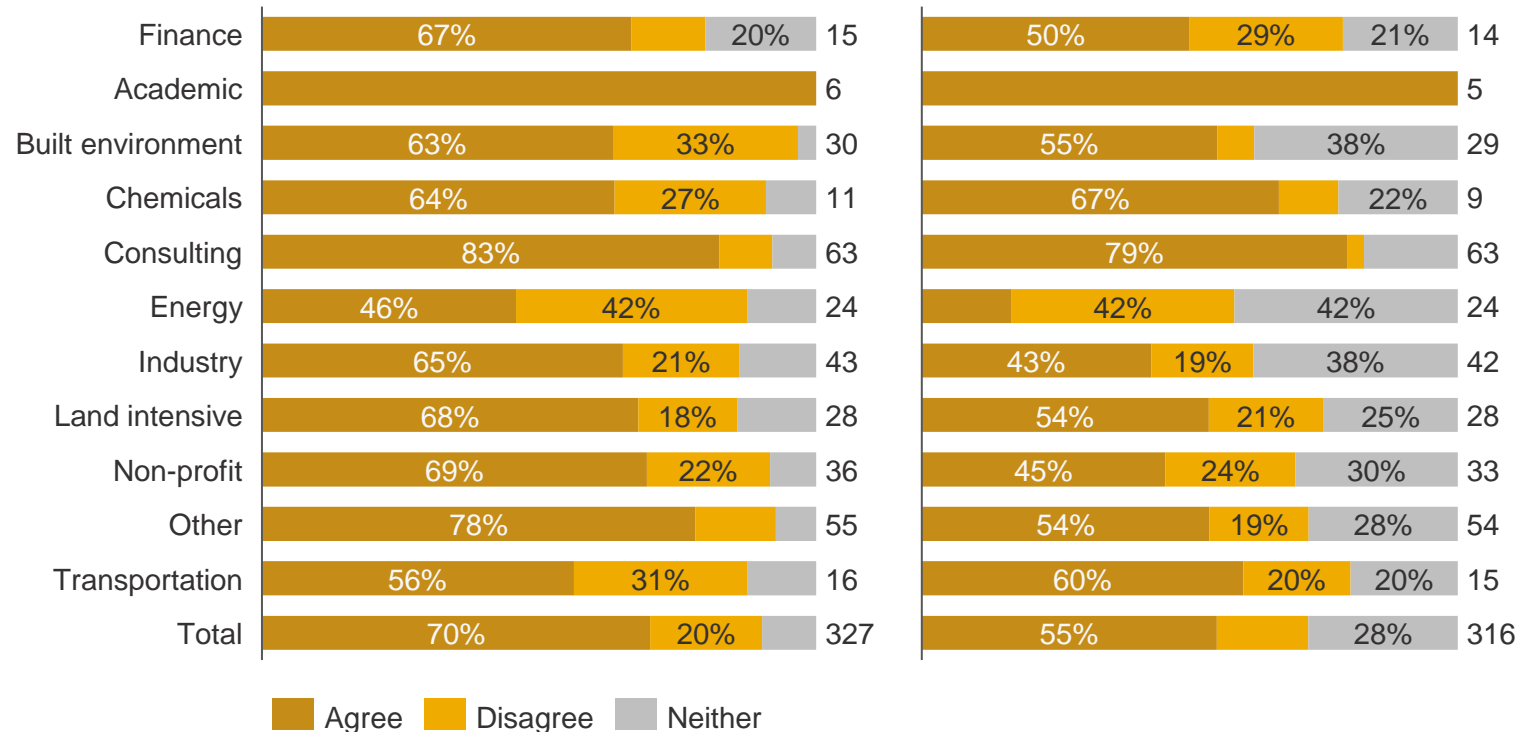
Question 12 — NZ-C26 | Requirement to set interim carbon removal targets for companies with a neutralisation target year

Feedback received

Follow-up

Do you agree with the requirement to set interim carbon removal targets?

Do you agree with the proposed target setting methods to calculate the minimum amount of carbon removal for near-term SBTs suggested by NZ-C26?



- SBTi believes this requires more consideration and will conduct additional research and interviews to develop neutralisation criteria before the 2nd Public Consultation

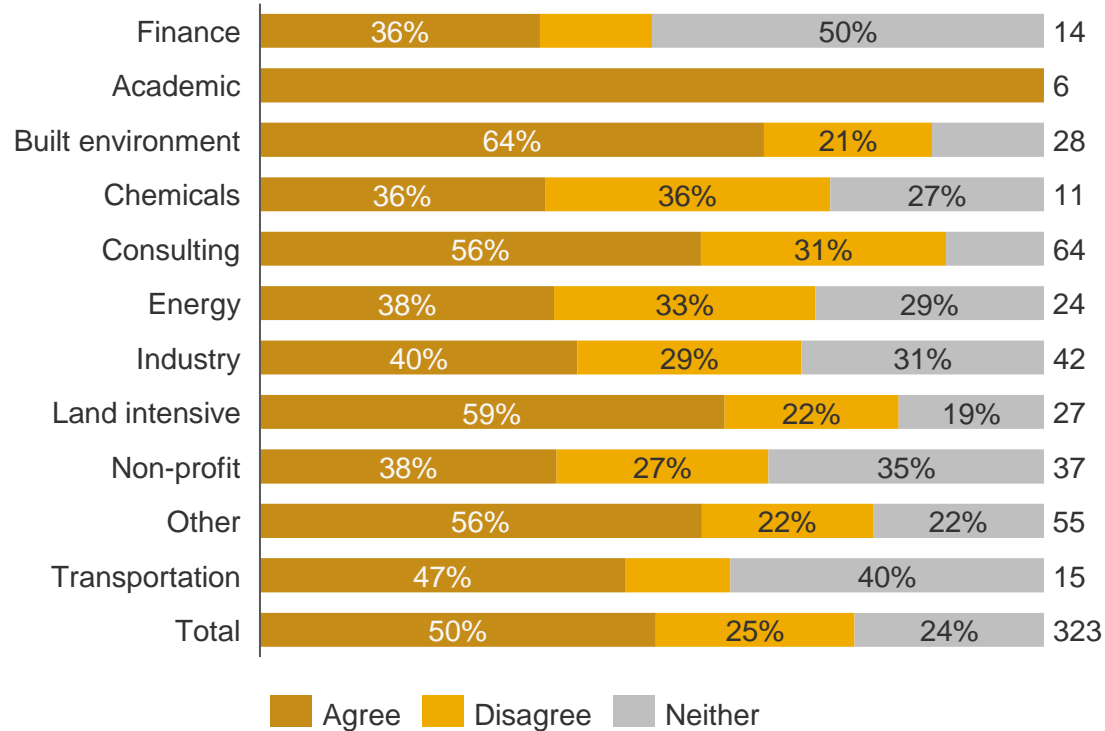
Source: Responses to 1st Public Consultation, February 2021, N = 347



Question 13 — NZ-C27 | Contractual instruments and vintages

Feedback received

Contractual instruments need to have a vintage no further than 3 years from the period in which the carbon removal will be used. Do you agree with this subcriteria?



- Confusion around the definition of "vintage"

Follow-up

- SBTi believes this requires more consideration and will conduct additional research and interviews to develop neutralisation criteria before the 2nd Public Consultation

Source: Responses to 1st Public Consultation, February 2021, N = 347



Question 14 — NZ-C27 | Quality conditions to be added/removed

Feedback received

For reference: NZ-C27 quality conditions

All removals

1. Carbon must be removed through activities that ensure storage permanence for a timeframe that is commensurate with the duration that atmospheric GHG concentrations would be affected by the unabated emission;
2. Eligible carbon removal activities must have mechanisms in place to address the impact of potential non-permanence and physical leakage;
3. The target-setting entity must demonstrate that contractual and other necessary arrangements are in place to ensure that a uniquely identified unit of carbon removal exclusively neutralises the impact of another uniquely identified source of emissions;
4. Social and environmental conformance conditions are met;

Removals acquired using contractual instruments

5. Removals must be measured, monitored, and verified ex-post according to a credible standard and verified by an independent third party;
6. The vintage must be no further than 3 years from the period in which the carbon removal will be used for neutralisation purposes.

Do you think any quality conditions should be added or removed from NZ-C27?

- Disagreement with the permanence criterion, and suggestion to change to 100 years
- Confusion around the usefulness of criterion #2
- Disagreement around the corresponding adjustments of criterion #3
- Widespread agreement for criterion #5
- Significant disagreement around vintages

Follow-up

- SBTi believes this requires more consideration and will conduct additional research and interviews to develop neutralisation criteria before the 2nd Public Consultation



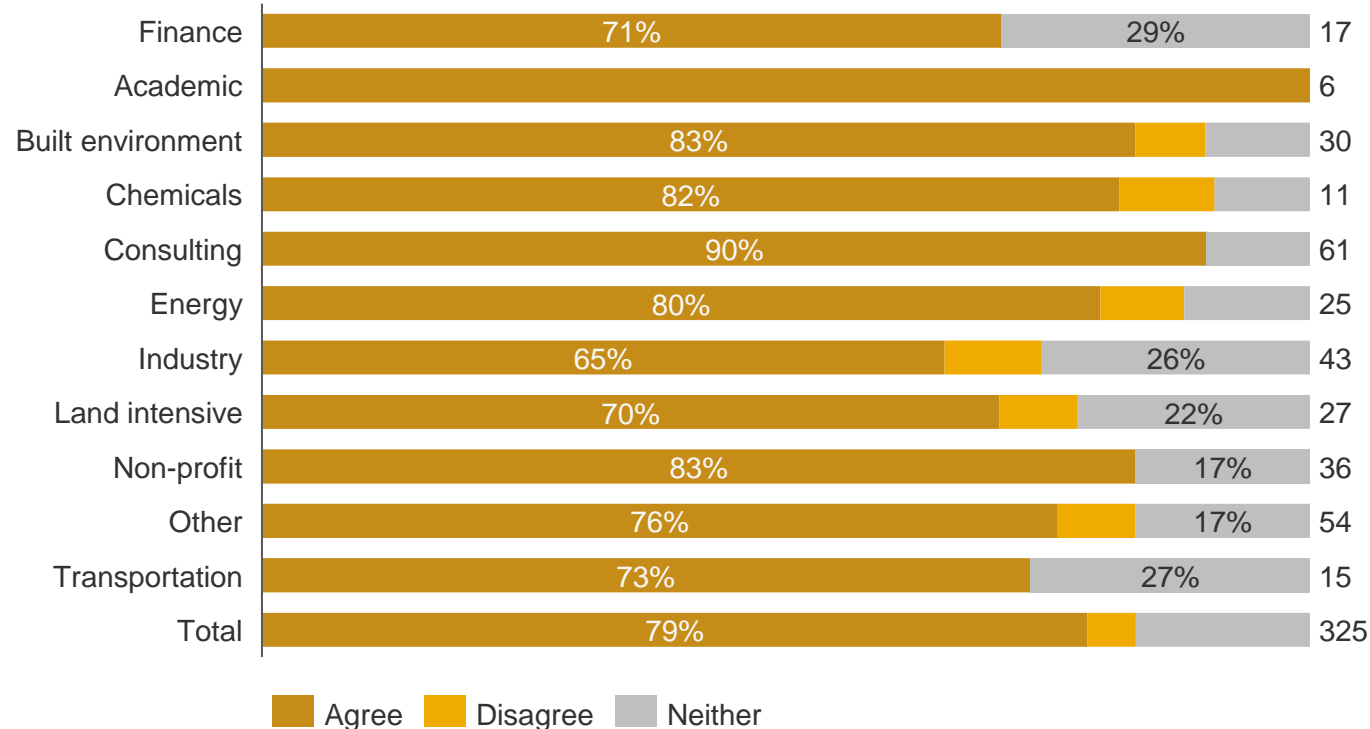


Question 15 — NZ-C28 | Social and environmental conformance conditions

Feedback received

Follow-up

Do you agree with the social and environmental conformance conditions specified for carbon removals in NZ-C28?



- SBTi believes this requires more consideration and will conduct additional research and interviews to develop neutralisation criteria before the 2nd Public Consultation

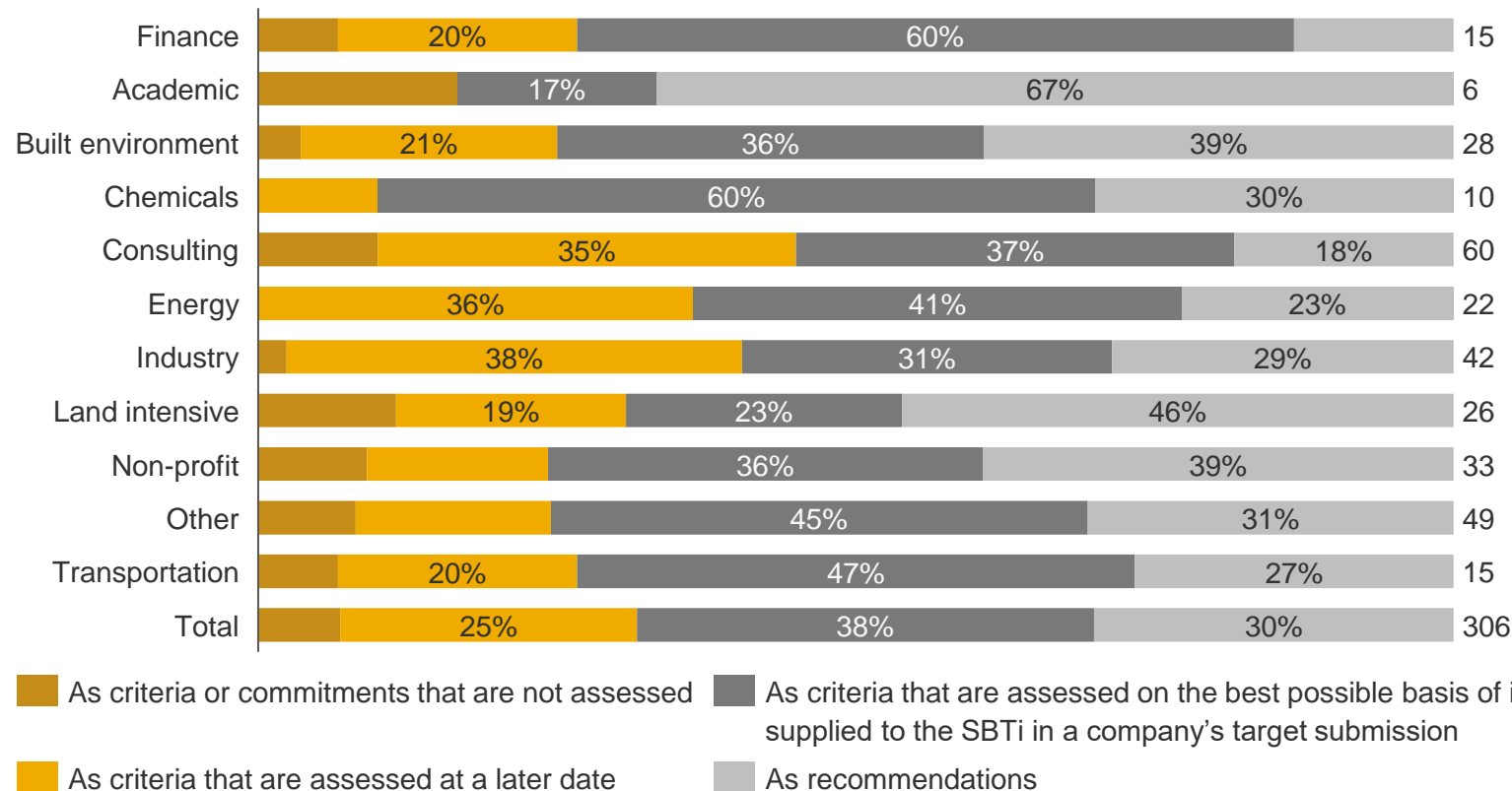
Source: Responses to 1st Public Consultation, February 2021, N = 347



Question 16 — NZ-C27 | Inclusion of criteria that cannot yet be fully assessed due to knowledge gaps

Feedback received

Some criteria cannot yet be fully assessed at the project or program level due to knowledge gaps regarding the implementation of carbon removal. How do you think the SBTi should include targets in the Net-Zero Criteria?



Source: Responses to 1st Public Consultation, February 2021, N = 347

Follow-up

- SBTi believes this requires more consideration and will conduct additional research and interviews to develop neutralisation criteria before the 2nd Public Consultation

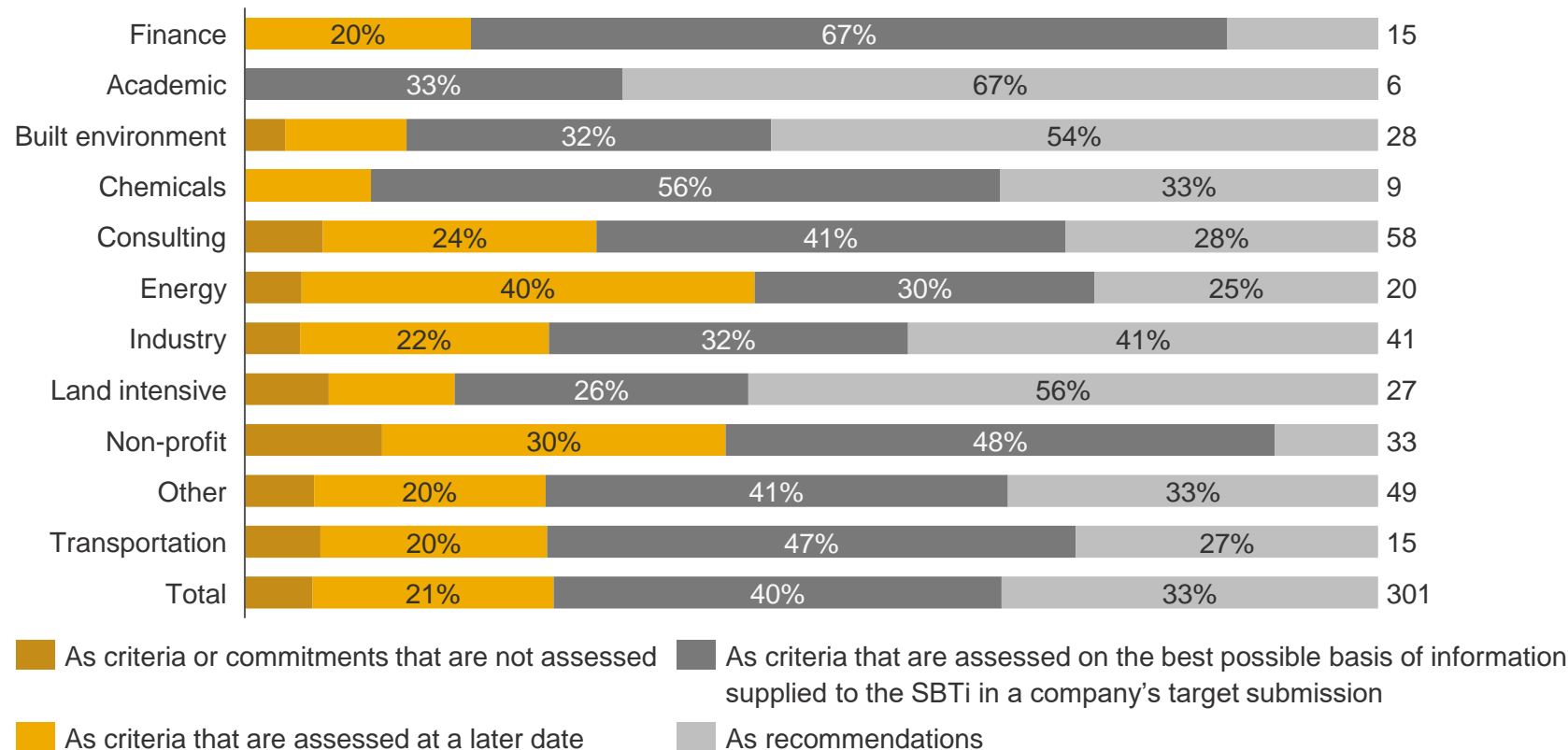




Question 17 — NZ-C27 | Inclusion of criteria that can only be assessed if specific implementation details are provided

Feedback received

Some criteria can only be assessed if specific implementation details are provided, which might not be known at the target-setting stage. How do you think the SBTi should include these targets in the Net-Zero Criteria?



Source: Responses to 1st Public Consultation, February 2021, N = 347

Follow-up

- SBTi believes this requires more consideration and will conduct additional research and interviews to develop neutralisation criteria before the 2nd Public Consultation



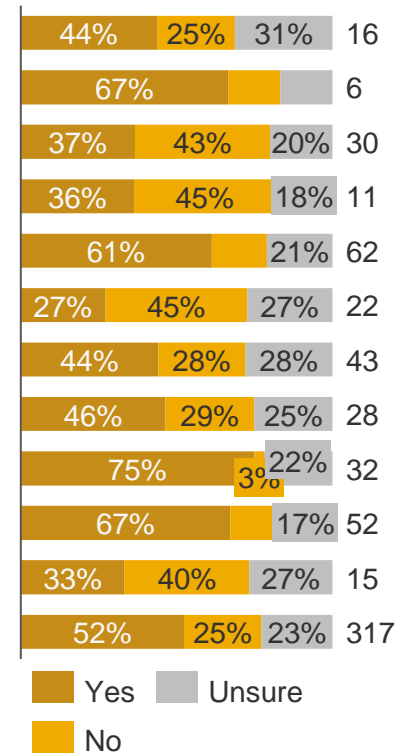
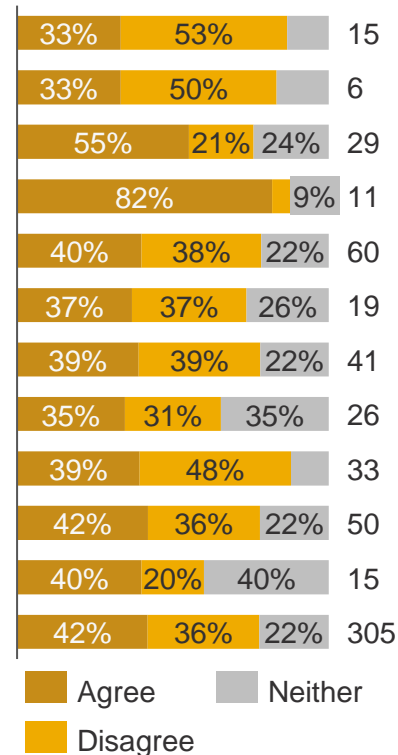
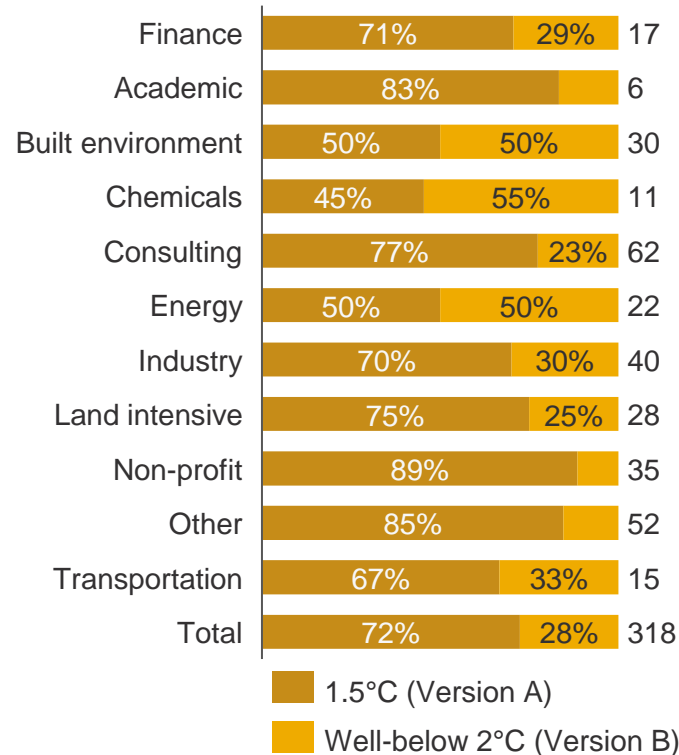
Question 18 — NZ-C30 | Minimum S1+2 ambition for near-term SBTs

Feedback received

What do you think the minimum ambition (S1+2) of near-term SBTs in the Net-Zero Criteria should be?

Should the SBTi make a temporary exception for companies in hard-to-abate sectors?

If you think the minimum ambition should be 1.5C, should all SBTs be increased to 1.5°C in 2022?



Source: Responses to 1st Public Consultation, February 2021, N = 347

Follow-up

- SBTi proposes to increase the minimum ambition to 1.5°C, as 1.5°C is in better alignment with science view on what is necessary to prevent worst impacts of climate change
- SBTi is still considering whether a temporary exception for hard-to-abate sectors should be made

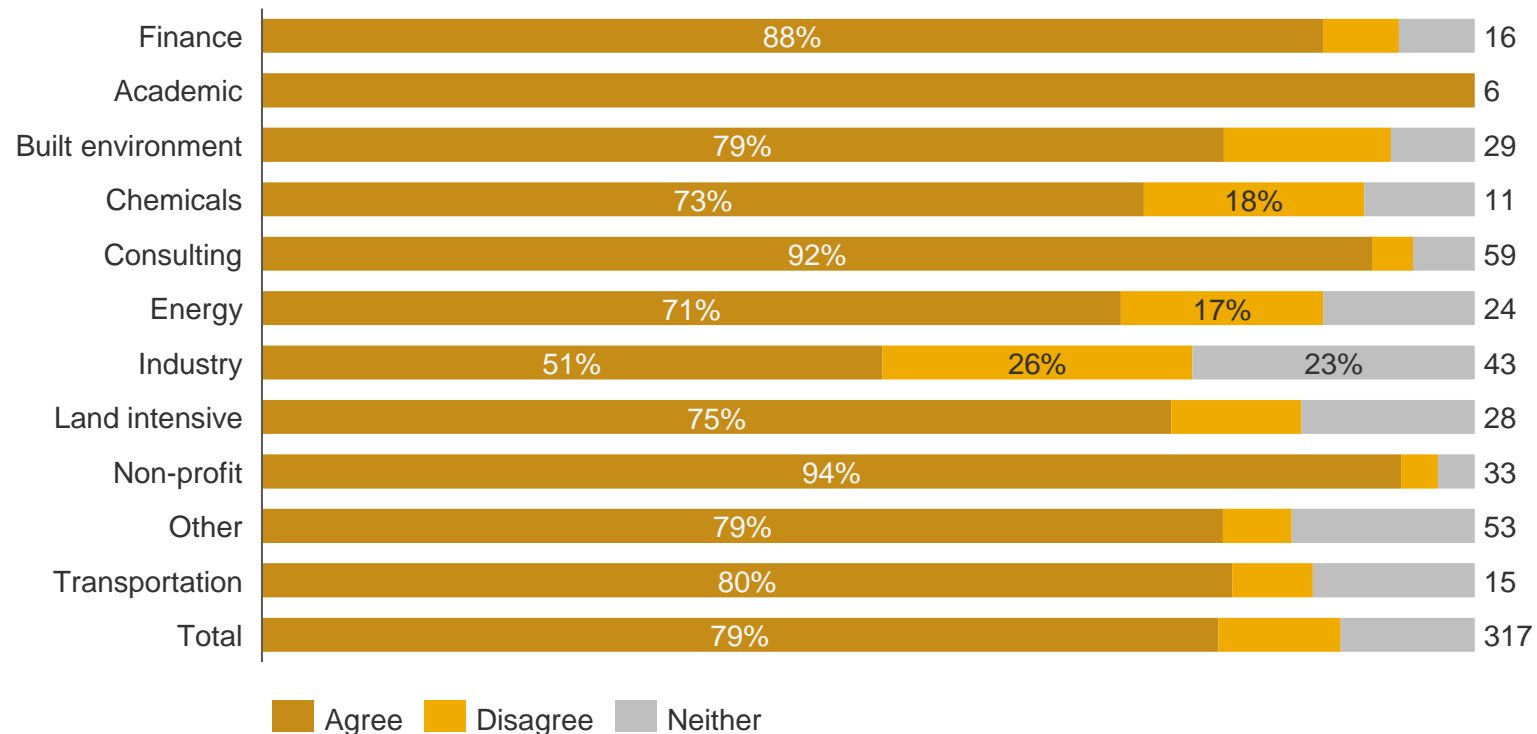


Question 19 — NZ-C31 | S3 coverage for near-term SBTs

Feedback received

Follow-up

Do you agree that near-term SBTs should cover scope 3 emissions?



- Criterion will be adopted but is removed from NZ Criteria as it is already covered in the SBTi criteria



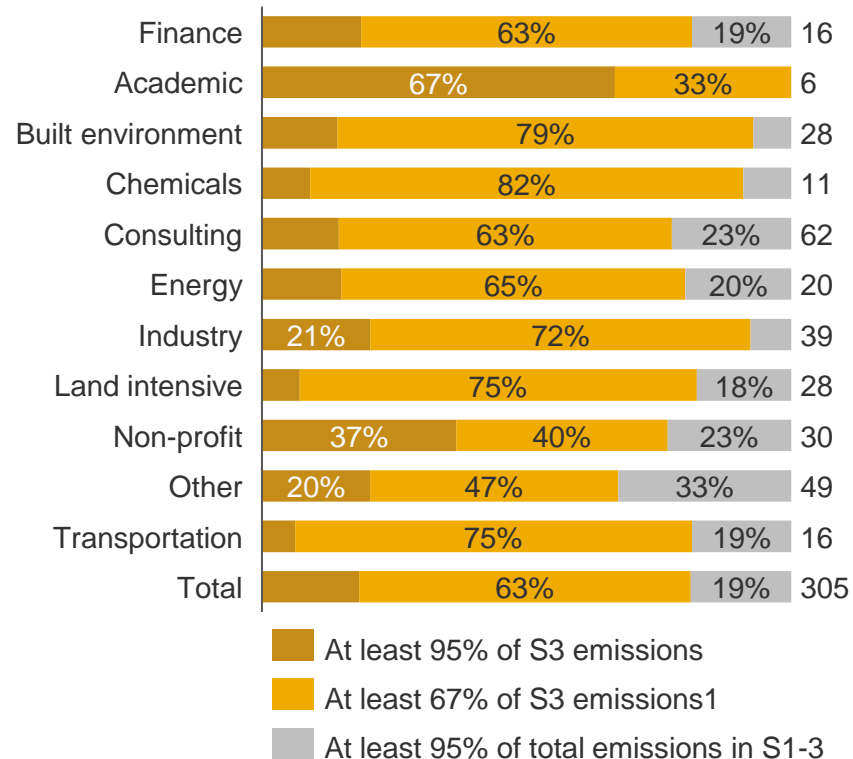


Question 20 — NZ-C32 | S3 boundaries near-term SBTs

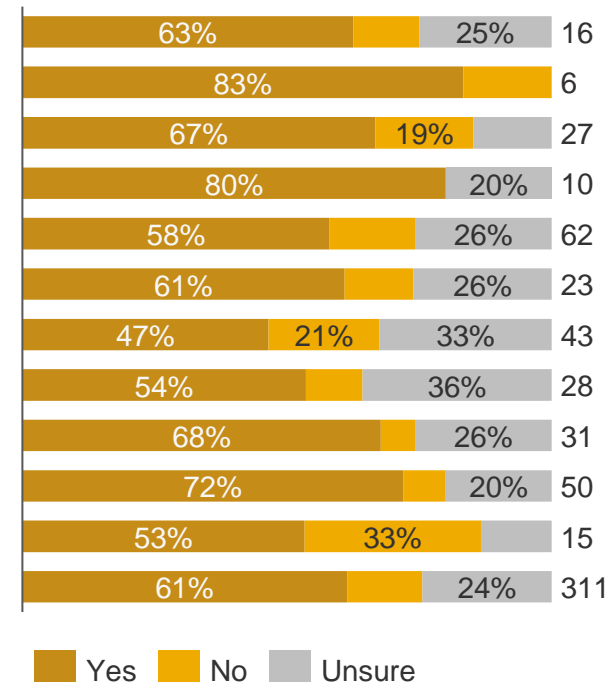
Feedback received

Follow-up

What option do you prefer for Scope 3 boundaries?



Do you think that the minimum S3 boundary of near-term SBTs should be identical to net zero targets?



- SBTi has removed this criterion as it is already covered in the SBTi criteria

Source: Responses to 1st Public Consultation, February 2021, N = 347

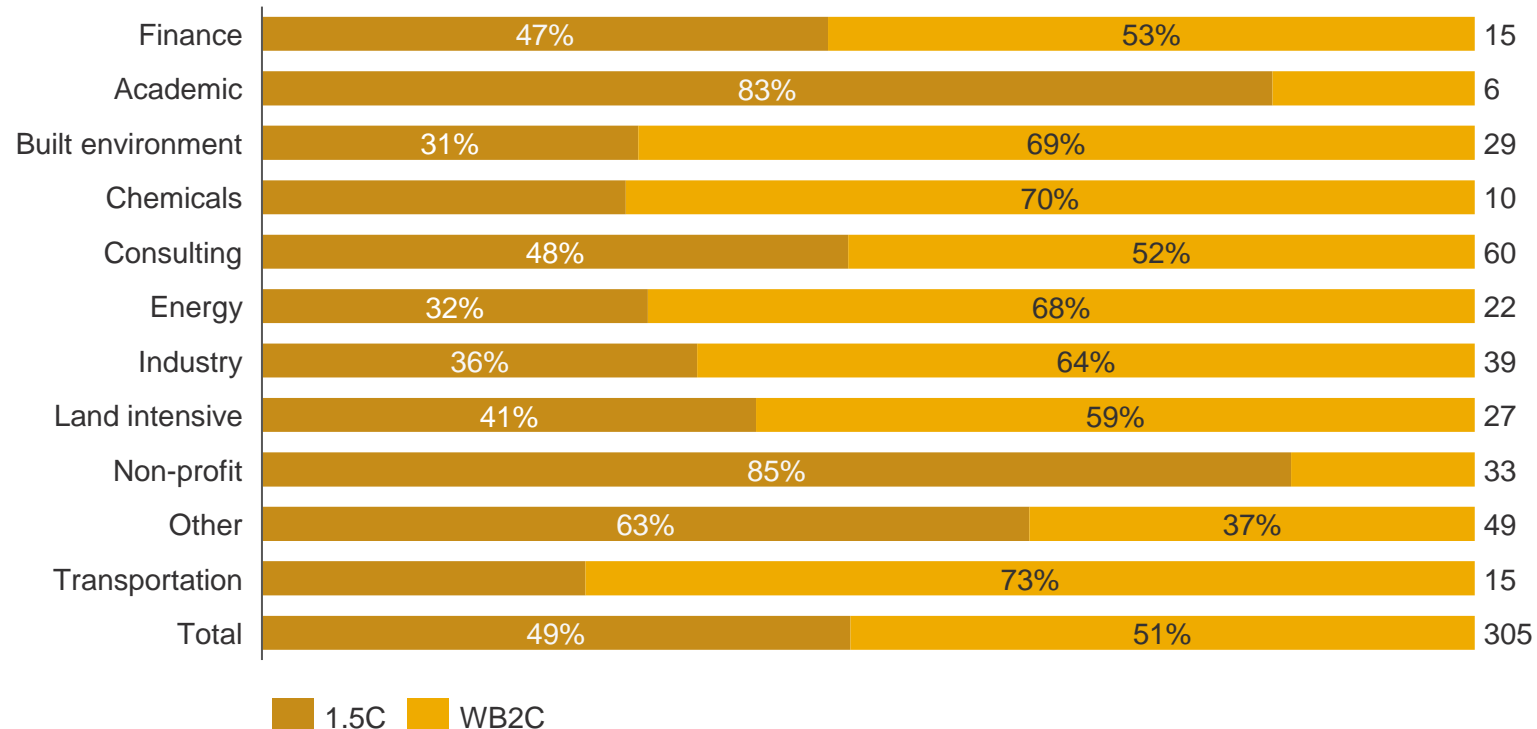


Question 21 — NZ-C33 | Minimum S3 ambition for near-term SBTs

Feedback received

Follow-up

What do you think the minimum ambition should be for near-term SBTs?



Source: Responses to 1st Public Consultation, February 2021, N = 347

- SBTi proposes to adopt the criterion and require a WB2C ambition for S3 near-term SBTs



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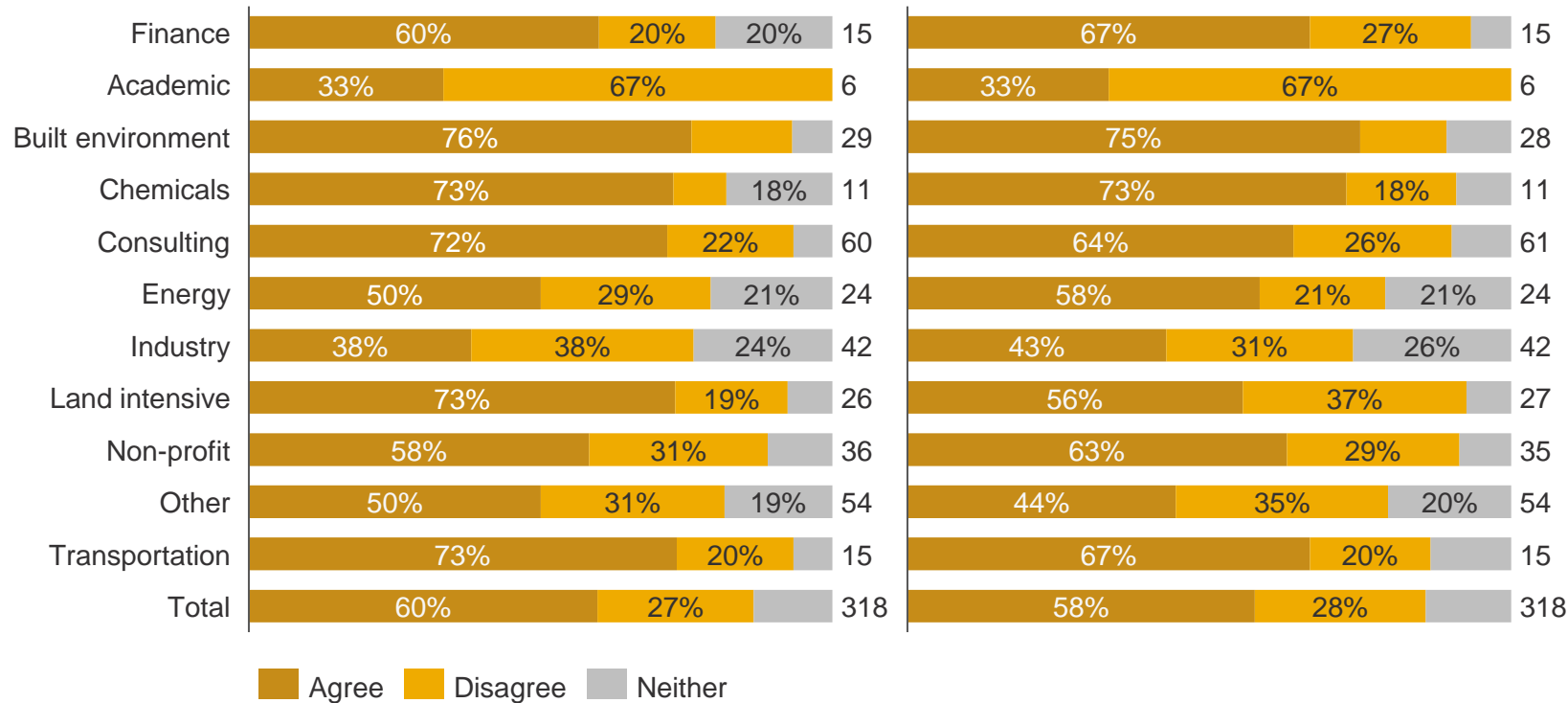
Question 22 — NZ-C37 | Specification of carbon removal approaches and amount in S1, S3 and contractual instruments

Feedback received

Follow-up

Do you agree that companies should specify carbon removal approaches but that it should not be required?

Do you agree that companies should the amount of carbon removal in S1, S3 and contractual instruments but that it should not be required?



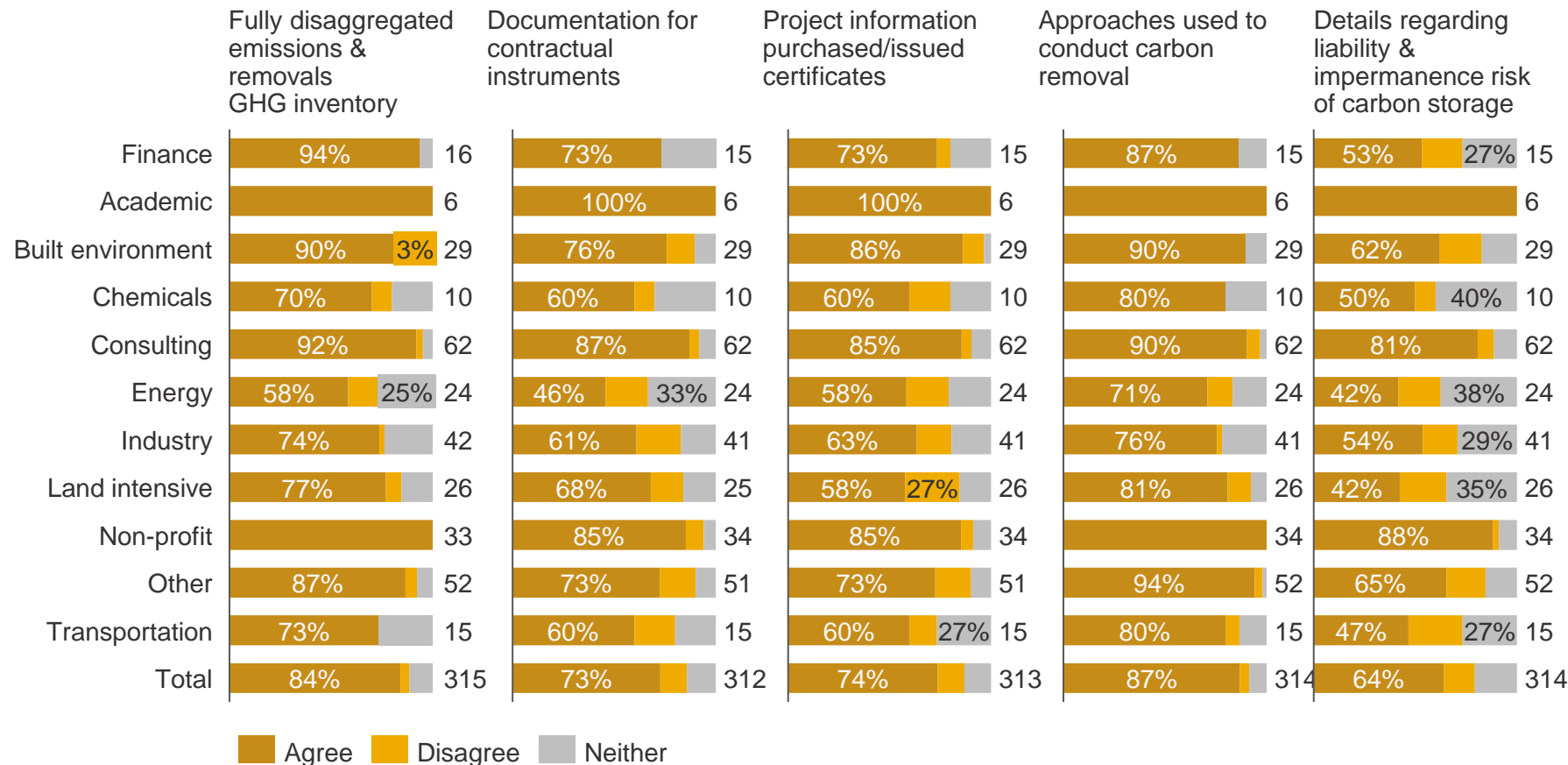
- SBTi is considering whether this information should be reported upon as an optional disclosure outside of target wording
- SBTi has removed the criterion for now as further research is needed

Source: Responses to 1st Public Consultation, February 2021, N = 347



Question 23 — NZ-C39 | Pieces of information that companies are required to publicly report on an annual basis

Feedback received



Source: Responses to 1st Public Consultation, February 2021, N = 347

Follow-up

- SBTi is considering the practicalities of reporting the information specified in the criteria
- SBTi has adopted (1) and removed (2-5) for now as further research is needed

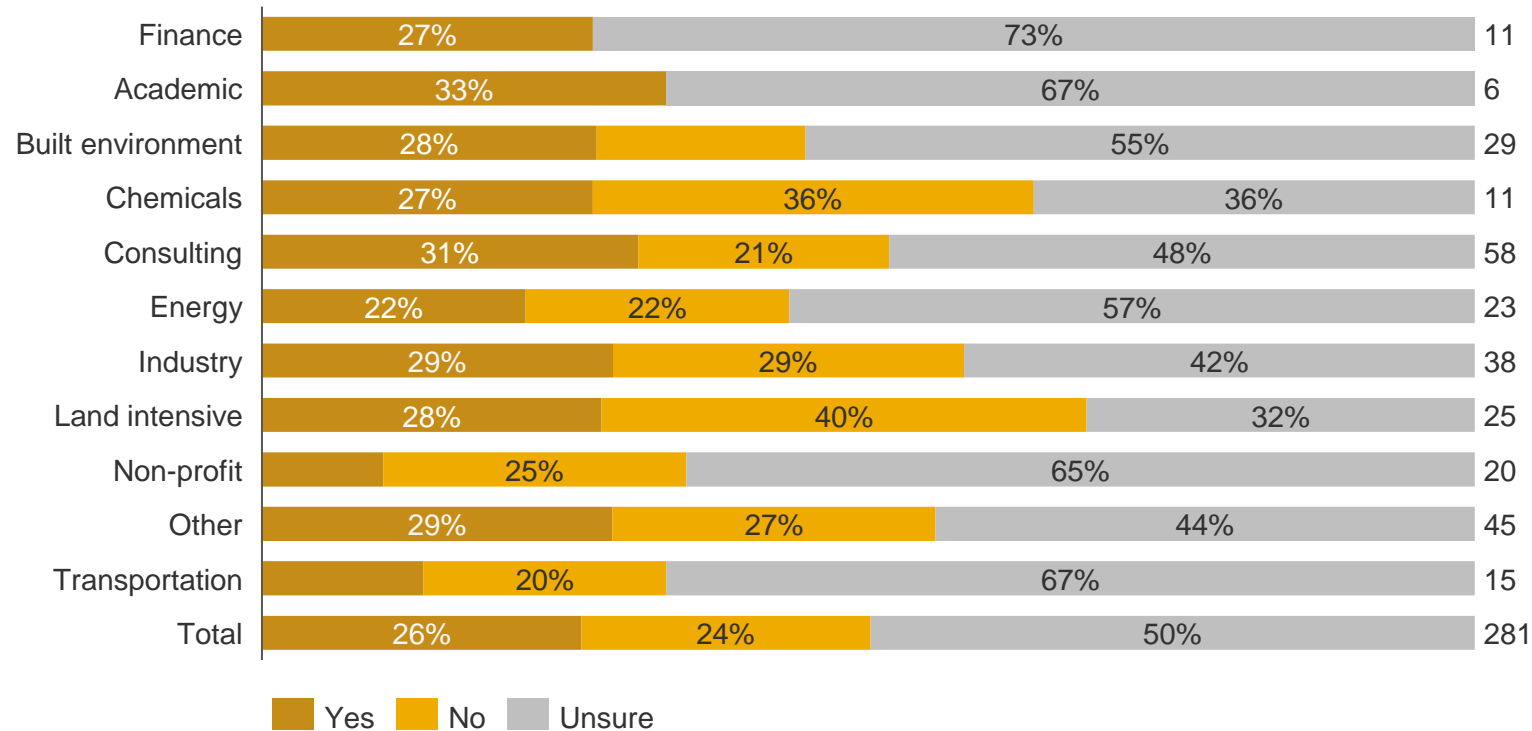




Question 24 — NZ-C-R1-R5 | Interest in setting a compensation target

Feedback received

Under this model, would your company be interested in setting a target?



Source: Responses to 1st Public Consultation, February 2021, N = 347

Follow-up

- SBTi believes this requires significant thought as the proposed model does not incentivize companies to set compensation targets
- SBTi will conduct research before the 2nd Public Consultation



Question 25 | Role of SBTi in adoption of corporate finance commitments in the context of net zero

Feedback received

In your opinion, what is the best role for the SBTi to play to scale up adoption of corporate finance commitments in the context of the Net-Zero Standard?

- The majority of respondents encourages SBTi to provide recommendations, best practice and guidance on other finance or compensation standards but not to develop own requirements on compensation.

Follow-up

- SBTi believes this requires significant thought as the proposed model does not incentivize companies to set compensation targets
- SBTi will conduct research before the 2nd Public Consultation

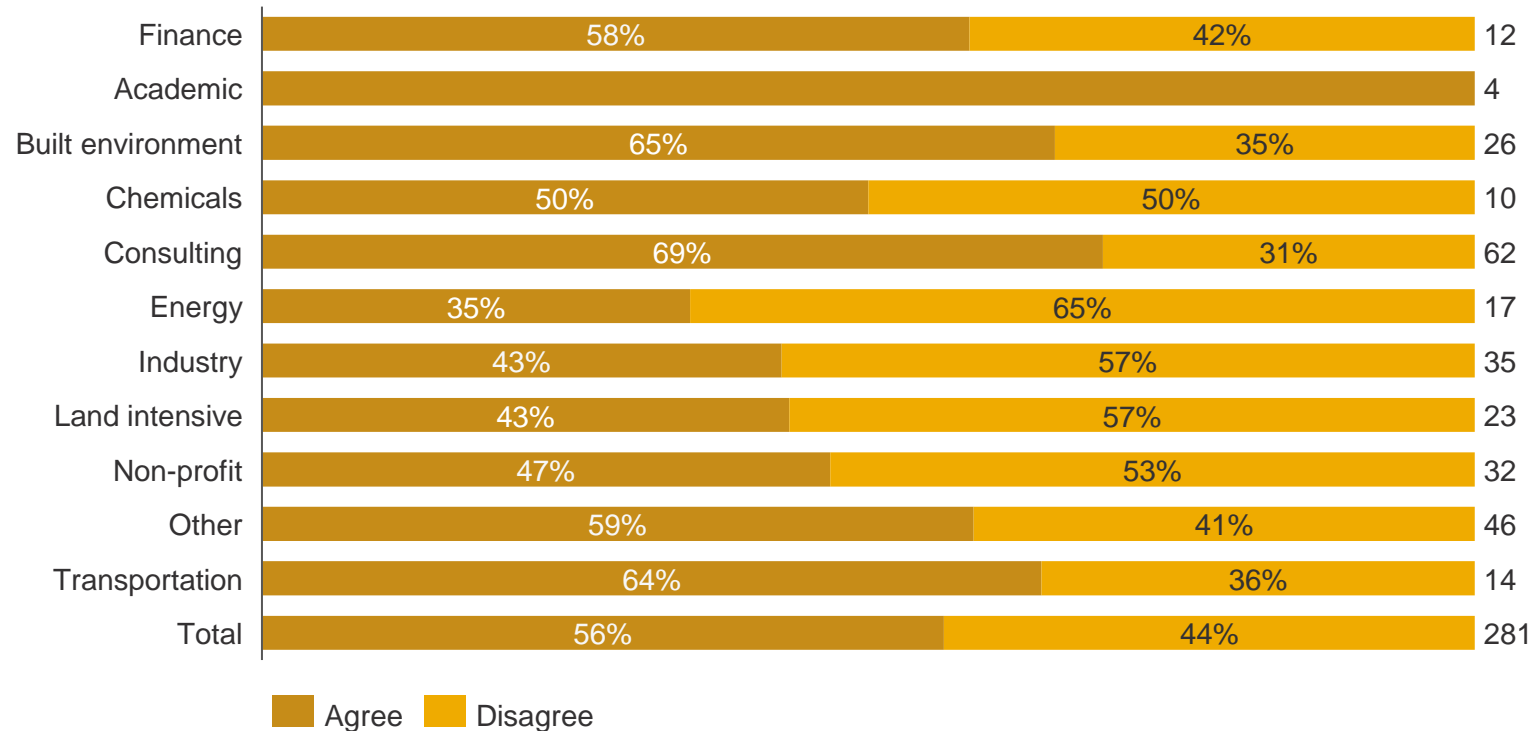




Question 26 — C-R3 | Indicative carbon price to determine minimum amount of compensation undertaken

Feedback received

Do you agree with the recommendation to determine minimum amount by applying an indicative carbon price that increases overtime?



Source: Responses to 1st Public Consultation, February 2021, N = 347

Follow-up

- SBTi believes this requires significant thought as the proposed model does not incentivize companies to set compensation targets
- SBTi will conduct research before the 2nd Public Consultation

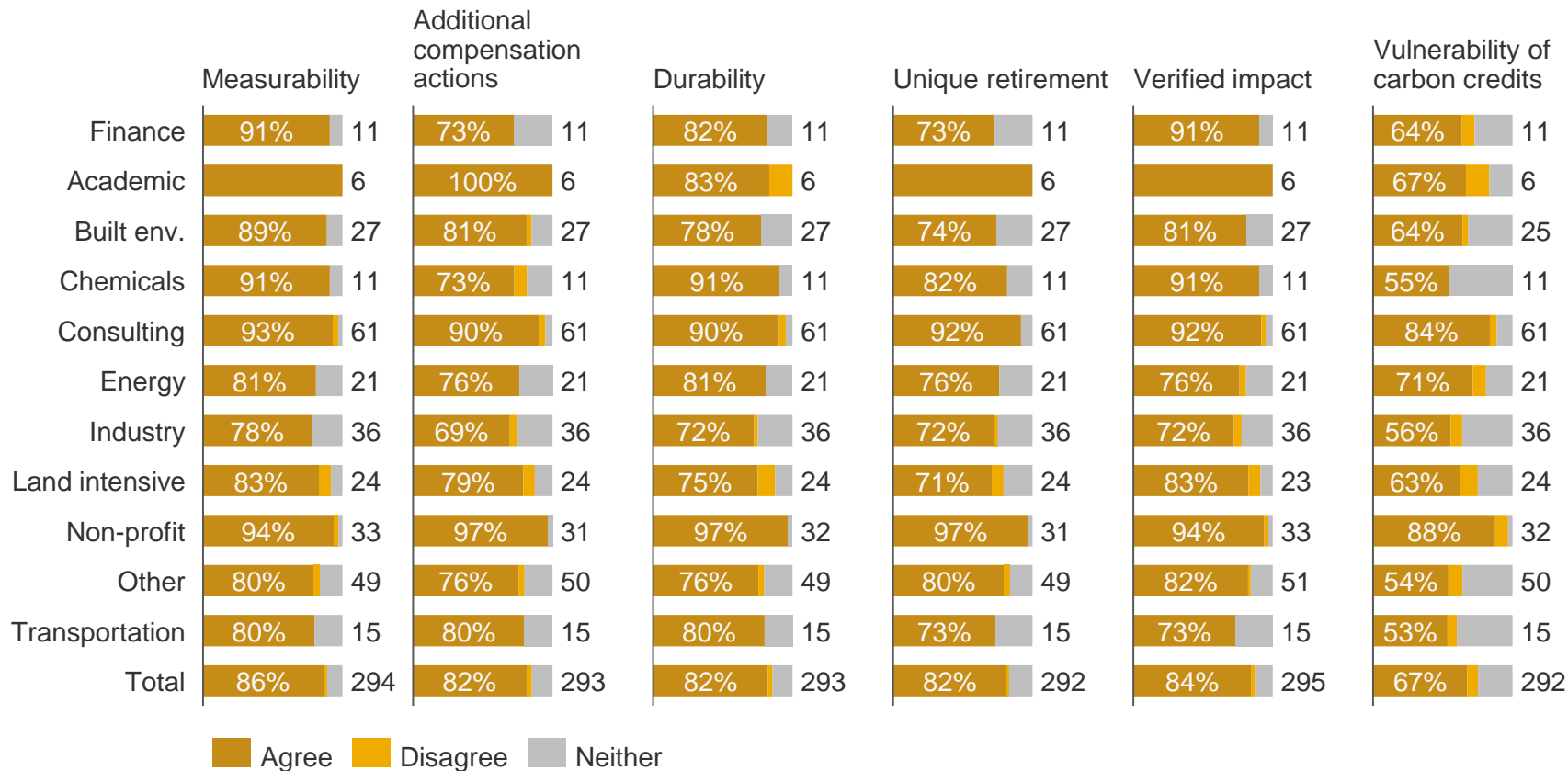


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Question 27 — C-R4 | Quality conditions



Feedback received



Source: Responses to 1st Public Consultation, February 2021, N = 347

Follow-up



- SBTi believes this requires significant thought as the proposed model does not incentivize companies to set compensation targets
- SBTi will conduct research before the 2nd Public Consultation



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