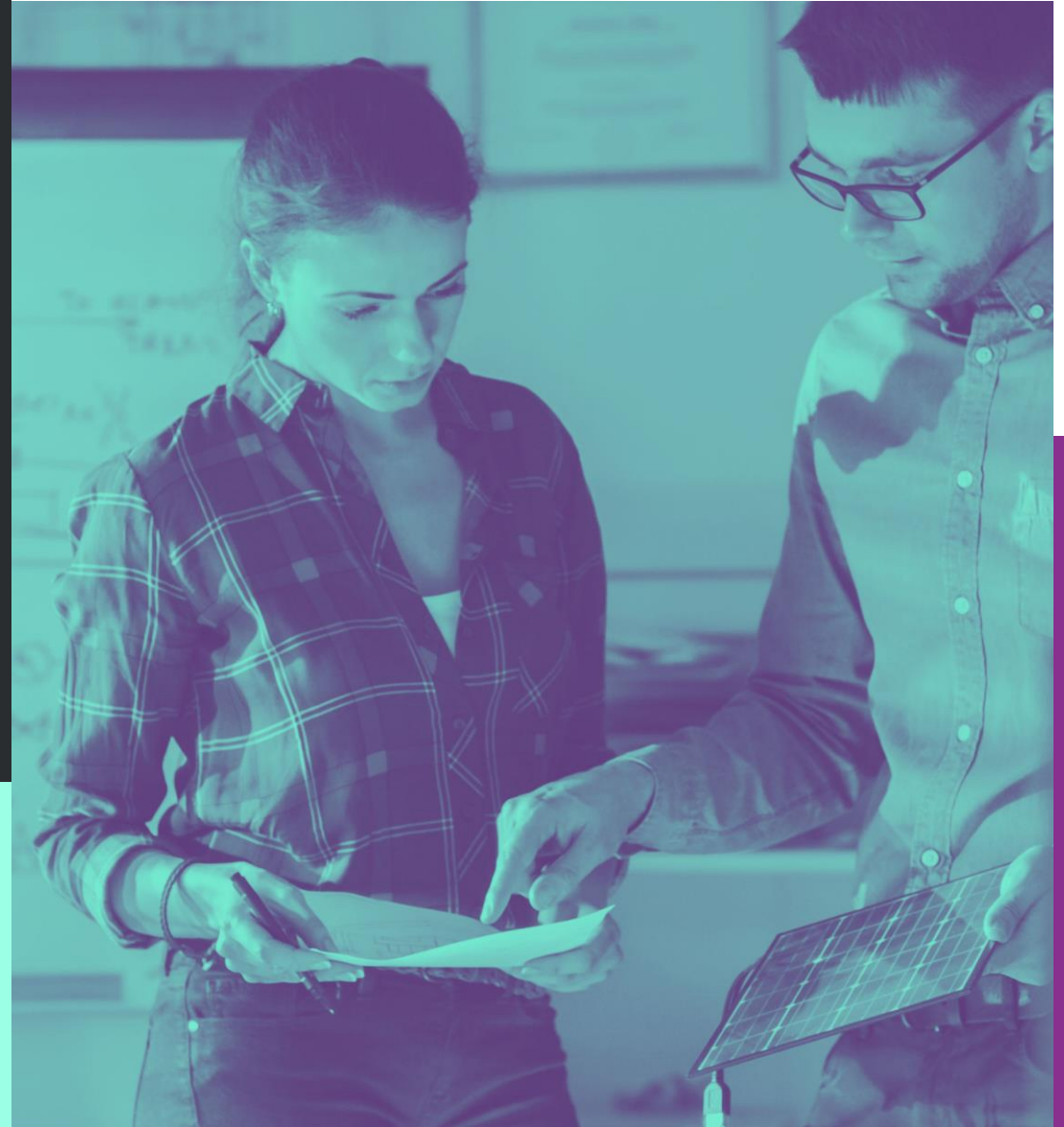


THE NEW NET ZERO STANDARD FROM SBTi



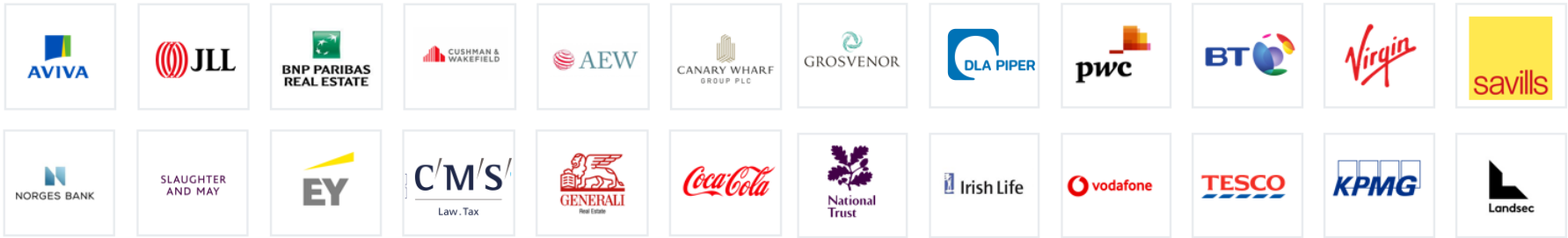
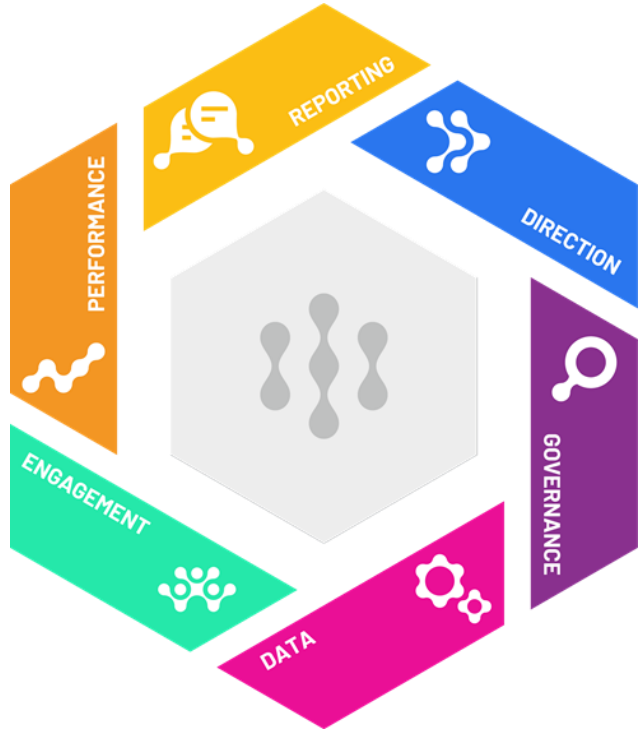
6th October 2022

Who we are



Six dimensions of carbon intelligence

6 dimensions
21 aspects
145 indicators



Agenda

What does the SBTi net zero definition look like, a year on?

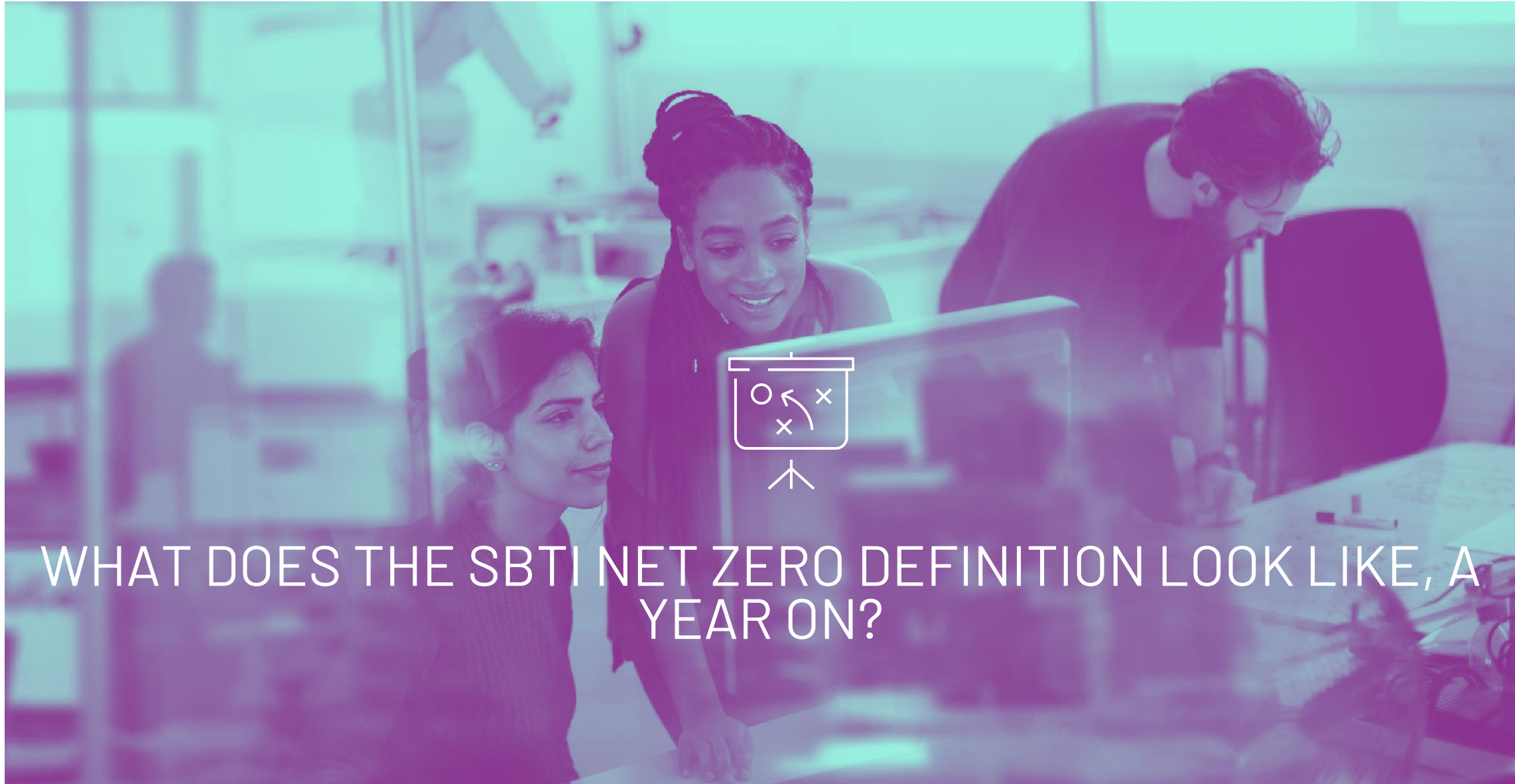
Near-Term and Long-Term Science Based Targets

What this means for existing Net Zero targets

Communicating your ambition

When to act & next steps



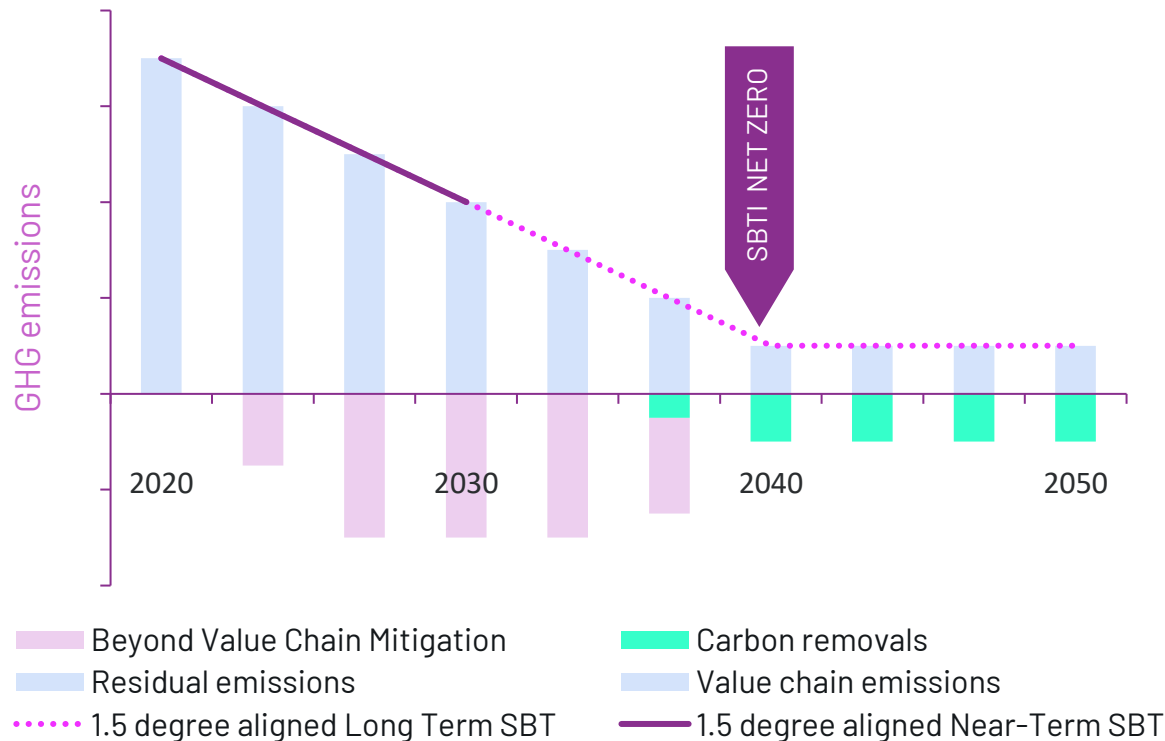


WHAT DOES THE SBTI NET ZERO DEFINITION LOOK LIKE, A YEAR ON?



What is Net Zero?

In October 2021, the Science-Based Targets Initiative (SBTi) released guidance on a science-based approach to Net Zero emissions. A company reaches SBTi Net Zero when it reduces emissions in line with keeping global temperature increase to 1.5°C. This consists of a **Near-Term Science-Based Target** and **Long-Term Science-based Target**. Once the Near and Long-Term targets have been achieved, the **residual emissions** must be balanced through **carbon removals**.



Near-Term Science-Based Targets: previously 'science-based targets', a 5-10 year reduction target in line with 1.5°C or well-below 2°C. Purpose is to promote near-term action for deep emission reductions to be achieved by 2030.

Long-Term Science-Based Targets: a target that should be achieved by 2050 latest and aligned to 1.5°C for all Scopes. Purpose is to drive economy-wide alignment and long-term business planning to reach global 2050 Net Zero.

Carbon Removals: once you have achieved your Long-Term SBT, you use Carbon Removals to offset your residual emissions.

Beyond Value Chain Mitigation: Offsets, outside of your value chain to preserve carbon stocks, on your Net Zero transition. Recommended but optional.



Why was a change needed?

SO COMPANIES CAN MAKE CLAIMS THAT ARE CREDIBLE:

Lack of consistency has caused scepticism



Reduce risk of greenwashing



Provide a standardised approach to Net Zero



SO THE ACTION COMPANIES TAKE DEALS WITH THE CLIMATE CRISIS:

Confidence that your net zero strategy is consistent with limiting warming to 1.5C



Decarbonisation is the priority



Recognises that there is a limit to the amount of carbon that can be removed



1,453 companies have committed to set an SBTi Net Zero target. These companies are adopting a leadership mindset.



SBT's are based on the latest climate science. These companies are starting with what the science requires and working back from there.



The window for 1.5 degrees is closing. These companies understand the need for urgent action even without all the answers.



Companies are signalling the radical change needed in markets to achieve Net Zero through working internally, with their supply chain and wider stakeholders.



A commitment to science as a moving target. As global emissions continue to rise more aggressive reductions will be required. Adapting to this shifting landscape requires a solid governance structure.



Concrete near-term targets and an internal governance structures ensure companies are set up to achieving long-term targets and harnessing new technologies.

74 companies have set their Net Zero target

These companies all have SBTi approved targets to reduce emissions 90% before 2050.



Notes:

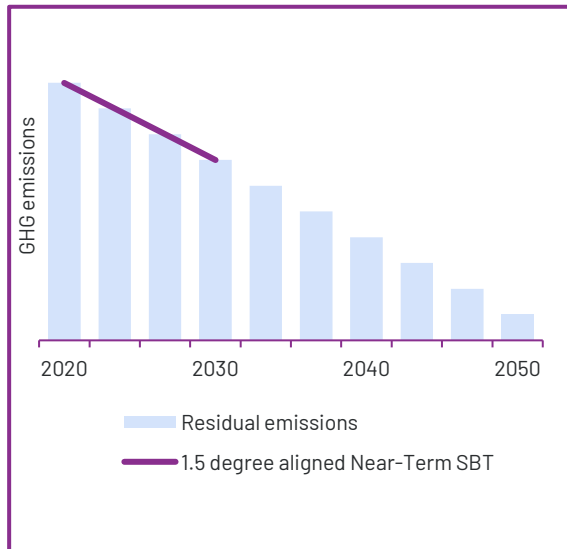
- Source: <https://sciencebasedtargets.org/companies-taking-action> - updated 05/10/2022.



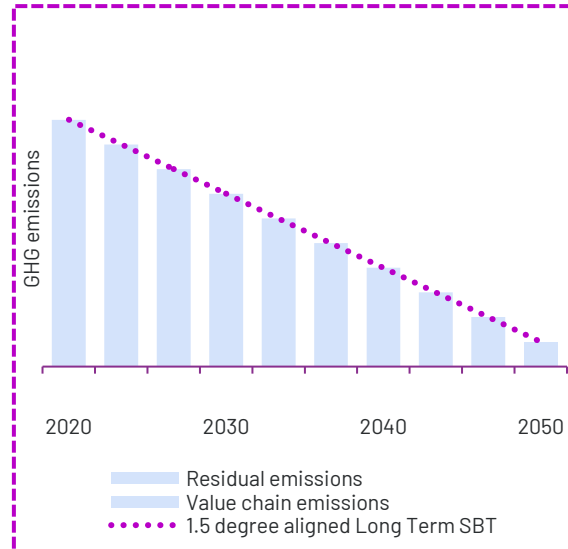
NEAR-TERM AND LONG-TERM SBTS



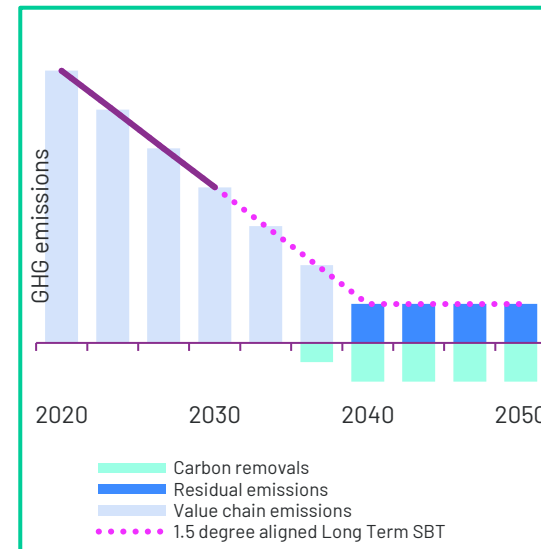
Process for setting a Net Zero target



Phase 1: Developing Near-Term Target and Roadmap



Phase 2: Developing the Long-Term Target



Phase 3: Creating a removals and/or offsetting strategy



Phase 4: SBTi submission



Near-term Science Based Targets

Changes to Near-term Criteria – July 2022

Scope 1 and 2 targets aligned to 1.5°C

Scope 3 targets aligned to 1.5°C or Well-below 2°C

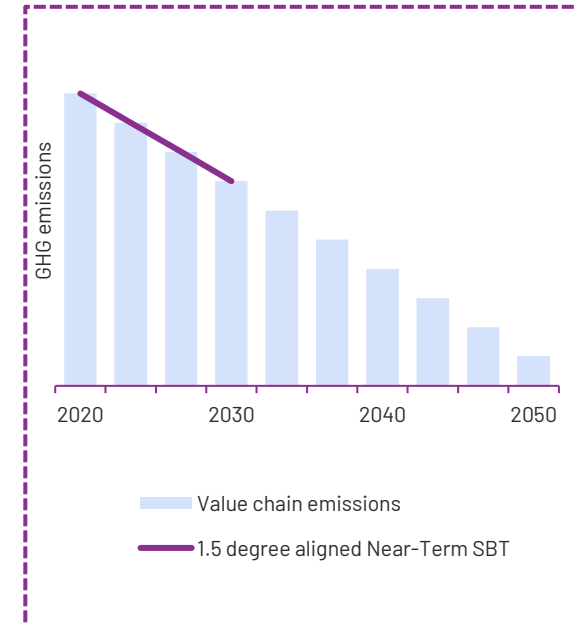
These criteria will apply to all companies setting Science Based Targets, regardless of whether they aim to align with the Net Zero Standard, from July 2022. However, where possible, we should align with this now.

All targets must be 5-10 years

Near-term Science Based Targets should be updated every 5 years and progress reported annually.

Universal pathway

Applicable to all companies, 4.2% linear reduction (aligned to 1.5°C), or 2.5% linear reduction (aligned to Well-below 2°C, only applicable for Scope 3 emissions).



Phase 1: Developing Near-term Target and Roadmap

Long-term Science Based Targets

New Long-term Criteria

Scope 1, 2 and 3 aligned to 1.5°C

Well-below 2°C and 2°C pathways have been removed.

95% of Scope 1 & 2 emissions and 90% of Scope 3 emissions must be included in your baseline

This has increased from 67% (2/3rds) for current SBTs.

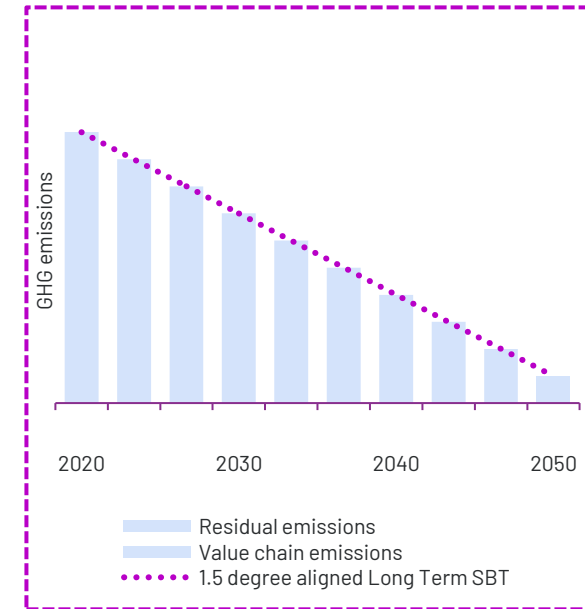
Universal pathway

Applicable to all companies, 90% overall reduction.

This is an absolute reduction target independent of the target year. Your company will require the same reduction whether you choose your Long-term SBT year as 2050 or any year previous.

Companies with Forestry, Land and Agricultural emissions should set a separate SBT covering these land based emissions.

Agricultural pathway (for land emissions only) requires an 80% absolute reduction.



Phase 2: Developing the Long-term Target

*FLAG: Forestry, Land, & Agricultural Emissions

What are FLAG targets & why is this methodology being introduced?

Few companies have previously accounted for FLAG emissions with a key barrier being lack of standards and guidance. Calculating land-use and removals emissions is complicated and requires careful consideration.

25%

Nearly 25% of global emissions come from agriculture, forestry and other land use.

50%

Agricultural production is expected to double by 2050 due to the increasing demand for food from a growing population.



Aligning with most recent science

As part of a company’s commitment to setting a SBT they are required to recalculate and revalidate targets (where relevant) to ensure consistency with most recent climate science and best practice.

Who is required to set FLAG targets?

Companies in sectors as defined on the SBT website:

- Forest and Paper Products
- Food Production (agricultural production and animal source)
- Food and Beverages processing
- Food and Staples Retailing
- Tobacco

Companies in other sectors with:

- FLAG related emissions totalling more than 20% of the company's overall scope 1, 2 and 3 emissions



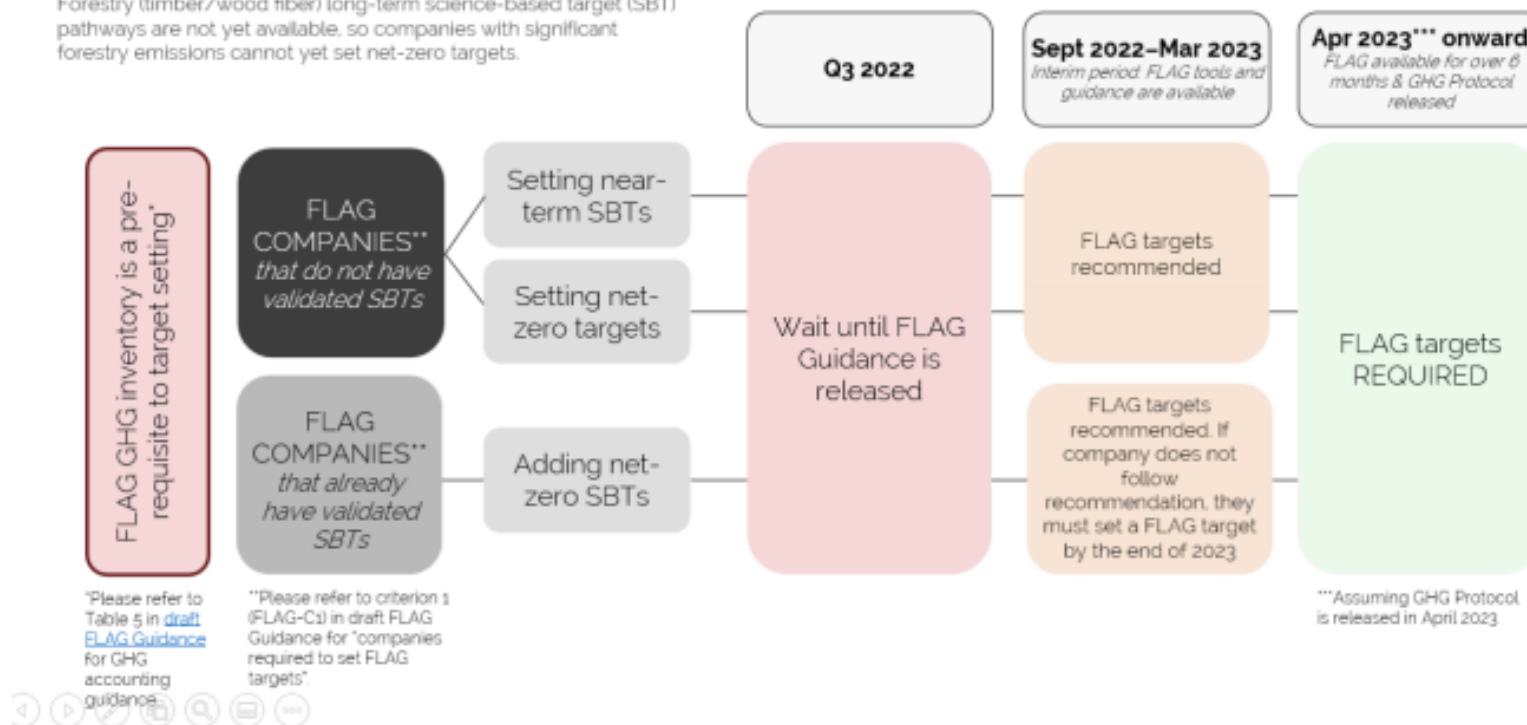
If a company falls under a FLAG-designated sector (e.g., food and beverage processing) but has no or only limited (less than 5%) GHG emissions associated with land and agriculture, the company does not need to set a FLAG target, but shall include those FLAG-related emissions in the overall target boundary and account for them with energy/industry (non-FLAG) targets.

What are the timelines for FLAG targets for companies setting new targets?

FLAG – TARGET SETTING TIMELINE (NEAR-AND LONG-TERM TARGETS)

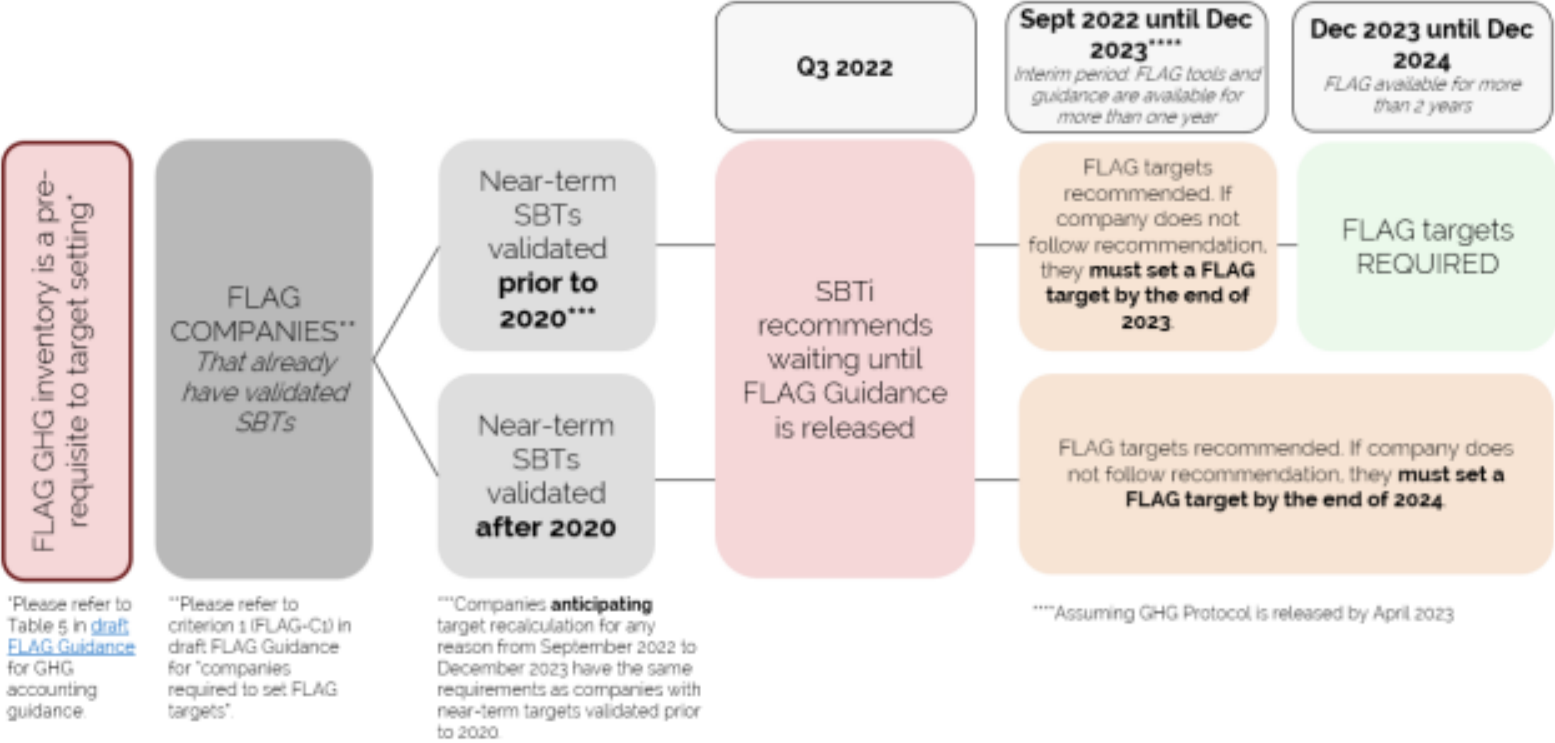


Forestry (timber/wood fiber) long-term science-based target (SBT) pathways are not yet available, so companies with significant forestry emissions cannot yet set net-zero targets.



*Using GHG Protocol's Land Sector and Removals guidance for emission accounting and SBTi's FLAG guidance for setting targets. GHG protocol Land Sector and Removals guidance is expected in early 2023.

What are the timelines for FLAG targets for companies that already have a validated SBT?



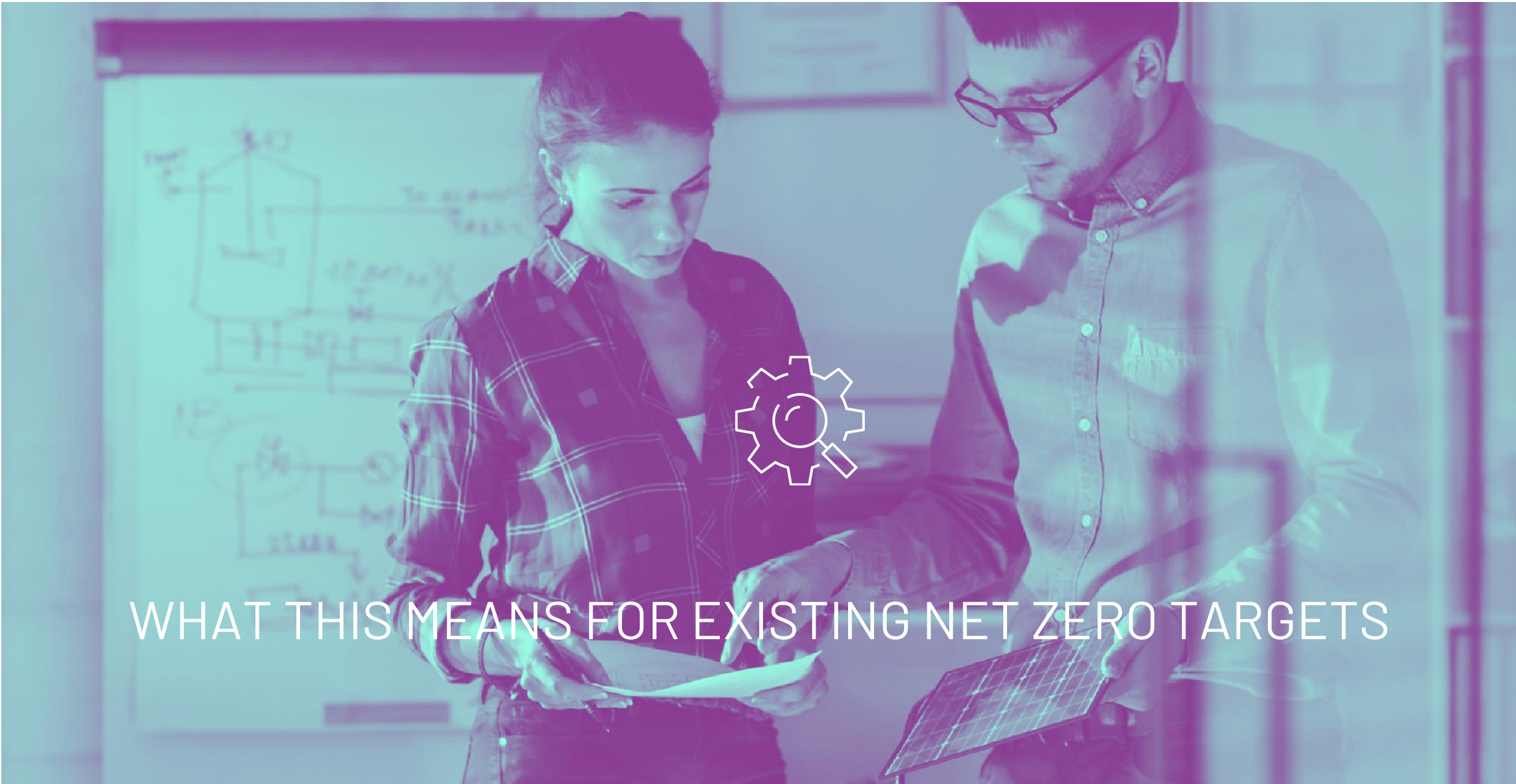
*Please refer to Table 5 in [draft FLAG Guidance](#) for GHG accounting guidance.

**Please refer to criterion 1 (FLAG-C1) in draft FLAG Guidance for "companies required to set FLAG targets".

***Companies **anticipating** target recalculation for any reason from September 2022 to December 2023 have the same requirements as companies with near-term targets validated prior to 2020.

****Assuming GHG Protocol is released by April 2023

*Using GHG Protocol's Land Sector and Removals guidance for emission accounting and SBTi's FLAG guidance for setting targets. GHG protocol Land Sector and Removals guidance is expected in early 2023.



WHAT THIS MEANS FOR EXISTING NET ZERO TARGETS



Where to start?

COMPANY 1

- 2030 Net Zero goal
- No science-based target

COMPANY 2

- SBTi approved near-term target
- No Net Zero goal

COMPANY 3

- SBTi approved near-term target
- 2030 Net Zero goal

Phase 1: Developing Near-Term Target and Roadmap

Phase 2: Developing the Long-Term Target

Phase 3: Creating a removals and/or offsetting strategy

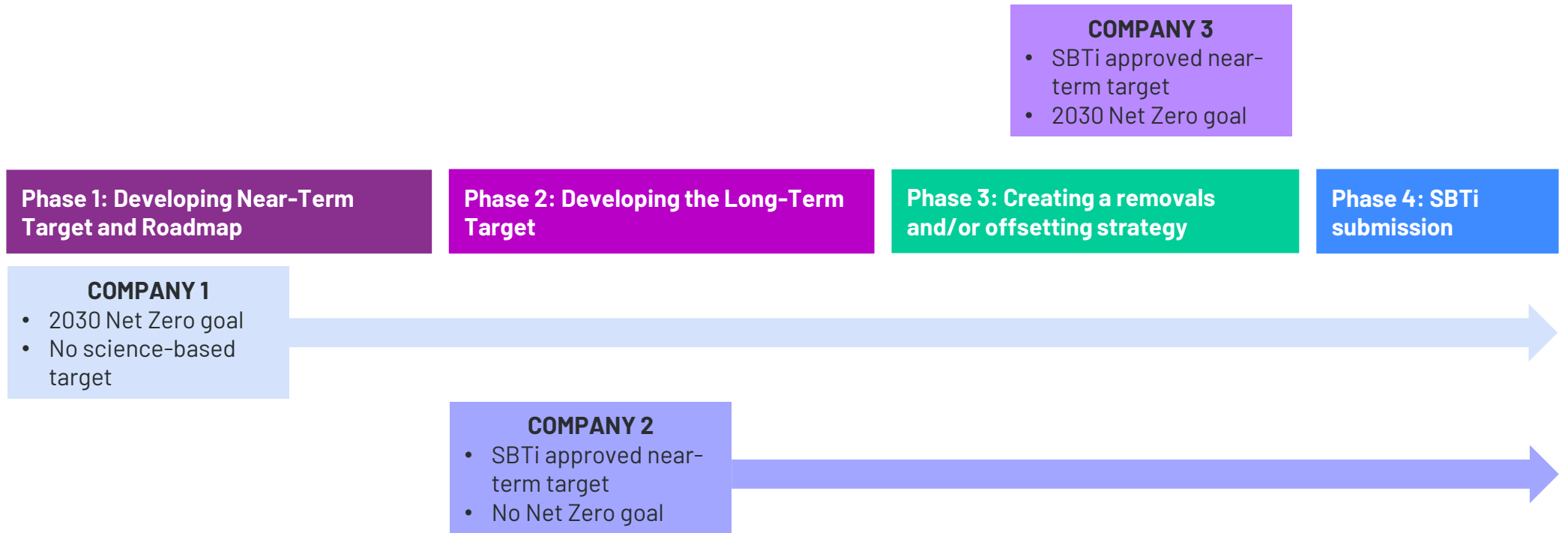
Phase 4: SBTi submission



Where to start?



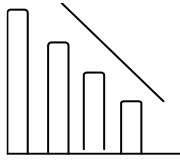
Where to start?



Where to start?



What this means for existing Net Zero targets



Moving towards the SBTi Net Zero Standard

- Continue working towards your Near-term SBT- **this should be the priority.**
- To align with the new SBTi Net Zero standard, you should **set an additional Long-term target.**
- SBTi has said that for a company to achieve Net Zero, only residual emissions can be neutralised through offsets. Residual emissions are those that remain after a 90% reduction.
- This means that for you to achieve SBTi Net Zero, you would need to have reduced your emissions by 90% by your Long-term SBT target date (2050 or sooner).



Communications

- If the timeline for achieving your Long-term SBT aligns with your current Net Zero target date then no change in communications is needed.
- If the timeline for achieving your long-term target is after your current Net Zero target date, then change your language and position your earlier goals (e.g. 2030) as 'carbon/climate neutral by 2030'.
- If you would like to get your Net Zero commitment validated by the SBTi, you will need to set an additional **Long-term Science Based Target**, aiming towards 90% reduction, to be achieved by 2050 or sooner.





COMMUNICATING YOUR AMBITION



How to Communicate your Net Zero Ambition

POOR COMMUNICATION

Claming Net Zero (without a SBT)

We are Net Zero now

The SBTi have approved our Net Zero strategy

Our Science Based Target means we are Net Zero

GOOD COMMUNICATION

We have approved Near-Term and Long-Term Science Based Targets.
Our Long-Term SBT will lead us to Net Zero by 2040

We are aligned to the SBTi's Net Zero Standard

We are Carbon Neutral

We have a Near-Term SBT and are working towards our Net Zero strategy



Time ambition






SBT \neq Net Zero



How to talk about your updated target?


- Science is always evolving, and therefore what we are aiming for will evolve too.
- We need to ensure our ambition matches and adapts to what science shows is needed to limit warming to 1.5 degrees.
- We are focusing on reducing emissions first and foremost and therefore have updated our target to align to the SBTi, with a near-term and long-term carbon reduction target.
- [Example - Mars.](#)

What are the implications of not setting a Net Zero Target?

 <p>Credibility</p>	<ul style="list-style-type: none"> • A Net Zero target is more credible than just committing to Carbon Neutrality <ul style="list-style-type: none"> • For a Net Zero target, you are committing to decarbonise 90% by latest 2050. • Carbon Neutrality is reliant on offsets, and does not demand a long-term reduction target. • The SBTi align with science and what we have to do to significantly reduce the impacts of climate change.
 <p>Reputation</p>	<ul style="list-style-type: none"> • Your peers have already committed to Net Zero and it is expected that more long-term SBTs will be set moving forwards. • You are setting expectations for your supply chain and your clients that this is the future direction for the company, they will need to act alongside you.
 <p>Cost of carbon</p>	<ul style="list-style-type: none"> • The less you decarbonise, the more emissions you would have to offset to claim Carbon Neutrality. • Carbon Neutrality is extremely reliant on a large number of offsets, this will be an annual cost, which is only set to increase as the cost of carbon is going to increase significantly due to demand, forecasts of ~£200/tCO₂e by 2050. • The offsetting market is an external market that you can't control.



Credibility of current targets

Name	Definition	Include Scope 3?	Approved Near-Term SBT	Approved Long-Term SBT	Approved Net Zero Target
Validated Net Zero with Near-Term & Long-Term SBTs	A Near-Term SBT as well as a Long-Term SBT aligned to 1.5°C . The residual emissions are then neutralized using sequestration removal credits to claim SBTi Net Zero.	✓	✓	✓	
Near-Term SBT with Carbon Neutrality	Near-Term SBT aligned to 1.5C. Carbon neutrality can be claimed at any point that all emissions are compensated with avoidance or sequestration offsets.	✓	✓	✗	
Near-Term SBT	Near -Term 1.5C aligned SBT.	✓	✓	✗	
No SBTs but claiming Net Zero	A reduction target, not approved by the SBTi and balancing remaining emissions by purchasing offset credits. No long term decarbonisation strategy.	?	✗	✗	
No SBT but claiming Carbon Neutrality	By balancing carbon emissions with an equivalent amount of carbon offsets that avoid or remove emissions. However no reduction target.	?	✗	✗	
No climate mitigation target	Operating as business as usual, leading to ~4°C increase in global temperatures over the next century.	✗	✗	✗	

INCREASING AMBITION

INCREASING CREDIBILITY



✓ Yes ? Maybe ✗ No



WHEN TO ACT AND NEXT STEPS



Key takeaways

1. Assess the benefits of aligning to the New SBTi Net Zero Standard.
2. Consider the applicability of the SBTi Net Zero Standard for your organisation and understand the similarities and differences with other standards and initiatives.
3. Build the business case and engage your leadership team.
4. Get to work building and implementing your Net Zero Strategy.



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FRESH THINKING ON SUSTAINABILITY_

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