SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

What is a Science Based Target?

Nearly 200 countries signed the Paris agreement

"to hold the increase in global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the rise to 1.5°C."

They committed to a variety of steps to reduce emissions, but a significant shortfall still exists

Even if the existing carbon reduction commitments are achieved that would still lead to warming of 2.4 –3.8°C by 2100

Science based targets are in line with what is necessary to achieve the Paris Agreement.

The SBTi is a partnership between the CDP, The UN Global Compact, the World Resources Institute and the Worldwide Fund for Nature.

Why should you set a Science Based Target?

- Improve business resilience and increase competitiveness
- Drive innovation and improve business practices
- Build credibility and enhance reputation
- Prepare for changes in government policy.

What should the target look like?

- The targets must cover company wide scope 1 and scope 2 emissions, as defined by the GHG Protocol Corporate Standard
- If Scope 3 emissions exceed 40% of the total emissions (Scope1, Scope 2 & Scope 3) then a Scope 3 target should be set.
- An SBT should cover a minimum of 5 years and a maximum of 15 years
- Companies are encouraged to also set a long term target e.g. by 2050.

Target setting methods

1. **Sectoral decarbonisation approach**
   - A reduction in emissions per unit of output e.g. tonne of cement.
   - Only available to certain industries, e.g. Power generation, Iron & steel, Cement
   - Example – A steel producer commits to reducing scope 1 & 2 CO_2e emissions per tonne of steel produced by 30% by 2025 from a 2018 base year.

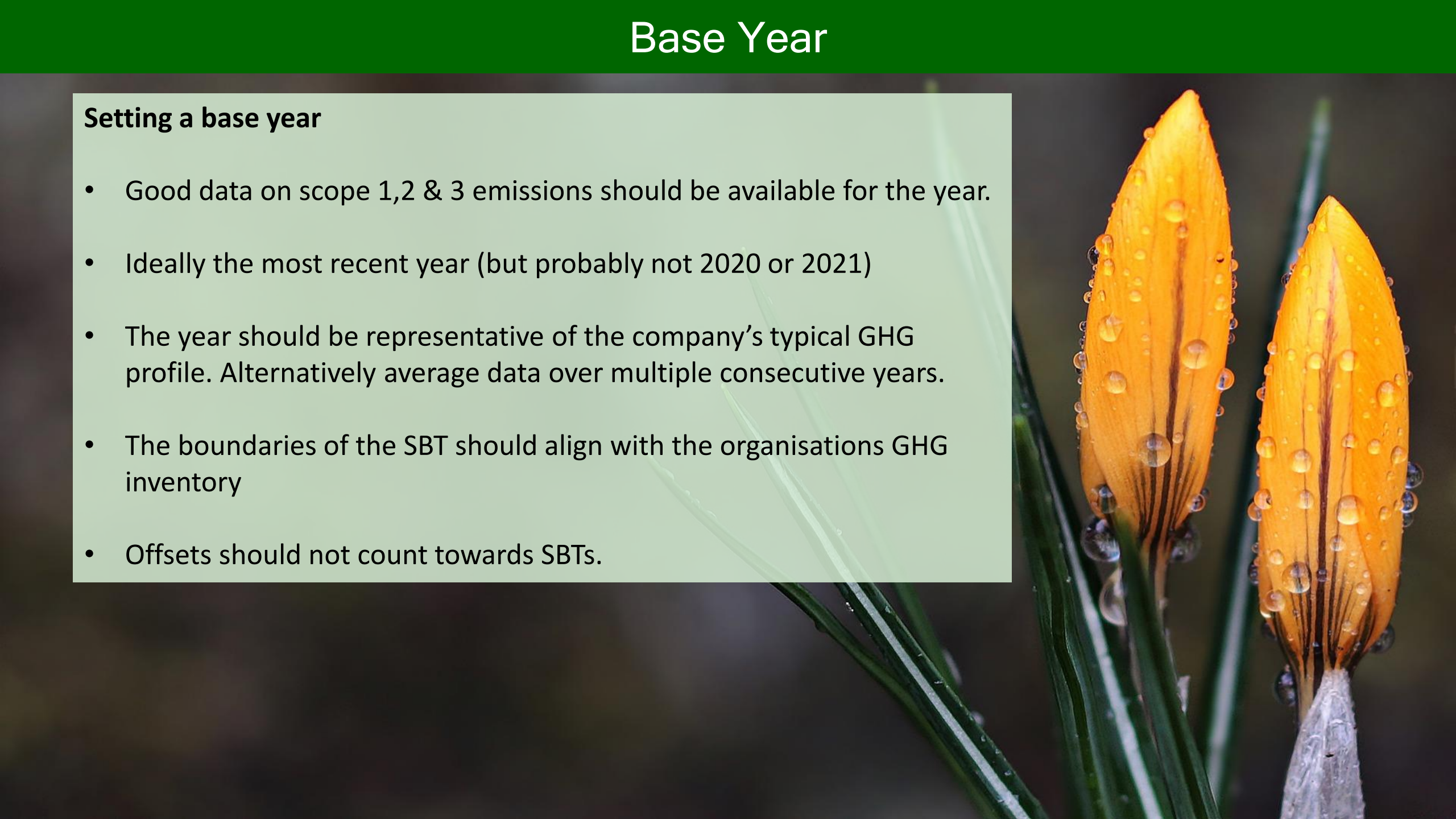
2. **Economic intensity contraction**
   - Tonnes of CO_2e per £1m of value added
   - Considered less robust than other methods

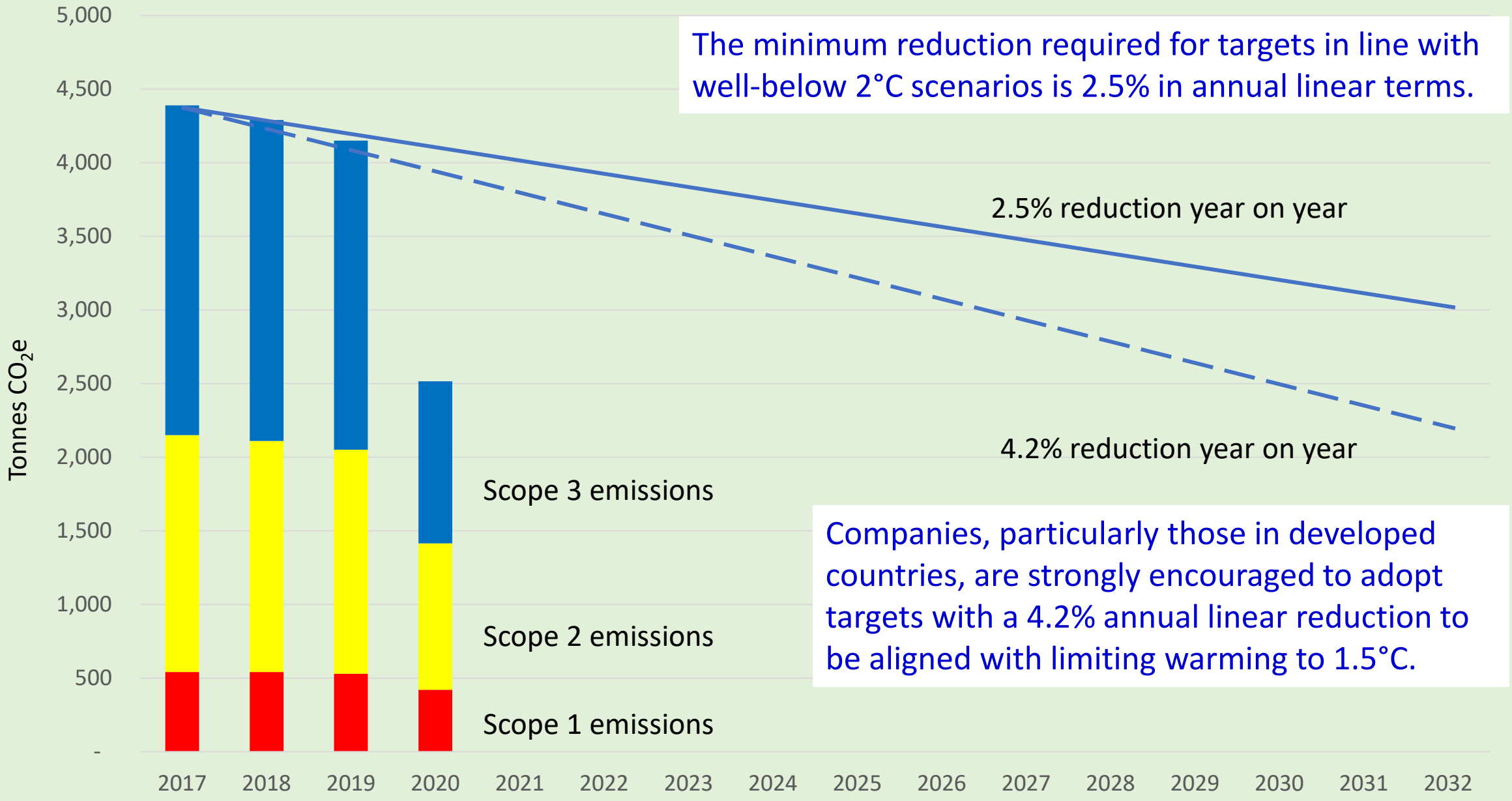
3. **Absolute emissions contraction**
   - An absolute emissions reduction target is defined in terms of an overall reduction in the amount of GHGs emitted to the atmosphere by the target year, relative to the base year (e.g. reduce annual CO_2e emissions 35% by 2025, from 2018 levels).
   - This method is a simple, straightforward approach to set and track progress toward targets and is applicable to most sectors.

Base Year

Setting a base year

- Good data on scope 1,2 & 3 emissions should be available for the year.
- Ideally the most recent year (but probably not 2020 or 2021)
- The year should be representative of the company's typical GHG profile. Alternatively average data over multiple consecutive years.
- The boundaries of the SBT should align with the organisations GHG inventory
- Offsets should not count towards SBTs.




The minimum reduction required for targets in line with well-below 2°C scenarios is 2.5% in annual linear terms.
2.5% reduction year on year
4.2% reduction year on year
Companies, particularly those in developed countries, are strongly encouraged to adopt targets with a 4.2% annual linear reduction to be aligned with limiting warming to 1.5°C.
Scope 3 emissions
Scope 2 emissions
Scope 1 emissions
Tonnes CO_2e
5,000
4,500
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
-
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
2030
2031
2032

Final points

The SBTi will no longer accept below 2°C targets for validation after 15th July 2022.

Companies that had targets approved in 2020 or earlier will have until 2025 as per the current SBTi criteria to update their targets.

Companies that have been approved after that date will need to review and update their targets at least every 5 years.

The SBTi charge $4,950 to validate a Science Based Target for a large company and $1,000 for an SME.

(an SME is defined as a non-subsidiary, independent company with fewer than 500 employees.)

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GHGinsight.com

jeanlowes@GHGinsight.com

LinkedIn : Jean Lowes