



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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## Key Questions for Public Consultation

*Net-Zero Criteria*

*1/26/2021*



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PARTNER ORGANIZATIONS



## How to read the criteria document and submit feedback

The Criteria document includes supporting text and examples to help readers understand the practical implications and rationale of draft criteria. Each section begins with an overview. Next, the draft criteria are presented in table form with a column used to provide additional context for the public consultation. Criteria highlighted yellow are linked to consultation questions, which are included at the end of each section to check for agreement with the draft text of specific criteria or to collect feedback on 2-3 versions of draft text under consideration. An example is shown by Table 0.3. Several text boxes are also included to provide a detailed explanation of key topics.

Feedback to consultation questions should be submitted through [the feedback survey](#).

**Table 0.3. Example table of draft criteria and description**

Criteria	Description
<i>This column used for draft criteria text</i>	<i>This column provides additional context for public consultation (not intended for final criteria)</i>
NZ-C. Example of criterion where <b>feedback is not requested</b>  <i>Draft criteria text</i>	Description of NZ-C with practical examples and supporting information if needed
NZ-C. Example of criterion where <b>feedback is requested</b> on proposed text  <i>Draft criteria text</i>	Description of NZ-C with practical examples and supporting information if needed
NZ-C. Example of criterion where 2-3 <b>options are provided for feedback</b>  <b>Version A.</b> <i>Draft criteria text A</i>  <b>Version B.</b> <i>Draft criteria text B</i>	Description of NZ-C with practical examples, a comparison of proposed versions, and supporting information if needed

# Key Questions for Public Consultation

## GENERAL CRITERIA

### I. Net-Zero Target Timeframe and Milestones

1. Based on NZ-C2, companies will be required to set interim SBTs if the net-zero target year is later than the maximum eligible target year for SBTs. Currently, SBTs can have a target year 5-15 years from the date of submission; however, the SBTi is considering changing the maximum target year for SBTs to 10 years from the date of submission. If the SBTi makes this change, Version B of NZ-C2 will be used; and if the SBTi continues to allow 5-15 year SBTs, Version A will be used.

Do you have a preference for Version A or Version B? Please explain.<sup>1</sup>

### II. Greenhouse Gas Inventory

## NET-ZERO TARGET CRITERIA

### III. Emissions Abatement: Ambition

2. The Net-Zero Standard requires net-zero targets to include clearly defined emissions abatement and neutralisation goals. To assess whether a company's net-zero target meets the emissions abatement criteria in this section, both absolute and intensity targets are considered eligible (NZ-C12).
  - a. Do you agree that both absolute and intensity targets should be eligible to fulfill the emissions abatement criteria in this section? If not, please explain.
  - b. If you agree that intensity targets should be eligible, do you also agree that companies should have the option of expressing targets developed using absolute contraction as intensity targets, or should intensity targets only be valid if they have been calculated using an intensity target-setting method like SDA?

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<sup>1</sup> If relevant, changes to the SBTi Criteria will be incorporated in 2022.

3. Based on NZ-C14, combined scope targets are eligible, but only if the SBTi can review the ambition of the scope 1+2 portion and confirm that it meets the ambition criteria in this section. Do you agree with this criterion? If not, please explain.
4. 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?

#### **IV. Emissions Abatement: Target Boundary**

5. Companies will need to include scope 3 emissions in the emissions abatement boundary of net-zero targets. Three approaches to determining minimum scope 3 boundary coverage are being considered (NZ-C18). Do you have a preference for Version A, B or C? Please explain.

#### **V. Neutralisation**

6. Based on NZ-C20, the neutralisation boundary of net-zero targets should cover 100% of scope 1, 2, and 3 emissions. This may be broader than the emissions abatement boundary of net-zero targets, as explained in Text box 4.1.
  - a. Do you agree that the neutralisation boundary of net-zero targets should cover 100% of scope 1, 2, and 3 emissions?
  - b. Do you think that it is important for the neutralisation boundary of net-zero targets to be identical to the emissions abatement boundary of net-zero targets?
7. Based on NZ-C22, the volume of carbon removal that is required to neutralise emissions depends on four factors. Do you agree with the proposed factors? Please explain

8. Based on NZ-C27.1, companies should ensure that the storage duration of carbon removal is commensurate with the duration that atmospheric GHG concentrations would be affected by the unabated emissions being neutralised. This subcriteria suggests that CO<sub>2</sub> emissions should be neutralised by carbon removal activities that are permanent on the timescale of several hundred years or more. Do you agree with this subcriteria? Please explain.
9. Based on the combination of NZ-C22.4 and NZ-27.1, a company may be eligible to neutralise CO<sub>2</sub> emissions with relatively low-permanence carbon removals if the company transitions to using higher-permanence carbon removals in later years, increasing the volume of future carbon removal sufficiently to address potential non-permanence of the earlier removals. Do you agree that this is an effective and credible option for companies to neutralise emissions? Please explain.
10. NZ-C24 requires companies to neutralise all direct emissions (scope 1) with scope 1 removals or removals acquired using contractual instruments. Do you agree with this criterion? If not, please explain.
11. NZ-C25 requires companies to demonstrate that all unabated indirect emissions (scopes 2 and 3) are uniquely neutralised.
  - a. Do you agree that companies should be required to demonstrate that all unabated indirect emissions are uniquely neutralised? If not, please explain.
  - b. Do you agree that companies should *not* be limited to scope 1 removals and removals acquired using contractual instruments to neutralise indirect emissions? If not, please explain.
12. Based on NZ-C26, companies with a neutralisation target year that exceeds the maximum target year of interim SBTs (i.e., more than 10 or 15 years from the date of submission) are required to set interim carbon removal targets.
  - a. Do you agree with the requirement to set interim carbon removal targets?
  - b. Do you agree with the target-setting methods to calculate the minimum amount of carbon removal for interim targets suggested by NZ-C26?

13. Based on NZ-C27.6, contractual instruments need to have a vintage no further than 3 years from the period in which the carbon removal will be used for neutralisation purposes. Do you agree with this subcriteria?
14. Do you think any other quality conditions should be added or removed from NZ-C27?
- 15.
- a. Do you agree with the social and environmental conformance conditions specified for carbon removals in NZ-C28? Please explain
  - b. Are you aware of useful guidance documents or standards that address social and environmental conformance of climate projects and programs that would be applicable to carbon removal?
16. Some criteria in this section cannot yet be fully assessed at the project or program level due to knowledge gaps regarding the implementation of carbon removal (highlighted pink). For example, a company might have plans to neutralize its future emissions using enhanced weathering, which is an approach that still faces several unknowns. How do you think the SBTi should include these in the Net-Zero Criteria? As (A) recommendations, (B) criteria or commitments that are not assessed, (C) criteria that are assessed at a later date, (D) criteria that are assessed on the best possible basis of information supplied to the SBTi in a company's target submission.
17. Some criteria in this section can only be assessed if specific implementation details are provided, which might not be known at the target-setting stage (highlighted blue). How do you think the SBTi should include these in the Net-Zero Criteria? As (A) recommendations, (B) criteria or commitments that are not assessed, (C) criteria that are assessed at a later date, (D) criteria that are assessed on the best possible basis of information supplied to the SBTi in a company's target submission.

*Note: NZ-C39 (Reporting Completeness) requires companies to publicly report some project implementation details on an annual basis.*

## INTERIM TARGET CRITERIA

### VI. Interim Science-based Targets

18. The SBTi is considering two options for the minimum ambition (scope 1+2) of interim SBTs for companies to be eligible for a validated net-zero target (NZ-C30).
- Do you think the minimum ambition (scope 1+2) of interim SBTs in the Net-Zero Criteria should be (Version A) 1.5°C or (Version B) well-below 2°C? Please explain.
  - If you think the minimum ambition (scope 1+2) of interim SBTs in the Net-Zero Criteria should be 1.5°C, do you agree that the SBTi should make a temporary exception for companies in hard-to-abate sectors?
  - Are you aware of any credible and transparent approaches to classifying sectors as “hard-to-abate” relative to the global economy?
  - Do you think that if the minimum ambition (scope 1+2) of interim SBTs in the Net-Zero Criteria is 1.5°C, the minimum ambition of all SBTs should be increased to 1.5°C in 2022? Please explain.

19. Based on NZ-C31, interim SBTs are required to cover scope 3 emissions. Do you agree with this criterion?

20. Three approaches to determining minimum scope 3 boundary coverage are being considered (NZ-C33).
- Do you have a preference for Version A, B or C? Please explain.
  - Do you think that the minimum scope 3 boundary of interim SBTs (NZ-C31) should be identical to the minimum emissions abatement boundary of net-zero targets (NZ-C32)?

*Note:* If the minimum scope 3 boundary of interim SBTs is not identical to the emissions abatement boundary of net-zero targets, companies may be required to revise their scope 3 target boundary in a future year through the target recalculation process to cover parts of the company’s value chain that were not covered by an interim SBT.

21. Based on NZ-C34, the minimum ambition (scope 3) of interim SBTs will be either well-below 2C or 1.5C, which is a significant increase from the current range of options available to companies for scope 3 target-setting.

Do you think the minimum ambition (scope 3) of SBTs should be (A) 1.5C or (B) well-below 2C?

## COMMUNICATION, CLAIMS, AND VALIDITY CRITERIA

### VII. Target Formulation and Reporting

22. NZ-C36 specifies the information that must be included, as well as details that are recommended for inclusion, in the approved wording a company's neutralisation target.
- The criterion indicates that companies *should* specify the carbon removal approaches used to meet a neutralisation target in the approved target wording. Do you agree that companies should specify this information, but that it should not be required? If not, please explain.
  - This criterion indicates that companies *should* specify the amount of carbon removal they plan to achieve in scope 1, scope 3, and using contractual agreements. Do you agree that companies should specify this information, but that it should not be required? If not, please explain.
23. According to NZ-C39, there are several pieces of information that companies are required to publicly report on an annual basis. Do you agree that companies should publicly report the information specified by this criterion?

### VIII. Recalculation and Target Validity

## APPENDIX: OPTIONAL COMPENSATION

### IX. COMPENSATION ACTIONS

24. Under this model, would your company be interested in setting a compensation target?
25. 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?



26. According to C-R3, companies should determine the minimum amount of compensation undertaken by applying an indicative carbon price that increases over time to the volume of unabated value chain emissions.
- a. Do you agree with this recommendation? If not, please explain.
  - b. There are many ways of calculating a reference carbon price. Would you like to suggest a specific approach that is applicable to the Net-Zero Standard?
  - c. Do you think that the SBTi should recommend a minimum carbon price for compensation targets?
27. Do you agree with the quality conditions specified by C-R4? Do you think any should be added?