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BEYOND VALUE CHAIN MITIGATION FAQ

Version 1.0

Version	Release date	Purpose	Updates on earlier version
1.0, Beyond Value Chain Mitigation FAQ	28/10/21	Launch of V1	Note that the criteria will be subject to revisions to improve readability of the document.

BEYOND VALUE CHAIN MITIGATION FAQ

Version 1.0 | October 2021

The SBTi is continuing its work on beyond value chain mitigation after launch of V1 of the Standard. This FAQ will be used to provide information and updates during this process.

What is “beyond value chain mitigation”?

The climate and ecological crises require bold and decisive action from companies. Decarbonizing a company’s value chain in line with science and reaching net-zero emissions by mid-century, is increasingly becoming the minimum societal expectation on companies. Businesses can play a critical role in accelerating the net-zero transition and in addressing the ecological crisis beyond their value chains.

“Beyond value chain mitigation” refers to mitigation action or investments that fall outside of a company’s value chain. This includes activities that avoid or reduce greenhouse gas emissions, and those that remove and store greenhouse gases from the atmosphere. Examples include purchasing high quality, jurisdictional REDD+ carbon credits¹ that support countries in raising the ambition on and, in the long-term, achieving their nationally determined contributions, or investing in CDR technologies such as direct air capture (DAC) with geological carbon storage.

What is the mitigation hierarchy?

The principle at the heart of the SBTi Net-Zero Standard is the “mitigation hierarchy.” Under the mitigation hierarchy companies should set science-based targets, both near and long-term, to address their value chain emissions and implement strategies to achieve these targets as a first order priority ahead of actions or investments to mitigate emissions outside their value chains. Although setting and achieving science-based targets must be the priority, the SBTi recommends that companies invest in mitigation outside their value chains.

What is the role of carbon credits in science-based net-zero targets?

Companies are not able to purchase carbon credits as a replacement for reducing value chain emissions in line with their near and long-term science-based targets - this is often referred to as “offsetting”. However, purchasing high-quality carbon credits in addition to reducing emissions along a science-based trajectory can play a critical role in accelerating

¹ REDD+ refers to reducing emissions from deforestation and forest degradation, and conservation of forest carbon stocks, sustainable management of forests, and enhancement of forest carbon stocks. Source: <https://unfccc.int/topics/land-use/workstreams/redd/what-is-redd>

Jurisdictional REDD+ refers to a sub-national or national set of rules to deliver mitigation outcomes and then sometimes issue carbon assets from REDD+ activities. This includes a baseline, a national or subnational registry and potential rules for trading or seeking payments for results. Jurisdictional REDD+ minimizes the risk of leakage, inflated baselines, and double counting. For further information, see: <https://www.wri.org/insights/insider-4-reasons-why-jurisdictional-approach-redd-crediting-superior-project-based>

the transition to net-zero emissions at the global level. Generally speaking, carbon credits can play two roles in science-based net-zero strategies:

1. **In the transition to net-zero:** Companies may opt to purchase carbon credits while they transition towards a state of net-zero emissions (i.e., in addition to science-based mitigation of value chain emissions) to support society to achieve net-zero emissions by 2050.
2. **At net-zero:** Companies with residual emissions within their value chain are expected to neutralize those emissions with an equivalent amount of carbon dioxide removals at their net-zero target date, and these removals can be sourced from carbon credits.

What are the SBTi's current requirements on "beyond value chain mitigation"?

Under the recommendations of SBTi Net-Zero Standard, companies should go beyond their near- and long-term science-based targets to further mitigate climate change by undertaking actions or making investments that support climate mitigation outside of their value chains, especially those that generate additional co-benefits for people and nature. Companies should report annually on the nature and scale of those actions pending further guidance.

To achieve net-zero, companies are required to neutralize any remaining emissions after their long-term SBT is achieved with permanent removals. Companies in the Forest, Land and Agriculture (FLAG) may also use removals within the value chain to meet their near- and long-term science-based targets². Many companies are likely to have to invest or take action outside the value chain to remove and permanently store (neutralize) remaining emissions to reach net-zero when their long-term SBT is achieved.

Why should companies support 'beyond value chain mitigation'?

The SBTi believes that companies should invest in mitigation beyond their value chains because it will add to our chances of keeping 1.5°C within reach. According to the Intergovernmental Panel on Climate Change (IPCC), the remaining 'carbon budget' for a 50% chance of limiting warming to 1.5°C is only 500 GT CO₂. That budget is reduced to 400 Gt if we want a 2-in-3 chance of achieving the 1.5°C goal.

Even under optimistic projections, there's an enormous gap between where we're headed in 2030 and where we need to be ([UN Environment Program, 2021](#)). To fill this gap, it is essential for governments to strengthen their NDCs, as well as implementing policies, plans and laws to enable the achievement of these targets. There is also significant opportunity to address this gap by investing in activities that lie beyond supply chains, such as investing in forest conservation to eliminate deforestation by 2030, scaling up forest restoration, and investing in carbon removal technologies. Eliminating deforestation and restoring natural

² It is important to note that FLAG SBTs are separate from SBTs that cover emissions from energy and industrial processes; consequently, FLAG mitigation cannot be used to meet non-FLAG targets (e.g., a company cannot bring forests into its value chain to meet another SBT).

areas could [yield over 7Gt](#) in annual avoided emissions and removals per year (Roe et al., 2019), significantly addressing the emissions gap.

Isn't my science-based target enough?

While corporate decarbonization will play a critical role in reaching societal net-zero and keeping 1.5°C within reach, there are two reasons why science-based targets, alone, may be insufficient:

1. A significant amount of emissions occur beyond the reach of corporate supply chains.
2. Science-based targets show what's needed from all companies to achieve the 1.5°C goal. While SBTi companies represent a significant and growing share of the economy, the majority of companies do not have emissions reductions targets that are aligned with the level of abatement that science says is necessary to keep 1.5°C within reach ([SBTi, 2020](#)).

Considering both factors, it is clear that the current and expected coverage of SBTs is not enough to meet the 1.5°C goal. By mobilizing additional beyond value chain mitigation, companies can help preserve the remaining CO₂ budget that continues to shrink every day.

What further work is the SBTi undertaking beyond value chain mitigation?

The SBTi recognizes that there is an urgent need to scale up near-term climate finance and we are undertaking research to understand our options for incentivizing and enabling these investments. The SBTi is currently working with SYSTEMIQ, a systems change company that partners with business, finance, policymakers, and civil society to make economic systems truly sustainable, to conduct further research (see the [Request for Proposal](#) for this project). The project with SYSTEMIQ is due for completion in December 2021.

The SBTi believes it is important for companies to have clarity on how to take credible mitigation actions beyond their value chain. The SBTi will communicate a clear process for how guidance would be developed on Neutralization and Beyond Value Chain Mitigation in Q1 2022.

What is the difference between abatement, compensation, neutralization and beyond value chain mitigation?

The Net-Zero Foundations Paper launched in September 2020 provided initial conceptual foundations but did not establish a definitive set of criteria or detailed guidance. In this paper, the SBTi proposed terminology which differentiated between actions that companies take to help society avoid or reduce emissions outside of their value chain (compensation measures) and measures that companies take to remove carbon from the atmosphere within or beyond the value chain (neutralization measures).

Throughout the Standard development process, we have refined this terminology and have moved away from the term “compensation” to use a more general term - “beyond value chain mitigation” - which encompasses all investments and actions that a company takes beyond its science-based targets.

Table 1 Definitions for key terminology used within this document.

Term	Definition	Notes
Abatement	Measures that companies take to prevent, reduce, or eliminate sources of GHG emissions.	
Compensation (legacy terminology used in earlier versions of the SBTi Net Zero Standard)	Actions that companies take to help society avoid or reduce emissions outside of their value chain.	SBTi is eliminating the term from use within its documentation.
Beyond value chain mitigation (BVCM)	Mitigation action or investments that fall outside a company’s value chain. This includes activities outside of a company’s value chain that avoid or reduce greenhouse gas emissions, or that remove greenhouse gases from the atmosphere and permanently store them.	Examples of BVCM include, but are not limited to: <ul style="list-style-type: none"> • Forestry, e.g., Jurisdictional REDD+ • Conservation projects, e.g., peatland or mangrove • Energy efficiency, e.g., cookstove projects • Methane destruction, e.g., landfill gas projects • Renewable energy, e.g., solar/wind/biogas • Industrial gases, e.g., N₂O destruction at nitric acid facilities • Scale-up of CDR technologies, e.g., Direct Air Capture (DAC) and Storage
Mitigation	A human intervention to reduce emissions or enhance the sinks of greenhouse gases (IPCC).	
Neutralization	Measures that companies take to remove carbon from the atmosphere and permanently store it <i>to counterbalance the impact of emissions that remain</i>	See removals for examples of these measures. Can occur within or beyond the value chain.

	<i>unabated.</i>	
Removals	Measures that companies take to remove carbon from the atmosphere and permanently store it within or beyond the value chain.	<p>Examples include, but are not limited to:</p> <ul style="list-style-type: none"> • Direct Air Capture (DAC) and storage • Bioenergy with carbon capture and storage (BECCS) • Improved soil management • Improved forest management • Land restoration, e.g., of peatland, terrestrial forests or mangroves <p>Within the value chain, companies in the Forest, Land and Agriculture (FLAG) sectors are expected to deliver biogenic carbon removals as part of their science-based targets in addition to reductions (versus neutralizing unabated emissions that remain when a science-based target is met).</p> <p>It is important to note that FLAG SBTs are separate from SBTs that cover emissions from energy and industrial processes; consequently, FLAG mitigation cannot be used to meet non-FLAG targets (e.g., a company cannot bring forests into its value chain to meet another SBT).</p>

The infographic below demonstrates how these different mitigation approaches apply to different types of companies.

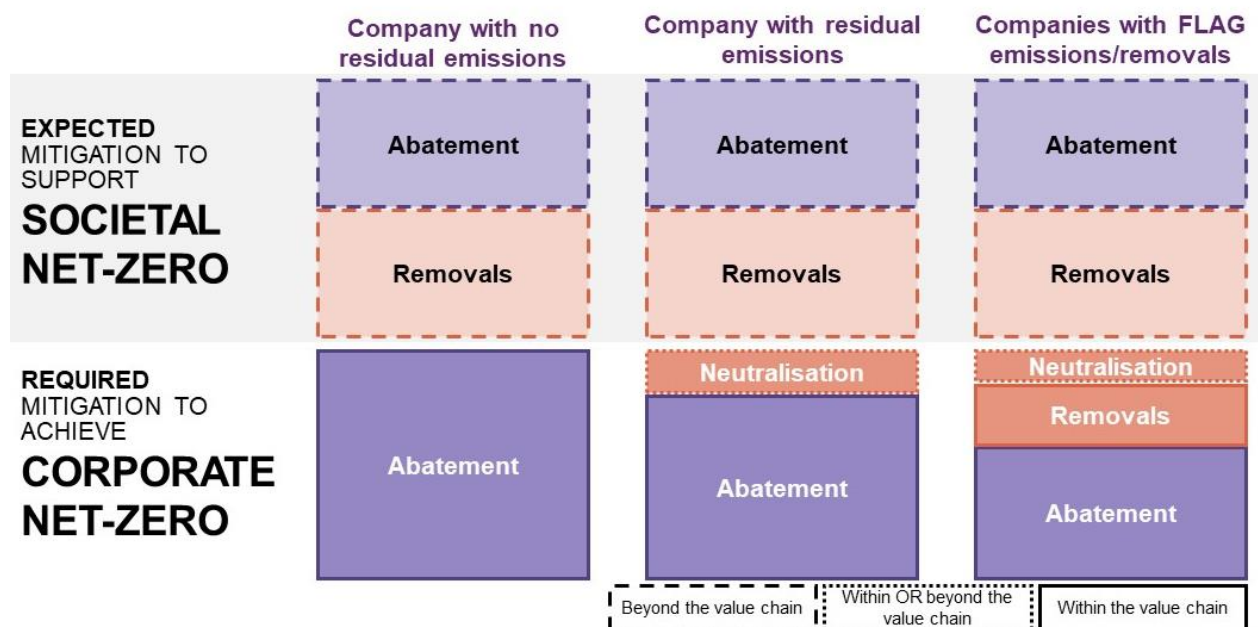


Figure 1 This infographic demonstrates how different mitigation approaches apply to different types of companies. Societal net-zero means a global state when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period. Corporate mitigation actions support society to achieve net-zero emissions by 2050. Corporate net-zero means achieving a scale of value chain emissions mitigation consistent with the depth of abatement at the point of reaching global net-zero in 1.5°C pathways and (2) neutralizing the impact of any residual emissions by permanently removing an equivalent volume of CO₂.

Can the SBTi offer any advice for companies that are developing their neutralization strategies?

While neutralization is not intended to lessen the need for companies to set and meet their science-based targets, the Net-Zero Standard does require companies to neutralize any unabated emissions with permanent removals at their long-term science-based target date. The SBTi expects to provide further guidance on neutralization of residual emissions in 2022.

Recognizing the importance of the coming decade in addressing climate change, the SBTi recommends that companies prioritize near-term science-based targets, followed by securing and enhancing carbon sinks (terrestrial, coastal, and marine, etc.) to avoid the emissions that arise from their degradation. There is also a critical need for companies to invest in nascent GHG removal technologies (e.g., direct air capture (DAC) and storage) so that the technology is available to neutralize residual emissions at the long-term science-based target date.

As the SBTi continues its work on beyond value chain mitigation, are there useful resources that companies can refer to in the interim?

While the SBTi considers how it may incentivize beyond value chain mitigation, companies can refer to the following initiatives and guidance:

[Beyond Science-Based Targets: A Blueprint For Corporate Action on Climate and Nature](#) -

Co-authored by WWF and Boston Consulting Group, this paper proposes the Corporate Climate Mitigation Blueprint--a leadership framework with a four step approach that emphasizes a first order focus on setting and implementing an SBT and then investing urgently outside of a company's value chain to deliver maximum benefits for climate mitigation, nature, and people. Instead of using a compensatory or offsetting approach to addressing remaining emissions, the Blueprint suggests using what is often dubbed the "climate contribution approach". This approach suggests that companies multiply their remaining emissions by a given carbon price to raise revenue which can be spent to achieve additional emissions mitigation within the company's value chain or spend beyond its value chain.

[Business Alliance to Scale Climate Solutions](#) seeks to serve and engage all organizations working to scale and improve climate solutions opportunities for business investment.

[Carbon Credit Quality Initiative](#) - The Carbon Credit Quality Initiative (formerly known as the Carbon Credit Guidance for Buyers Project) plans to deliver independent, user-friendly scorings for the quality of carbon credits. The initiative aims to enhance the integrity of carbon credits transacted in the market by enabling carbon credit buyers to identify high-quality credits and by encouraging carbon crediting programs, project developers and other market participants to pursue the highest standards. The CCQI does this primarily by using a methodology to assess carbon credits against a common set of quality objectives and criteria. Results from using the methodology will be made accessible to the public on a rolling basis through a user-friendly tool on the website, which allows users to input key features of a carbon credit and generate scoring results.

[The LEAF Coalition](#) - The Lowering Emissions by Accelerating Forest finance (LEAF) Coalition aims to mobilize at least \$1 billion in financing, kicking off what is expected to become one of the largest ever public-private efforts to protect tropical forests, to the benefit of billions of people depending on them, and to support sustainable development.

The LEAF criteria require companies to publicly commit to science-based targets (SBTi) or equivalent quantified and independently verified decarbonization targets, consistent with limiting warming in line with the long-term temperature goals of the Paris Agreement, with no or limited overshoot. In addition, private sector buyers should aim to have set SBTi or equivalent targets (as above) before taking title to emission reductions and have the targets in place no later than 2023. Private sector buyers must also publicly commit to mid-century net zero targets covering all three emissions scopes.

[The Oxford Principles for Net Zero Aligned Carbon Offsetting](#) provide a key resource for the design and delivery of rigorous voluntary net zero commitments by government, cities, and companies, and help to align work on credible offsetting around the world.

[Securing Climate Benefit: A Guide to Using Carbon Offsets](#) - Broekhoff, D., Gillenwater, M., Colbert-Sangree, T., and Cage, P. 2019. "Securing Climate Benefit: A Guide to Using Carbon Offsets." Stockholm Environment Institute & Greenhouse Gas Management Institute. [Offsetguide.org/pdf-download/](https://offsetguide.org/pdf-download/). Arguably the most comprehensive resource for stakeholders interested in having a holistic understanding of multiple aspects, including how offsets/carbon credits are developed as well as what to look out for as a buyer.

My company has offset all remaining emissions with carbon credits. Should I claim that I am carbon neutral in the transition to net-zero?

In the transition towards net-zero, many companies are interested in the claims that they can make during this process. The most common "headline claim", i.e., a short marketing claim, which explains this state is "carbon neutral." There are several perspectives on when or if the term "carbon neutral" can be used credibly. One view is that when companies purchase carbon credits in an amount equal to their remaining emissions, the "carbon neutral" claim can facilitate increased beyond-value chain mitigation. Another such view is that the "carbon neutral" claim conceals or downplays the remaining climate impact of businesses that have not fully decarbonized, and hence shouldn't be used at all.

The image below demonstrates that because there are different meanings that can be attributed to the term carbon neutral, it may not be the most effective claim for leading companies to make to differentiate their climate mitigation actions from companies that are not decarbonizing in line with science. For this first version of the guidance, SBTi is not taking a position on whether a company should claim "carbon neutrality" but may return to this question as the organization reflects on its role moving forward on incentivizing beyond value chain mitigation.

Carbon neutral?

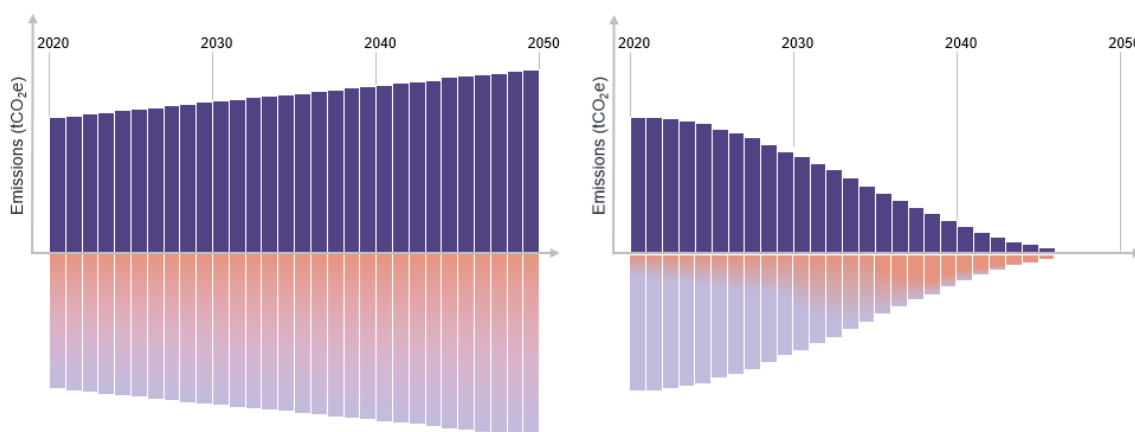


Figure 2 This diagram demonstrates the lack of standardization around the term "carbon neutrality" in relation to corporate mitigation strategies.