

Business Ambition for 1.5°C

Guidelines and Frequently Asked Questions

Section 1 - The scientific background

1. What does it take to limit warming to 1.5°C?

According to the IPCC's Special [Report](#) on 1.5°C (SR15), limiting global warming to 1.5°C requires reaching net-zero CO₂ emissions by no later than 2050, accompanied by rapid declines in non-CO₂ emissions, through rapid and profound transformations in the global energy, industry, urban, and land systems that involve, concurrently:

- a) Achieving full or near-full decarbonisation for energy and industrial CO₂ emissions;
- b) Phasing out CO₂ emissions associated with agriculture, forestry and land-use, in particular those associated with land use change;
- c) Deep reductions in non-CO₂ emissions from all sectors; and
- d) Removing CO₂ from the atmosphere to compensate for:
 - a. 'Residual' GHG emissions after reaching net zero CO₂ emissions;
 - b. Any potential temperature overshoot.

2. What does it mean to reach net-zero emissions at the global level?

According to the IPCC, in order to halt global temperature increase, we need to reach and sustain net zero global anthropogenic CO₂ emissions and to decline net non-CO₂ radiative forcing. Reaching net-zero CO₂ emissions, also called carbon neutrality, means reaching a balance between anthropogenic CO₂ emissions and anthropogenic CO₂ removals over a specified period.

3. What does reaching net-zero emissions mean in the context of the Business Ambition for 1.5°C campaign?

Informed by the IPCC SR15, the SBTi has developed a working definition for net-zero emissions in the corporate sector. According to this working definition, reaching net-zero emissions for a company means achieving a state in which the activities within the value-chain of a company result in no net impact on the climate from greenhouse gas emissions. This is achieved by reducing value-chain greenhouse gas emissions, in line with 1.5°C pathways, and by balancing the impact of any remaining greenhouse gas emissions with an appropriate amount of carbon removals.

The SBTi released in September 2019 the discussion paper "[Towards a science-based approach to climate neutrality in the corporate sector](#)", which provides clarity on the definition of net-zero emissions and credibility principles.

The SBTi intends to refine this working definition in 2020, and to develop more detailed guidance and recommendations for net-zero targets in the corporate sector, which

companies making the Business Ambition for 1.5°C commitment will be expected to follow. We will seek feedback from stakeholders throughout this process and we encourage companies making the Business Ambition for 1.5°C commitment to be part of this process.

4. What is the definition of carbon dioxide removals?

The IPCC defines removals as anthropogenic activities removing CO₂ from the atmosphere and durably storing it in geological, terrestrial, or ocean reservoirs, or in products. Existing and potential carbon removal measures include afforestation and reforestation, land restoration and soil carbon sequestration, bioenergy with carbon capture and storage, direct air carbon capture and storage (DACCS), enhanced weathering and ocean alkalisation.

5. What are the SBTi principles to guide climate neutrality targets in the corporate sector?

Acknowledging the need to mitigate the impact of a company on the climate, and the importance of mitigating climate-related transition risks to which companies may be exposed, the following guiding principles are proposed to inform climate neutrality targets in the corporate sector and to assess the effectiveness of different mitigation approaches to mitigate climate-related risks and impacts:

- ▼ Guiding principle 1: Reaching climate neutrality for a company involves achieving a state in which the business model of the company results in no net impact on the climate;
- ▼ Guiding principle 2: Companies should transition towards climate neutrality in line with mitigation pathways that limit global warming to 1.5°C with no or limited overshoot;
- ▼ Guiding principle 3: Transitioning towards climate neutrality should effectively mitigate the climate-related transition risks to which the company is exposed;
- ▼ Guiding principle 4: The approach followed by the company to reach climate neutrality should inform long-term strategies and investments and should provide certainty to investors, and other stakeholders, that the business model of the company will continue to be viable in a net-zero economy;

Section 2 - Science Based Targets setting

6. What does setting 1.5°C-aligned emission reduction targets mean?

The Science Based Targets initiative (SBTi) has translated the scenarios and pathways underlying the IPCC SR15 into a set of resources that companies can use to model 1.5°C-aligned targets. This includes a technical [paper](#) providing details about how IPCC SR15 pathways are being used by the SBTi to inform our target-setting criteria and validations protocols, and a science-based target setting [tool](#).

For more information about the SBTi criteria on emissions reductions targets setting, validation process and available resources, please consult the [step by step guide](#).



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7. Why are companies expected to set interim targets in addition to setting net-zero commitments?

Companies that commit to reach net-zero emissions by 2050 are expected to set interim targets due to the following reasons:

- a) **To incentivise short-term reductions:** Pathways that limit warming to 1.5°C assume peaking of emissions before 2020, followed by a deep decarbonisation phase, until net-zero emissions are reached around 2050. Decarbonisation trajectories in the earlier years (e.g. between 2020 and 2030) are typically steeper than decarbonisation trajectories in the later years (e.g. between 2040 and 2050);
- b) **To maximise accountability:** According to [research](#) conducted by Harvard University, the average tenure amongst CEOs in companies with large capitalisation (S&P 500) was around 7 years in 2017. According to this research, less than 15% of S&P companies have had their CEOs for 15 years or more. With this in mind, companies setting long-term net-zero goals should also set quantitative short to medium-term goals that give certainty to investors, customers, and other stakeholders that companies are progressing towards their goal to reach net-zero emissions.

8. What are the expectations around scope 1 and scope 2 for companies making this commitment?

For Scope 1 and 2, companies are expected to align with the [SBTi criteria and recommendations](#) and align the level of ambition as follows:

- a) For Option 1: By setting scope 1 and scope 2 emission reduction targets aligned with 1.5°C scenarios (e.g. linear annual reduction rate of 4.2% per year for absolute reduction targets), following relevant [criteria and recommendations by the SBTi](#);
- b) For Option 2: By setting scope 1 and 2 emissions reduction targets aligned at a minimum with the SBTi minimum level of ambition of well-below 2°C, following the [criteria and recommendations developed by the SBTi](#).

Companies setting 5 to 15 years science based targets (SBTs) aligned with a well-below 2°C trajectory will be expected to decarbonize more aggressively when setting their next SBT to ensure their mitigation strategy aligns with their 2050 net-zero goal.

Through this option companies are also committing to reach net-zero GHG emissions by 2050.

9. What are the expectations around scope 3 for companies signing this pledge?

In line with the SBTi [criteria](#), companies are expected to set scope 3 targets when scope 3 represents 40%, or more, of the total emissions of the company (scope 1, scope 2 and

scope 3). When this is the case, companies can align their scope 3 ambition to 1.5°C through any of the following options:

- a) For Option 1: By setting scope 3 reduction targets that are consistent with the ambition required to limit warming to 1.5°C (i.e. linear annual reduction rate of 4.2% per year), following other relevant [criteria and recommendations developed by the SBTi](#) for scope 3 targets;
- b) For Option 2: By setting a goal to reach net-zero value-chain emissions by 2050 and interim scope 3 targets in line with the [SBTi criteria and recommendations](#). Through this option, companies are not expected to set Scope 3 targets aligned with the ambition required to limit warming to 1.5°C (i.e. linear annual reduction rate of 4.2% per year)

The SBTi will conduct additional research in 2020 to develop methods to set and assess scope 3 targets against long-term temperature goals.

10. Why are there two options and what are the main differences between the two?

The two options in the Business Ambition for 1.5°C commitment letter allow for some flexibility to companies, recognizing differences among sectors and technical barriers the SBTi is working on addressing. Companies can commit to the highest level of ambition in the short and long term by choosing both options and therefore developing interim SBTs aligned with 1.5°C scenarios across relevant scopes alongside an explicit target to reach net-zero emissions by no later than 2050.

More specifically:

- Option 1: this option is a short to medium term target aligned with the SBTi timeline criteria, that require companies' targets to cover a minimum of 5 years and a maximum of 15 years from the date the target is submitted to the SBTi for an official validation. Recognizing that for a large number of companies Scope 1 and 2 emissions represent the smallest portion of their overall emissions, we expect companies for which Scope 3 emissions represent 40% or more of total emissions generated by the company to model their Scope 3 emissions reduction targets in line with 1.5°C scenarios. This translates to using an absolute contraction approach that leads to 4.2% linear annual reduction. This option ensures the strongest ambition in the short to medium term and enables companies to align with trajectories that lead to net-zero emissions by 2050.
- Option 2: this option is a long term net-zero emissions reduction target, by 2050 at the latest, aligned with the definition provided under Q.3. Companies are required to set SBTs through this option, to incentive short-term reductions and maximize accountability, as further explained in Q. 6. As companies are committing to be fully decarbonized by 2050, this option allows flexibility on the level of ambition of the short to medium term targets. For example, companies



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that have large Scope 1 emissions can set SBTs aligned with well-below 2°C, the SBTi's minimum level of ambition, when setting a 5 to 15 years long SBTs. These companies will be expected to decarbonize more aggressively when setting their next SBT to ensure their mitigation strategy aligns with their 2050 net-zero goal.

This option ensures the strongest ambition in the long term and gives companies a degree of flexibility in how quickly they align in the short term with trajectories that lead to net-zero emissions by 2050.

11. How much time do companies have to align their targets to the level of ambition they have committed to?

By signing the Business Ambition for 1.5°C letter, companies are committing to set science-based targets through the Science Based Targets initiative (SBTi), and to subsequently submit their targets for validation by the SBTi. The timeline for companies to develop and submit their targets is:

1. For companies which are not currently publicly committed to the SBTi and have never been committed to the SBTi in the past, you will have up to 24 months to develop, submit for official validation, receive validation and publicly communicate your targets.
2. For companies which have already publicly committed to set SBTs, you will have until the end of your existing commitment period (i.e. until the decurrence of the 24 months from the date the commitment letter has been signed). An extension up to 12 months can be offered, with the expectation that by the end of the 12 additional months targets have been submitted for official validation and have been validated.
3. For companies which already have approved SBTs, you have 12 months from the date of signing the Business Ambition for 1.5°C commitment letter to align your science based targets ambition across relevant scopes, in line with the option or options you have selected (please refer to questions 7 and 8 to understand the expectations around Scope 1 and 2, and Scope 3 targets).

12. I already have 1.5°C targets across all relevant scopes. Do I need to sign the commitment?

Companies that have already aligned ambition to 1.5°C across all relevant scopes are strongly encouraged to join the Business Ambition for 1.5°C signatories, and to use their influence to incentivise other companies to follow suit and national governments to set supportive policies and targets for a net-zero emissions economy. We encourage all companies joining the Business Ambition for 1.5°C to amplify their leadership by engaging their peers and policymakers, talking about their increased level of ambition and the Business Ambition for 1.5°C campaign at conferences, events, and industry group meetings. A set of communications resources is provided when companies formally join



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the Business Ambition for 1.5°C campaign. Please refer to questions 7 and 8 to understand the expectations around Scope 1 and 2, and Scope 3 targets.

13. I already have a public commitment to reach net-zero emissions. Do I need to sign the commitment?

Companies that have already publicly committed to reach net-zero before 2050 are strongly encouraged to join the Business Ambition for 1.5°C signatories, and to use their influence to incentivise other companies to follow suit and national governments to set supportive policies and targets. If one or more of the expectations outlined in this document are not met (e.g. interim targets), please consult question 9.

14. How will targets be measured and tracked?

Under the SBTi's criteria, all companies with approved targets are required to annually report their company-wide GHG emissions to ensure that progress towards delivering on their targets can be tracked. The inventory must be disclosed publicly, for example through CDP's annual questionnaire and/or the company's sustainability report.

Section 3 - Corporate Policy Advocacy for net-zero emissions

15. What are the expectations around policy engagement for companies signing this pledge?

Building a prosperous, net-zero carbon economy by 2050 will require transformational change across the economy. A growing body of analysis and evidence shows that such a rapid transformation is achievable but only with decisive business leadership supported by ambitious government policies. Leading businesses have a key role to play in this transformation through decarbonizing their own operations, and supporting these ambitious government policies. All major businesses engage in policy advocacy. Ensuring alignment and consistency in those efforts across the company is critical to ensuring your company's influence is fully and consistently supporting the transformation to a net zero carbon future. Companies should do this through their policy and communications work: clarifying their own positions with respect to climate related policy, and articulating the targets and policies they need or want to see from governments in line with 1.5°C ambition. Signature companies commit to ensuring their direct and indirect policy advocacy work is aligned with those goals.

16. How can I find out more about engaging in 1.5°C policy advocacy?

The partners organizing this initiative, and many of the companies signatories, engage in a wide variety of policy advocacy activities across the world in which businesses send clear and coherent signals to governments to articulate why climate action is important to their business and which policies they need or want to see to help accelerate the transformation. These activities include public letters, op-eds, public meetings, private



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meetings, phone calls and communications support. As strong and consistent advocacy from leading businesses is critical to achieve a 1.5°C future; all companies will receive regular updates on key 1.5°C policy advocacy opportunities. Rapidly increasing the number of companies advocating for strong climate policy is a top priority for the Business Ambition for 1.5°C campaign in 2020.

17. Which are the organisations behind this campaign?

This Business Ambition for 1.5°C campaign is led by the Science Based Targets initiative in partnership with the UN Global Compact and the We Mean Business coalition.

Find out more about the campaign [here](#).



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