Training

Climate Objectives & Emission Reduction Plans

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Context

The Urgency

The change is not coming. It's here.

To avoid the most catastrophic consequences of climate change, we must limit global temperature rise to 1.5 degrees Celsius above pre-industrial levels. Today we are already at 1.1ºC, which means that the time to slow down the impact of climate change is running out.

The global community responded to this challenge through the Paris Agreement, but progress to date is insufficient. We are all responsible for our impact on the planet. It is now time to act.

We need to go from “low carbon” to “zero carbon”.

We need to move from reducing to eliminating.

We need to move to a zero emissions economy.

The Risk

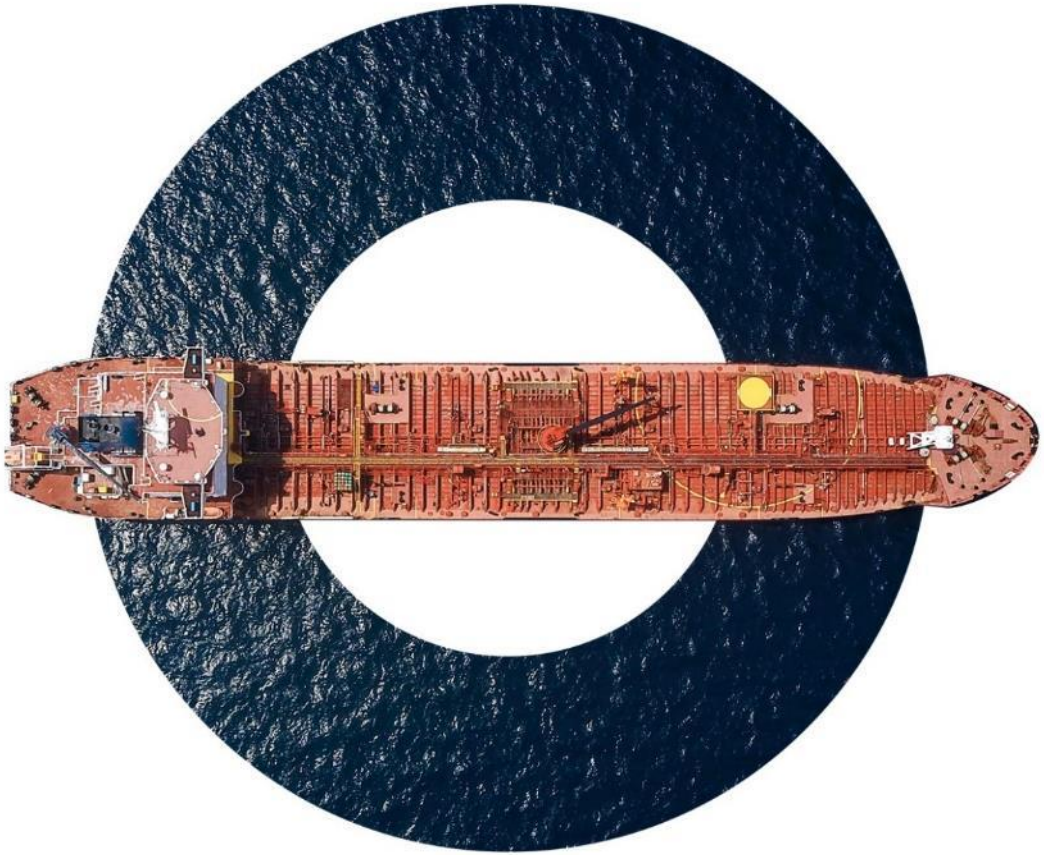
Not changing the current way of doing business can mean the end of the business.

In the face of this emergency, governments are legislating, investors are asking increasingly complex questions, and society is demanding action. Meanwhile, the weather keeps changing.

Companies could run risks of legislative non-compliance, loss of investment, to being left behind in the market, suffering supply chain instability or being exposed to extreme weather events.

Companies must demonstrate the resilience of their activity.

Companies must transform to reach zero.



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The Opportunity

Those who act today will prosper tomorrow.

Where there are risks, there are also opportunities. The climate challenge is presented as an opportunity for companies to lead the way and develop a competitive and reputational advantage. The whole world is looking for solutions to achieve a sustainable zero-emissions economy, and companies are a key player in making this possible.

Effective climate action involves improving efficiency, reducing costs, and driving innovation for success.

In short, climate action makes business sense.

Climate Objectives

Climate Objectives
SMART targets

SPECIFIC

What exactly do you want to achieve?

MEASURABLE

Establish clear definitions to help you measure if you are reaching your goal.

ACTION-ORIENTED

Outline the steps and actions to achieve your goals

RELEVANT

How will meeting the goal help you? Does your goal relate to your mission?

TIME-BOUND

Timeframes to reaching your goals

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Climate Objectives
Aspects to be defined

Start with understanding your GHG inventory and the contribution of each emission source to your overall emissions.
The boundaries of a company's target should align with those of its GHG inventory.

OPERATIONAL BOUNDARIES

TIMEFRAME

APPROACH

TYPE OF TARGET

REDUCTION ACTIVITIES

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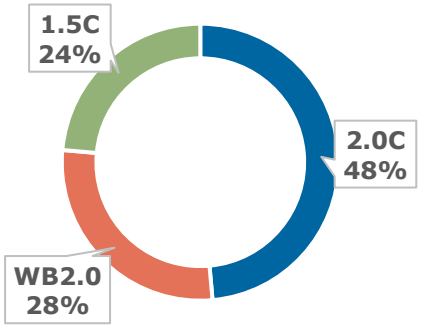
Climate Objectives
What is an SBT?

Science-based target:

*Targets adopted by companies to reduce **greenhouse gas (GHG) emissions** are considered "science-based" if they are in line with what the **latest climate science** says is necessary to meet the goals of the Paris Agreement – to limit global warming to **well below 2 °C** above pre-industrial levels and pursue efforts to limit warming to **1.5°C.***

Climate Objectives
Governance

SCIENCE BASED TARGETS



- The SBTi is a global team comprised of WRI, CDP, UNGC, WWF.
- The SBTi independently accredits GHG targets allowing companies to make viable claims about their target ambition.
- Target submissions are validated against the SBTi validation criteria.
- 3373 companies are taking action. 1546 companies have accredited science-based targets, with 1194 of those committed to net-zero.

WORLD RESOURCES INSTITUTE

CDP

UN GLOBAL COMPACT

WWF

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Climate Objectives
SBTi Criteria - Overview

For a company to have their targets accredited by the SBTi, the targets must:

1. Set a Scope 1 & 2 target addressing at least 95% of Scope 1 & 2 emissions.
2. Set a Scope 3 target addressing at least 67% of Scope 3 emissions should emissions from Scope 3 be significant (if more than 40% of total emissions).
3. Have a target year between 5 and 10 years from submission date.
4. Meet minimum ambition criteria.
5. Be reported against on an annual basis.
6. Be revisited and assessed for relevance at least every 5 years.

Climate Objectives
SBT Roadmap

Discovery	Calculation & Target modeling	Stakeholder Engagement	Align & Approve	Signoff & Target Submission
•Company review	•Data collection	•Understand the SBT process	•Build internal capacity in key functions	•Gain final sign off
•Peer & industry benchmark	•Scope 1 & 2 calculations	•Understand relevant calculation methodology	•Gain broad support from key stakeholders	•Submit target(s) for validation by the SBTi
•SBTi introduction	•Scope 3 calculations	•Explore target ambition level & value chain emissions target options	•Agree on target ambition level	
•Data quality assessment	•Map against SBTi requirements	•Identify next steps	•Agree on value chain emissions inclusion in SBT	

Establishing an SBT

Establishing an SBT: Scopes 1 & 2

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Establishing an SBT
Scopes 1 & 2

METHODOLOGY

Sectoral Decarbonisation Approach (SDA) vs. Absolute Emissions Contraction Approach (ACA)

COVERAGE

Target limit ?

AMBITION

Which trajectory do we align with (i.e., WB2.0C, 1.5C)?

BASE YEAR

Which year makes sense regarding the business (i.e., divestments / acquisitions)?
Which year makes sense regarding the strategy (i.e., sustainability strategy)?
From which year do we have reliable emissions reduction data?

TARGET YEAR

Which year makes sense regarding the business (i.e., divestments / acquisitions)?
Which year makes sense regarding the strategy (i.e., sustainability strategy)?
Which year lines up best with the SBTi criteria?

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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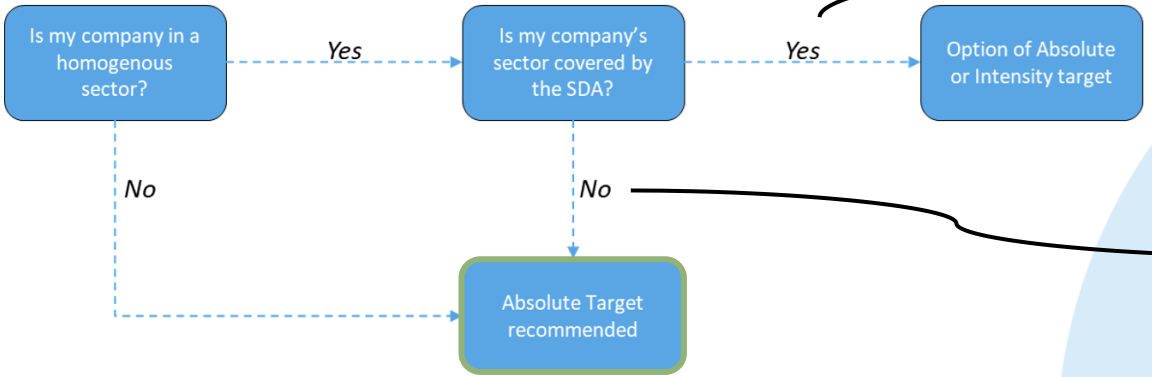
Establishing an SBT
Scopes 1 & 2

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

METHODOLOGY:



SDA
- Power
- iron and steel
- Cement
- Aluminum
- Pulp and Paper
- Services-Buildings
- Transportation
- chemicals
- Finance

NO SPECIFIC METHODOLOGY
- Agriculture
- Apparel
- Oil&Gas

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Establishing an SBT
Scopes 1 & 2

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

THE COVERAGE IS DETERMINED BY THE FIRST FOUR CRITERIA OF THE SBTI:

1. Company-wide Scope 1 and 2 emissions must be covered , as defined by the GHG Protocol Corporate Standard.

2. Companies can exclude up to 5% of combined Scope 1 and 2 emissions in the emissions inventory or target:
- Specific business units
- Type of activity
- Installation type

3. Targets must include all relevant GHGs per the GHG Protocol Corporate Standard

4. Emissions from bioenergy (biomass combustion and biofuels) should be included, as well as removals:
- Does the company burn biomass or bioenergy?
- Is the source sustainable?

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Establishing an SBT
Scopes 1 & 2

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

AMBITION IS THE KEY COMPONENT:

Long-Term	Absolute Reduction and Non - SDA	Sectoral physical intensity reduction targets
2°C *Approx. 50% chance of limiting warming in 2100 to less than 2°C*	**1.23%** Annual linear rate of reduction over the target period	Threshold determined according to SDA / IEA ETP 2DS scenario
Well-below 2°C Approx. 66% chance of limiting warming between now and 2100 to less than 2°C	**2.5%** Annual linear rate of reduction over the target period	Threshold determined according to SDA / IEA ETP B2DS scenario
1.5°C Approx. 50% chance of limiting warming between now and 2100 to less than 1.5°C	**4.2%** Annual linear rate of reduction over the target period	Threshold determined according to the IPCC 1.5 scenario Does not exist still a 1.5 methodology for SDA

Current only option

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Establishing an SBT: Scope 3

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Establishing an SBT
Scope 3

RELEVANCE AND MEANING

What is the meaning of Scope 3?
Have all Scope 3 relevant categories been evaluated?

UPSTREAM VS DOWNSTREAM

Where in the value chain are the emissions most significant (ie upstream with suppliers or downstream with customers and end of life)?

METHODOLOGY OF USE AND AMBITION

Absolute reduction vs. physical intensity vs. Economic intensity vs. Commitment

REFERENCE YEAR

What makes sense for the business structure (ie divestitures/acquisitions)?
What makes sense for business strategy (ie new sustainability strategies)?
Since when do I have reliable data?

TARGET YEAR

What makes sense for the business structure (ie divestitures/acquisitions)?
What makes sense for business strategy (ie new sustainability strategies)?
What aligns best with the SBTi criteria ?

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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Establishing an SBT
Scope 3

There are no requirements for a company's Scope 3 target to align in the base year and target year with Scope 1 and 2, however, unless there are adverse circumstances, it is generally our recommendation .

- Objectives must **cover a minimum of 5 years and a maximum of 10 years from the date** the objective is submitted for official validation.
- The objectives must **be reviewed** and, if necessary, recalculated and revalidated, **at least every 5 years** .
    - If the company is growing rapidly or has frequent changes in structure through acquisition or divestiture, a shorter time frame may be more appropriate as it allows for a set time frame for mandatory recalculation and review.
    - For fairly stable companies, longer term goals are generally preferred.

Establishing an SBT
Scope 3

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

AMBITION IS THE KEY COMPONENT:

	REQUIREMENTS
ABSOLUTE REDUCTION	*Reduction absolute in line with at least WB2D*
ECONOMIC INTENSITY	*Emissions reduction of 7% per year by value added (financial metric)*
PHYSICAL INTENSITY	*Emission reduction of 2% per year per unit produced*
SUPPLIER COMMITMENT	*Achieve that 66.6% of suppliers (in terms of emissions) establish SBTs in a period of 5 years*

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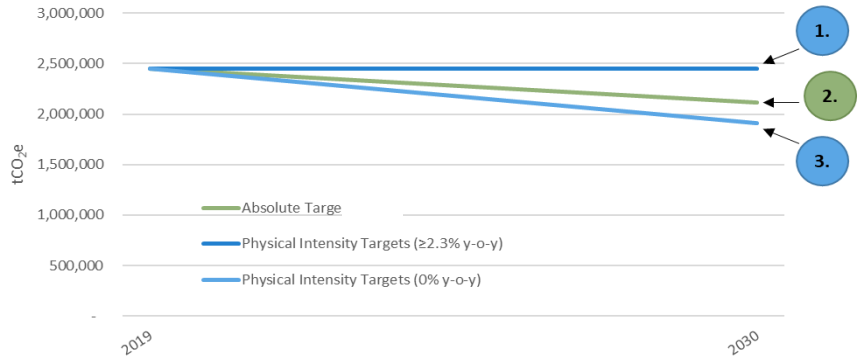
Establishing an SBT
Scope 3

At least 2/3 of Scope 3 need to be covered by the target. When setting and choosing a Scope 3 goal, it is important to select a goal option that can be tied to business goals and stakeholders now and in the future as the business decarbonizes.

Company growth projections are key to any Scope 3 target modeling exercise. The relationship between growth rates and model options can determine which is the most "feasible" reduction target in terms of absolute target requirements.

Projections growth vs. Scope 3 target models



1. Targets for companies **growing >2.3% per year** that require companies not to increase base year emissions.
2. Absolute targets aligned to the SBTi's minimum ambition requirements (WB2D) require an annual absolute reduction of 2.5% (linear). This would be the required reduction in the intensity target if the company had a **growth rate of 0.94%.**
3. Physical intensity targets for companies with **~ 0% CAGR growth** will require a larger absolute emissions reduction than is required for absolute targets.

Establishing an SBT: Approval & Implementation

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Establishing an SBT
Approval

REQUEST APPROVAL BY THE SBTi

APPLICATION SUBMISSION

VALIDATION PROCESS

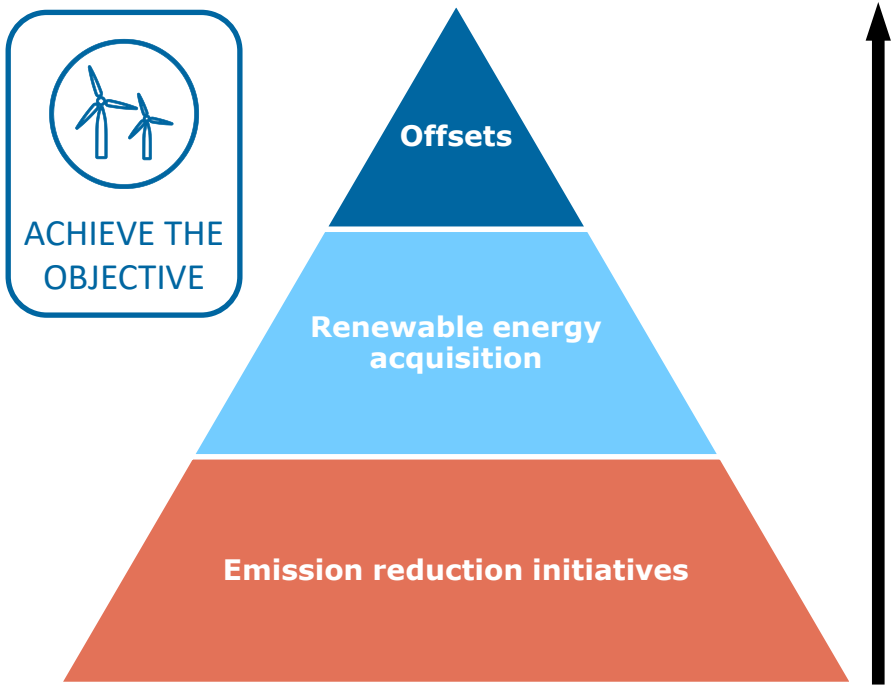
1. **OBJECTIVE RECEPTION**
   Screening and assignment of a validation team
2. **VALIDATION AND APPROVAL**
   audit process
3. **COMMUNICATION**
   Finish target writing
   Communicate decisions and comments

REPORTING

ACHIEVE THE OBJECTIVE

Establishing an SBT
Implementation

Initially, a proposed target may seem difficult to achieve, but if adequate preliminary research has been carried out and all reduction opportunities and future projections of greening the network and supplier targets are comprehensively considered, reaching your goal becomes much more feasible.

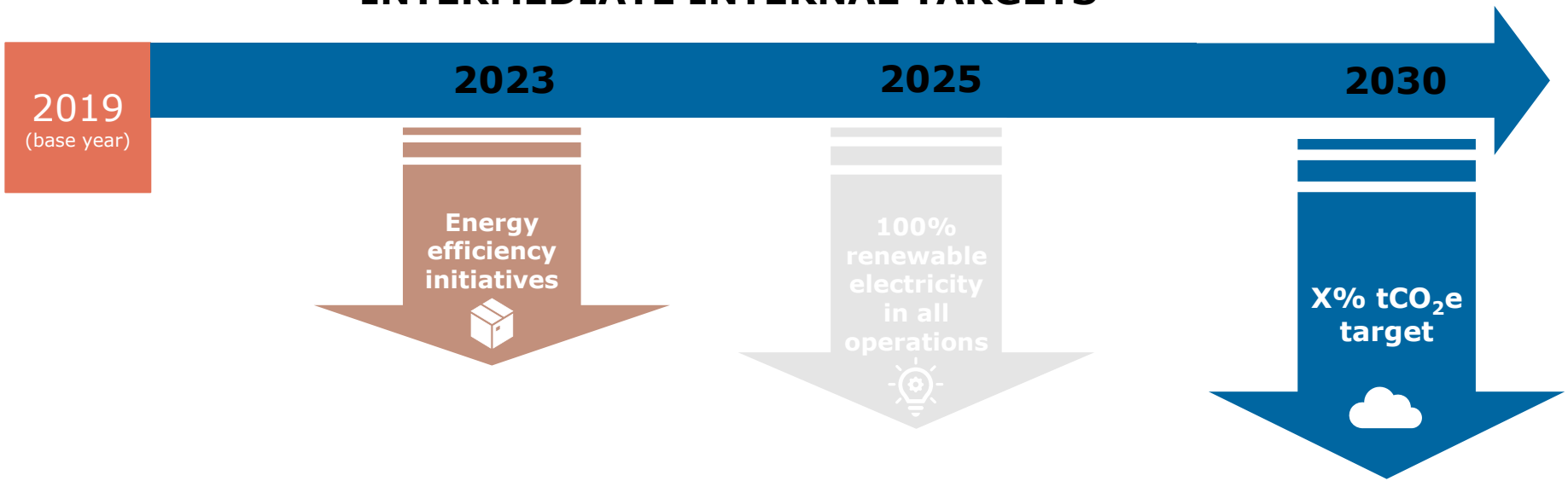


- **Offsets:** Emissions offsets meet neutrality/net zero commitments, but do not reduce consumption or emissions.
- **Purchasing renewable energy:** This will reduce emissions but will not reduce underlying consumption. (This is becoming more cost neutral)
- **Emission reduction initiatives:** By implementing initiatives, consumption, emissions and costs can also be reduced.

Establishing an SBT
Strategy

Decide in which order to eliminate emissions and develop a plan on **how to reach the targets.** Start immediately with the "low-hanging fruit" which are economically attractive and bring other co-benefits. Energy efficiency, shifting to renewable electricity, building space, transportation and business travel are often good candidates. We recommend setting specific targets for hot spot areas, for example, 100% renewable energy.

INTERMEDIATE INTERNAL TARGETS



Your climate experts.
Your partners for positive change.

EcoAct, an atos company, it is an international advisory consultancy and projects developer that works with clients to meet the demands of climate change. We work with many large and complex multinational organizations to offer solutions to their sustainability challenges.

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