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TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi Corporate Net-Zero Standard Expert Working Group (EWG) Meeting Minutes

Cross-EWG Workshop — London, UK

9–11 September 2025

In Person (with virtual participation)

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As per clause 6 in the EWG Terms of Reference, members serve on the EWG in their individual capacity as technical experts.

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Meeting agenda

The workshop was structured across three days as follows:

DAY 1 – Tuesday, 9 September 2025	
Welcome, introductions and workshop objectives	60 min
Scope 2 overview and Q&A	60 min
Scope 3 overview and Q&A	60 min
Ongoing & Residual Emissions (BVCM/CDR) overview and Q&A	60 min
Claims overview and Q&A	45 min
Setting the scene: cross-cutting themes and mitigation strategies	45 min
Indirect mitigation: justifications for use (presentation + breakout groups)	90 min
CEO reflections and Q&A	30 min
DAY 2 – Wednesday, 10 September 2025	
Indirect mitigation: how can it be recognised (presentation + breakout groups)	120 min
Ongoing & Residual Emissions Part 1: Incentive model & design parameters (breakout groups)	120 min
Ongoing & Residual Emissions Part 2: Defining permanence and durability at net-zero	90 min
Ongoing & Residual Emissions Part 3: Defining permanence and durability before net-zero	90 min
DAY 3 – Thursday, 11 September 2025	
Opening session: direction of travel on indirect mitigation and ongoing/residual emissions	90 min
Quality criteria presentation and rapid-fire discussion	45 min
Performance and claims: breakout groups and plenary	120 min
Closing and next steps	30 min

Note: Please refer to the meeting slide deck for accompanying material

Day 1 — Tuesday, 9 September 2025

Welcome & Introductions

The SBTi's Head of Corporate Standards opened the session by setting out the purpose of the three-day workshop: to review progress across each EWG workstream, gather broader expert input on a number of unresolved issues, and gather feedback on the current state of the draft Corporate Net-Zero Standard Version 2.0 (CNZS V2.0).

Key cross-cutting themes identified for the workshop were:

- Indirect mitigation — justifications, recognition and claims
- Ongoing and residual emissions — incentive models and permanence requirements
- Quality criteria — for market-based instruments and other substantiation mechanisms
- Claims and performance — framework design and safeguards

Outputs from the workshop were described as: a consolidated feedback log and clarified SBTi positions on the cross-cutting issues above. Housekeeping and group introductions were facilitated by SBTi staff.

Scope 2 overview

Presentation

The SBTi Scope 2 team presented an overview of the rationale for revising the Scope 2 approach, including:

- Evolution of SBTi's scope and ambition since V1.0
- Growing concerns about the effectiveness and market integrity of Energy Attribute Certificates (EACs)
- The ongoing GHG Protocol revision and its implications
- Growth in markets with diverse electricity market structures requiring more nuanced treatment

Main updates since the first public consultation (PC1) were summarised as:

- Introduction of distinct Scope 1 and Scope 2 near-term targets
- Mandatory location-based targets for all companies
- New quality criteria for market-based instruments
- Flexibility provisions for constrained grid contexts

Goals for the EWG were described as: strengthening the credibility of the Scope 2 framework; designing robust quality criteria for EACs; and defining requirements and safeguards for companies operating in constrained markets. The proposed updated target-setting framework was presented, including:

- Mandatory near-term targets for all companies, with an allowable exclusion where a company has no choice of electricity supplier and no eligible EAC system is available in the market
- Alignment targets (percentage of zero-carbon electricity sourced) and emissions-reduction targets (location- or market-based) as valid near-term target forms
- Mandatory long-term targets for Category A companies; optional long-term targets for Category B
- A mandatory long-term location-based reduction target; optional alignment and market-based reduction targets

Topics deferred to later in the workshop or to subsequent sessions included treatment of heat, steam and cooling; market-based emission reduction pathways; temporal matching thresholds; and consequential accounting.

Discussion

EWG members raised the following points:

- One member queried whether mandatory long-term location-based targets implied that all grids must achieve zero emissions — the SBTi noted this would be discussed further on Day 3, with the aim of balancing long-term ambition with recognition that grid decarbonisation is partly outside companies' control.
- Policy engagement targets were raised as a potential addition. The SBTi noted these had been considered but that validation challenges meant they were currently included only as a recommendation; further discussion was planned.
- A concern was raised that the near-term framework might incentivise Scope 2 reductions over Scope 1, given the cost of certificates. The SBTi acknowledged the nuance but did not consider this fully resolved, though separation of scope 1 and 2 targets may help to address this.
- One member raised a definitional concern: using 'zero-emissions electricity' rather than 'renewable electricity' may be misleading if it excludes embodied infrastructure emissions. The SBTi clarified that the generation-phase definition was chosen to include nuclear, and acknowledged bioenergy reporting as a related issue for further discussion.

Scope 3 Overview

Presentation

The SBTi Value Chains team presented an overview of the rationale for revising the Scope 3 approach, including:

- Limitations of the aggregated emissions metric used in V1.0
- Challenges with absolute reduction targets in Scope 3 (data volatility, attribution, boundary issues)
- The need to integrate levels of influence and more granular activity-level target-setting
- Performance-tracking constraints due to data gaps

Areas of consensus within the EWG to date were summarised as:

- Support for a 5% category significance threshold
- Support for activity-level targets on Emissions-Intensive Activities (EIAs)
- Optional supplier engagement (not mandatory)
- Alignment metrics based on emissions or volumes rather than spend
- Requirement to demonstrate physical connectivity for direct mitigation substantiation
- Indirect mitigation (IM) permitted when direct mitigation (DM) is unavailable; direct mitigation incentivised through the claims framework

Remaining areas of divergence included:

- Whether a 90% minimum target boundary is needed
- Whether EIA targets should be optional or mandatory
- How to integrate alignment targets alongside reduction targets
- Whether revenue alignment is a sufficient downstream metric
- Mass balance cut-off (site vs. multi-site)
- Whether indirect mitigation should be permitted only for alignment targets

The updated proposed target framework was presented, covering: net-zero commitment and base year requirements; near-term target setting (long-term optional); valid actions in near-term (both IM and DM) vs. long-term (DM only); and differentiated claims based on

performance within the value chain versus scale-up of low-carbon alternatives. Workshop objectives were identified as: refining the indirect mitigation justification framework; clarifying IM claims; and designing quality criteria.

A second SBTi team member presented on the PC1 proposals and EWG goals: defining credible metrics; establishing minimum traceability requirements for direct mitigation substantiation; developing a credible and practical approach to the Scope 3 target boundary; and establishing guardrails for indirect mitigation use.

Discussion

Key points raised by EWG members:

- One member raised a tension between the need to encourage supplier engagement and SBTi's proposal to only make it optional, and noted conflation between attributional and consequential accounting approaches. The SBTi responded that supplier engagement is not the optimal priority for all companies; SBTi's framework uses inventory-based attributional accounting and does not currently have a mechanism to integrate consequential approaches.
- A question was raised about whether direct mitigation quality criteria (particularly for Scope 3) should align with Scope 2 hourly matching criteria. The SBTi confirmed broad alignment between Scope 3 electricity-related emissions and Scope 2 criteria is intended but specifics may differ.
- One member asked whether removals are considered indirect mitigation, and whether offsets and removals were discussed within the Scope 3 EWG. The SBTi confirmed they were not yet addressed in that context.

Ongoing and Residual Emissions Overview

BVCM Presentation

The SBTi BVCM team presented the rationale for revising the Beyond Value Chain Mitigation (BVCM) approach:

- Ongoing emissions contribute to climate overshoot
- Insufficient corporate investment in BVCM to date
- Need for stronger incentives and clearer eligibility criteria
- Integration of the SBTi's 'Above and Beyond' report within the Standard

Major updates proposed included: formal recognition for companies taking responsibility for ongoing emissions; and the introduction of eligibility criteria for BVCM activities. EWG workshop objectives were identified as: defining what qualifies for recognition; setting the scale necessary for recognition; defining high-integrity BVCM activities; developing a recognition/claims framework; and defining minimum performance thresholds.

Remaining divergences included: coverage and ambition of any minimum requirement; timing for its commencement; quality criteria; permanence and durability of removals; whether a 'money-for-ton' or 'ton-for-ton' approach should apply; and the degree of framework integration.

CDR Presentation

The SBTi CDR team presented the rationale for revising the Carbon Dioxide Removal approach:

- The V1.0 neutralisation requirement lacked sufficient clarity
- CDR capacity currently lags behind projected demand
- Insufficient incentive to invest in CDR ahead of the net-zero target year
- Need for robust safeguards

Major CDR updates proposed included: interim removal targets; and the introduction of eligibility criteria. CDR EWG goals were described as: defining the incentive model; identifying which design options align with SBTi principles; defining durability requirements; and assessing feasibility and implementation risk.

Discussion

Key points raised by EWG members:

- One member asked whether new minimum requirements differentiate by sector. The SBTi confirmed the approach is based on ongoing emissions rather than differentiated by sector, and noted a profit-per-tonne approach had been considered but was discarded as too complex.
- A question was raised about whether SBTi had considered tiered recognition across the standard more broadly, not only for CDR and BVCM. The SBTi confirmed this is the direction: basic requirements for all companies, with additional recognition for those opting into higher ambition areas.
- One member noted that money-for-ton and ton-for-ton approaches are not mutually exclusive, and that some frameworks permit both.

Claims Overview

Presentation

The SBTi Claims team provided an introduction to the claims framework under development. Key objectives for the EWG included: identifying valid claim types; closing gaps between what companies can evidence and what claims they can make; and designing performance claims. The session focused on the role of indirect mitigation in the claims framework, the treatment of ongoing and residual emissions, and the distinction between mitigation impacts and climate finance. The proposed framework was simplified to: contribution claims versus achievement claims, with conformance claims as a further category.

Discussion

Key points raised:

- One member asked whether the framework is no longer anchored in Paris alignment. The SBTi confirmed that the expectation is that individual targets will no longer be validated as 1.5°C-aligned; however, the overarching SBTi mission of driving societal alignment with 1.5°C remains in place.
- A question was raised about why quantifiable, ex-post impacts are framed as 'more real' than broader, non-measurable impacts. The SBTi clarified that the contribution/impact claim distinction applies only in the BVCM context, and is grounded in what can be validated. Within BVCM, financial claims are also validated to capture outcomes that are not directly measurable.
- On the tiered recognition model: at the entry level, companies could make mitigation impact contribution claims only; the full responsibility tier would allow both financial contribution and mitigation impact claims. The structure is intended as a ladder of ambition.
- One member questioned the theory of change behind the claims framework: should there be a single claim or multiple claims across categories? The SBTi acknowledged this requires further design, with the unifying principle proposed being levels of transparency.

- One member noted the temperature alignment claim at the company level is being phased out, but welcomed that the overarching SBTi 1.5°C mission claim remains.

Setting the Scene: Cross-Cutting Themes

Presentation

The SBTi presented a framework of five mitigation strategies relevant to science-based corporate climate action, each with outstanding design questions:

- Direct mitigation
- Indirect mitigation
- Ongoing emissions responsibility
- Residual emissions responsibility (before net-zero)
- Neutralisation (after net-zero)

Three guiding principles for deliberating on these questions were set out: scientific rigour; broad consensus; and actionability.

Discussion

Key points raised:

- One member stressed the importance of a clear vision for how these strategies interconnect across SBTi, the GHG Protocol, and other standards — the risk of solving the same problems in inconsistent ways across frameworks was highlighted.
- One member observed the five strategies are comprehensive but complex, and asked how simplification could be achieved without sacrificing necessary specificity. The SBTi acknowledged this tension as central to the standard's design challenge.
- A question was raised about whether SBTi tracks its real-world impact. The SBTi noted existing metrics (emissions coverage, market capitalisation of committed companies, number of high-impact companies) and mentioned an ongoing Theory of Change revision, broadening the focus from target-setting to the full target cycle.

Indirect Mitigation: Justifications for Use

Presentation

The SBTi presented the distinction between direct mitigation (DM) and indirect mitigation (IM), and the conditions under which each applies. IM is proposed as an option only where barriers prevent DM, specifically:

- Unavailability of low-carbon alternatives
- Inability to establish a physical link to a mitigation outcome
- Market structure constraints

Illustrative IM examples presented included: purchasing Sustainable Aviation Fuel (Scope 1); financing low-carbon electricity generation (Scope 2); purchasing low-carbon commodity certificates (Scope 3 upstream); and addressing Category 11 downstream emissions through financing low-carbon electricity generation.

Proposed justification criteria were:

- Scope 2: both conditions must apply — company cannot choose its electricity source; and no eligible EAC system exists in the market
- Scope 3: at least one condition must apply in the base year — low-carbon inputs are not widely available or market-ready; or a physical link cannot be established

Evidence proposed to support IM use included technology readiness lists (e.g., MPP, IEA, AIM), contracts and chain-of-custody models, and market access assessments (further work needed for Scope 2).

Breakout Group Discussions

Nine breakout groups were convened, each discussing the proposed justifications and associated risks. The following themes emerged from plenary feedback:

- The concept of 'availability' as a justification trigger requires further refinement; 'commerciality' was noted as an imperfect proxy for availability.
- The physical connectivity condition was not universally supported; some groups questioned its workability, particularly in distribution-based value chains where a physical link can never be established.
- Several groups identified leakage risk as an unresolved design challenge.
- Concern was raised that the justification approach may not comprehensively address the hierarchy between DM and IM options, and that companies may focus on interpreting justifications rather than implementing DM.
- Some groups welcomed the proposal's direction but sought greater sector- and region-specific nuance, particularly for FLAG sectors and small businesses versus large multinationals.
- Tensions between attributional and consequential accounting were highlighted: there is no market-based mechanism for Scope 1 and Scope 3 under the GHG Protocol, and whether IM actions should fall inside or outside the target inventory was debated without consensus.
- The proposal was seen as broadly inconsistent with the GHG Protocol Land Sector and Removals (LSR) guidance, and alignment was requested.
- Several groups raised the difficulty of selling IM to corporate leadership if it does not count directly towards emissions-reduction performance targets.
- For Scope 2, flexibility in markets where companies cannot choose their electricity supplier was broadly supported, but the question of how companies continue to drive local grid change in such markets was unresolved. The definition of an 'eligible' EAC was identified as requiring further specification.

CEO Reflections

The SBTi CEO provided brief reflections on the workshop themes:

- Scope 1 heat decarbonisation is highly challenging for many sectors and warrants careful treatment.
- The Scope 2 flexibility provisions (location-based versus market-based approaches) were welcomed.
- Scope 3 is in a good place overall but requires further refinement.
- The proposal to boost credibility of holistic strategies via the recognition of credits was noted positively.

In response to questions, the SBTi noted that mandating corporate investment in CDR or credits risks deterring companies due to cost. On the SBTi Theory of Change, the focus is expanding beyond target-setting to the full target cycle, though formal ToC revision requires Board approval. The SBTi also confirmed active involvement in GHG Protocol processes, and described ISO standards as complementary rather than competitive.

Day 2 — Wednesday, 10 September 2025

Indirect Mitigation: How Can It Be Recognised

Presentation

Day 2 opened with a recap of key themes from Day 1: credibility risks; the distinction between impact and accounting; incentive design; and principles for target-setting.

The SBTi Scope 2 team presented the Scope 2 indirect mitigation proposal, focusing on company responsibility for Scope 2 where zero-carbon electricity sourcing is constrained, and the distinction between target boundary and mandatory actions (Criteria C13.2 and C13.4).

The SBTi Value Chains team presented the Scope 3 indirect mitigation proposal: IM measures apply only to alignment targets; the target boundary does not separate direct and indirect mitigation; and an inconsistency between the Scope 2 approach (IM as a mandatory action) and the Scope 3 approach (IM within the target boundary) was identified as an issue requiring resolution.

The SBTi Claims team provided background on the importance of claims for IM: preventing misleading claims; communicating company action; observing which claim types are valid. The proposal to reduce claim types to contribution claims and achievement claims was presented.

A brief note on quality criteria for EACs was provided — detailed discussion was deferred to Day 3 — covering certificate generation, ensuring comparable impact, and comparable transaction integrity.

Breakout Group Discussions

Eight table-based breakout groups and one virtual group discussed four topics: managing risk in indirect mitigation; indirect mitigation across the scopes; consequential accounting; and claims. Key themes from plenary feedback:

Managing Risk in Indirect Mitigation

- Indirect mitigation should function as a time-limited bridge where direct abatement is infeasible, supported by a transparent disclosure and phase-out plan.
- Risks identified: lack of measurable impact from certificates; lack of transparency; and the challenge of encouraging current action rather than deferral.
- SBTi should set minimum quality standards by sector but does not need to specify every detail; monitoring and dynamic review of IM instruments (analogous to renewable energy certificate evolution) is recommended.
- Claims and disclosures should be separated — a claim is a short factual statement; disclosures contain the supporting detail. SBTi should provide the framework, not prescribe mandatory language templates.

Indirect Mitigation Across the Scopes

- Multiple groups noted that, from a corporate perspective, Scope 3 ultimately flows back to Scope 1 and 2; the challenge is channeling finance to decarbonise the system.
- Consistency and verifiability across scopes — including the form of certificates and traceability — are essential. Guidance on what types of contracts are acceptable is needed.

- There is no market-based mechanism for Scope 1 or Scope 3 under the GHG Protocol; whether such mechanisms would fall inside or outside the target inventory was debated without consensus. Risks were considered significant if IM were included within the inventory.
- Sector-specific guidance is critical — for example, transport has existing guidance but not all sectors do; complexity escalates where IM involves multiple actors across a supply chain.
- The concern about greenwashing was seen as sometimes driving excessive complexity; keeping requirements simple where possible was emphasised.

Consequential Accounting

- Strong consensus around not modifying the physical GHG inventory: consequential information should be reported separately and clearly.
- A proposal emerged that SBTi should set fundamentals — companies explain what can be achieved through DM and IM over a five-year horizon, and SBTi assesses at validation whether this is plausible given market conditions and company characteristics. This was preferred over a fixed ledger approach due to accessibility for non-technical stakeholders.
- Direct and indirect mitigation should be reported separately.
- Key risks identified: transparency failures; misleading claims; double-counting (a global registry to prevent duplication was proposed); and low-quality reduction claims.

Claims

- A strong sentiment emerged that claim language should be simple and accessible to non-technical teams (legal, communications) within companies.
- Companies primarily want to say their targets are SBTi-validated and report progress against them.
- Some members argued against SBTi prescribing specific claim language; others supported clear frameworks as a safeguard.
- A dashboard approach was supported: companies report what percentage of target progress came from DM versus IM, with links to supporting disclosure.
- Concern was raised that rigidity in claims language may deter companies from using SBTi, particularly those with existing 2030 targets requiring IM to be achieved.
- The session summary from the SBTi noted: sector specificity in IM applicability is challenging; the ladder of transparency on action type and evidence was an interesting suggestion; and monitoring companies' transition from IM to DM over time is a priority consideration.

Ongoing and Residual Emissions — Part 1: Incentive Model and Design Parameters

Presentation

The SBTi BVCM and CDR teams presented three methods for defining the nature and scale of responsibility for ongoing and residual emissions:

- Ton-for-ton (ex-post mitigation outcomes matched to ongoing or residual emissions)
- Money-for-ton (applying a shadow carbon price to unabated emissions to determine a financial budget for BVCM activity)
- Money-for-money (e.g., a percentage of profit directed to a portfolio of mitigation activities)

The current EWG pre-read proposal was presented: applying a science-based carbon price to unabated emissions to determine a budget, which is then directed to a combination of near-term BVCM outcomes and long-term BVCM finance. Key distinctions were drawn between ongoing emissions (all current emissions not yet abated) and residual emissions (a subset of ongoing emissions projected to remain unabated at the net-zero year).

Three elements of the framework were described:

- Responsibility for ongoing emissions: near-term impact accountability; support for a broad mix of approaches
- Responsibility for residual emissions: interim removal targets; neutralisation of residual emissions
- Neutralisation at the net-zero year

Workshop discussion was structured around: framework building; contribution claims; and the business case for action.

Breakout Group Discussions

Eight groups discussed the incentive model, with the following key themes from plenary feedback:

- Broad consensus around an integrated framework, with residual emissions treated as a subset of ongoing emissions, combined for simplicity.
- Consensus on making recognition available now, with requirements phased in later. Views on the year for introducing a requirement ranged from immediately to never; 2030 was the median view across groups.
- A minimum threshold of 5% of Scope 1 emissions was considered too low; 10–20% was more commonly supported, though practical constraints were acknowledged.
- A phased ramp-up of removals over time, consistent with the Oxford Principles trajectory, was widely supported.
- Companies should be allowed to claim CDR towards ongoing emissions responsibility; without recognition, investment incentives are insufficient.
- Sector differentiation is important: different sectors have very different carbon prices and capacity to invest; a one-size-fits-all approach was not supported.
- Guidance on how to make the business case to senior leadership was requested; connecting the framework to risk management language was seen as more effective than climate framing alone.
- Financial contribution claims should be linked to real emissions reductions; funding that cannot be allocated to reductions should not fall within the SBTi framework.
- Some groups suggested starting the ongoing emissions requirement from 2040 as the simplest viable proposal.
- First-mover recognition was important to some groups; others cautioned that creating incentives requires eventual mandatory requirements to create a 'new norm'.

Ongoing and Residual Emissions — Part 2: Defining Permanence and Durability (at Net-Zero)

Presentation

The SBTi CDR team presented the challenge of matching the climate value of removal solutions at the net-zero year. Key framing:

- Not all CDR methods are equivalent in terms of durability
- The central design question: should only interventions with intrinsic physical permanence count for neutralisation at net-zero, or can contractual permanence mechanisms provide credible safeguards?
- EWG survey results showed significant divergence: 71% opposed the current portfolio approach before net-zero; 18% neutral; 12% in support

The problem statement presented to groups: how to phase in durability requirements in a way that is feasible, credible and drives investment.

Breakout Group Discussions

Groups discussed optimal portfolio design at and before net-zero, with the following themes from plenary feedback:

- At net-zero, physical permanence is the key requirement, though actionability is equally important. Nature-based solutions (NBS) must remain on the table even as more permanent technological solutions scale up.
- Contractual permanence and physical permanence are not mutually exclusive; NBS will require contractual approaches. However, there is an important distinction between the permanence of the storage and the permanence of the contract.
- The two-option framing (physical vs. contractual) was seen as a false binary by several groups. A science-based approach grounded in practicality, drawing on IPCC AR6 CDR taxonomy categories, was recommended.
- A portfolio approach was broadly preferred over a single-type requirement, with a majority share in century-to-millennial storage solutions at the net-zero year.
- Durability thresholds of 1,000 years were seen as too restrictive and potentially unworkable; compliance-based systems using ~200-year thresholds were noted as comparators. Views ranged from 20 to 1,000 years.
- Creating a demand signal now — even at a low initial requirement (e.g., 1% of portfolio in hard-to-procure solutions) — was supported by several groups to help drive down costs for longer-term removal technologies.
- Weighted average durability requirements were seen as problematic from an economic incentives perspective.
- Biogenic emissions and their treatment under permanence requirements were identified as an unresolved issue for Version 2.
- Flagging the risk: companies may not yet understand the significance of the neutralisation commitment at net-zero.

Ongoing and Residual Emissions — Part 3: Defining Permanence and Durability (before Net-Zero)

Presentation

The SBTi CDR team presented the different durability challenges on the path to net-zero versus at the net-zero year. The problem statement: how to phase in durability requirements in a way that is feasible, credible, and drives investment. The new portfolio design proposal and how it was developed were presented.

Three breakout topics were identified: optimal portfolio design on the path to net-zero; optimal portfolio design at net-zero; and converging the divergent perspectives.

Breakout Group Discussions

Groups discussed durability requirements before the net-zero year, with the following themes:

- Broad consensus that a science-based approach grounded in practicality is preferable; the two design options presented are not necessarily in competition.
- A set of key principles is needed; an entry-level requirement of 1% of hard-to-procure solutions, ramping up over time, was suggested.
- Sector caveats are necessary — project-based approaches and different permanence thresholds apply across sectors.
- A 40-year minimum threshold for near-term solutions was proposed in one group as a reasonable starting point.
- A linear ramp-up trajectory — beginning low and increasing progressively — was the most commonly preferred design, aligned with the Oxford Principles diagram.
- Durability should be verified, not self-declared; but verification systems need to be proportionate and not excessively burdensome.
- 1,000-year permanence at scale requires a significant demand signal and additional evidence; costs are currently prohibitive and supply is insufficient.
- NBS remains critical for the near-term and should not be deprioritised as technological solutions scale up; integration of climate and nature targets is important.
- The IPCC CDR taxonomy was recommended as the appropriate reference for defining acceptable removal categories.

Day 3 — Thursday, 11 September 2025

Opening Session: Direction of Travel

Feedback and SBTi Response — Indirect Mitigation

The SBTi presented revised considerations on indirect mitigation in response to Day 1 and 2 discussions. Key clarifications in response to EWG questions:

- On accounting level: SBTi is not prescribing how IM is accounted for within corporate inventories — this is a matter for the GHG Protocol and other accounting standards.
- On counting IM towards target achievement: IM is being considered in relation to both alignment targets and emission-reduction targets; the aim is for claims to reflect the level of action being taken.
- On sector-specific roles: SBTi is thinking about a mechanism to recognise best practices in sector-specific standard setting, potentially in collaboration with other organisations.

A structured feedback exercise was conducted, grouping participants by their level of support for the IM proposal. Key verbal feedback:

- Lower support: indirect mitigation as a bridge is appropriate in principle, but counting it towards targets without sufficient quality safeguards risks providing the wrong incentives; effectiveness of EACs and certificates in practice is uncertain.
- Higher support: companies choose IM because it is the viable path to progress, not to obscure inaction; existing greenwashing risk management gives companies reason to ensure quality; the proposal appropriately recognises genuine effort.
- Suggested change: a carve-out should be maintained for companies in markets where full grid decarbonisation is not within their control, to incentivise continued deployment of renewables.

Feedback and SBTi Response — Ongoing and Residual Emissions

Key clarifications in response to Day 2 discussions:

- On ton-for-ton versus money-for-ton: the part that would be required to increase over time would be ton-for-ton, with potential sector differentiation; full recognition tier combines money-for-ton with an embedded ton-for-ton minimum delivery requirement.
- On minimum scale: a portion based on the actual emissions composition will be specified.
- On durability requirements in the optional recognition phase: durability criteria would apply even during the optional period, to encourage high-integrity investment early.
- On credit type: rather than specifying removal method, the focus will be on accounting for permanence — ensuring mitigation outcomes are durable, regardless of instrument type.

Key verbal feedback:

- Lower support: changing durability thresholds over time sends the wrong market signal; a high durability threshold from the outset (e.g., 1,000 years) would be preferable, even if it scales in; contractual permanence alone is insufficient; reversal risk must be addressed alongside durability.

- Higher support: integrating the two targets (residuals as a subset of ongoing) makes sense conceptually; both should grow over time as a single portfolio rather than two separate frameworks. The EU SAF mandate was cited as a comparable policy precedent.

Quality Criteria

Presentation

The SBTi presented a structured overview of draft quality criteria across different types of potential substantiation mechanisms, used to take action on emissions inside or outside the value chain. A rapid-fire facilitated exercise identified:

Substantiation mechanisms in scope:

- Carbon credits
- Energy Attribute Certificates (EACs)
- Commodity certificates
- Contracts

Quality criteria applicable regardless of mechanism:

- Mitigation outcome (genuine GHG reduction or removal)
- Chain of custody / traceability
- Effectiveness
- Additionality
- Safeguards (social and environmental)
- No double counting

Criteria specific to mechanism type (e.g., carbon credit additionality) and criteria specific to use case (e.g., contract type for Scope 3 EACs; causality) were also identified. An optional exercise was offered: taking a specific use case and assessing which quality criteria are relevant.

Performance and Claims

Presentation

The SBTi Claims team presented a framework for designing an effective and fair claims system. Three discussion questions were posed to breakout groups:

- How can we encourage companies to make commitments in areas where individual influence is limited, but collective action is essential (e.g., Scope 2 location-based targets)?
- How can achievement claims recognise genuine ambition and effort, whilst safeguarding against incentives to underdeliver?
- How can performance assessments track delivery and drive learning and stronger future action?

Breakout Group Discussions and Plenary

Groups discussed all three questions, with the following key themes emerging:

Collective commitments (Question 1)

- Companies are deterred from committing to targets where outcomes depend on collective action (policy change, grid decarbonisation, sector-wide shifts). Disclosure of dependencies — at target-setting and at review — was seen as more workable than conditional targets.

- SBTi could play a facilitation role: running public consultations on policy priorities; creating a directory of existing coalitions and initiatives; and establishing a climate contribution index or similar mechanism.
- The physical GHG inventory was identified as a key structural barrier to recognising collective action: it leaves little space for policy-dependent outcomes. A dual-ledger approach (GHG inventory plus activity reporting) was explored, though risks of misalignment with mandatory GHGP-based reporting were noted.
- One suggestion: companies accessing a market-based ledger could be required to demonstrate active engagement with the relevant policy or market barriers — making access to market-based accounting contingent on transparent disclosure of dependencies.

Achievement claims and safeguards (Question 2)

- Broad agreement that the SBTi's role is to provide the framework and template for performance reporting, not to verify all evidence or prescribe exact claim language. Liability for claims sits with companies.
- A target dashboard was proposed: one column for validated target language; one column for company-reported performance using the SBTi framework (percentage achieved via DM, percentage via IM, etc.); with links to CDP responses, annual reports, or transition plans as evidence.
- The word 'achievement' was raised as potentially misleading; 'progress' was suggested as a more accurate term.
- Performance should be self-reported annually, consistent with existing obligations. SBTi dashboard updates every three years may be more appropriate than annual validation of claims.
- Binary pass/fail outcomes should be avoided; 'on track / off track' or a RAG status system allows more nuance without removing accountability.
- Companies should disclose at target-setting which dependencies could affect their ability to achieve the target; if these materialise, they provide a credible basis for acceptable underperformance at review.

Performance assessments and learning (Question 3)

- Companies should report performance and the barriers they face in regular disclosures; SBTi should categorise these barriers at a high level for use in the target dashboard, enabling healthy competition within sectors.
- Sector specialists within SBTi should identify likely sectoral barriers; company underperformance that is consistent with sector-wide evidence should be treated differently from idiosyncratic underperformance.
- A recommendation list of corrective actions for underperformance was suggested.
- Timing: some groups favoured more frequent reporting than five-year intervals; others saw annual updates as sufficient given existing disclosure obligations.
- Concerns around anti-trust were raised in relation to SBTi convening sector groups — these would need to be managed carefully.
- The emphasis should be on continued engagement rather than naming and shaming for companies that miss targets.

Closing and Next Steps

The SBTi presented next steps slides. Key closing feedback from EWG members:

- Category B companies were not discussed at this workshop; several members flagged this as an important gap for subsequent sessions.

- Corporate members present requested greater clarity on the evolution of the standard and what midterm reviews will entail for companies with existing committed targets.
- A request was made to engage a broader range of companies (beyond those already deeply familiar with the topic) in future engagement cycles, including through the World Business Council for Sustainable Development (WBCSD) network.
- One member emphasised the importance of global inclusivity in future engagement — ensuring the standard reflects the diversity of markets, not just European and North American contexts.
- A recurring message from closing remarks: if a solution cannot be found, leave it out.

The comment log remained open until Friday, 19 September 2025. Participants were encouraged to submit additional written feedback via the existing log.