



CNZS V2.0 Expert Working Group Workshops: Day 1

9-11th September

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Welcome from Alberto Carrillo Pineda, Chief Technical Officer





Our Impact

As of August 2025



The goal is to deliver a **science-based, framework that drives corporate action** aligning with global climate goals, best available science and best practice and that considers the unique barriers in the net-zero transition

Corporate Net-Zero Standard V2.0 | Objectives



Align with latest science and best practice



Integrate continuous improvement & performance-based renewal

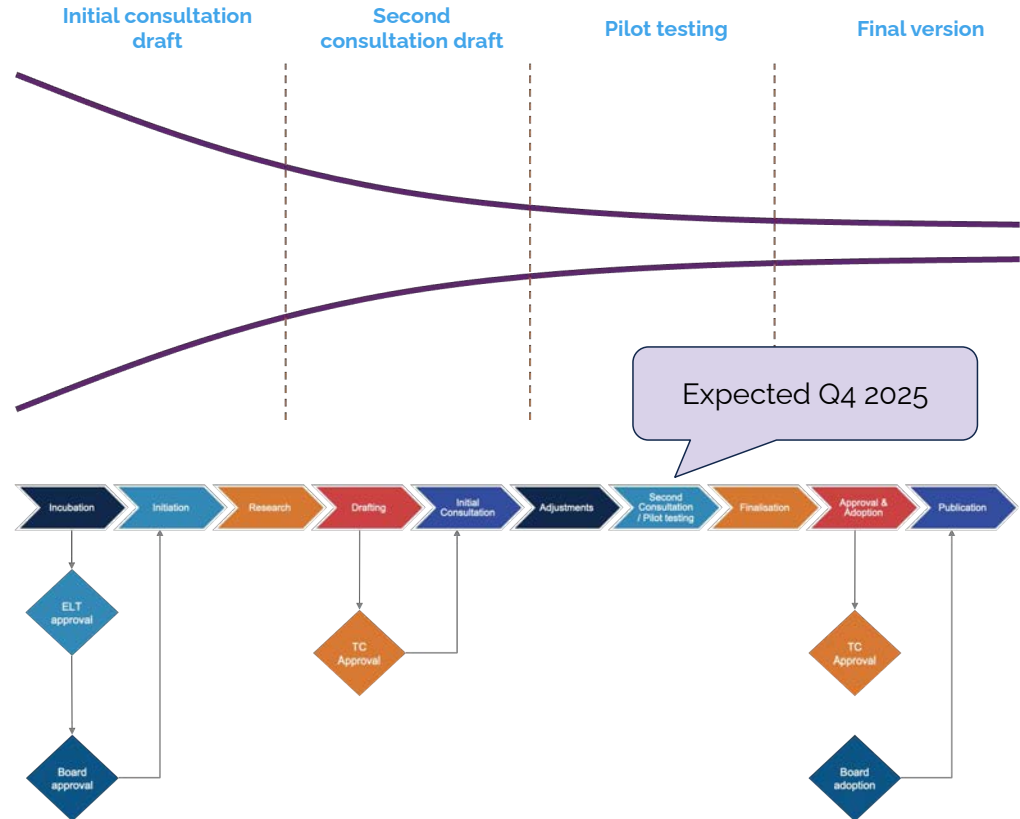
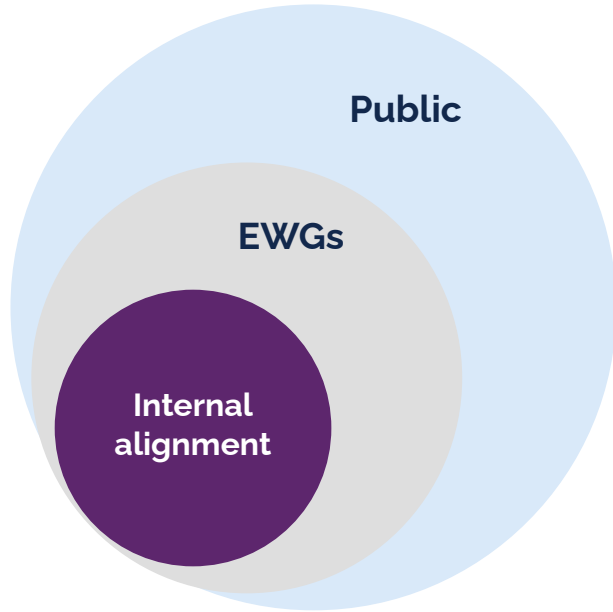


Improve structure & interoperability



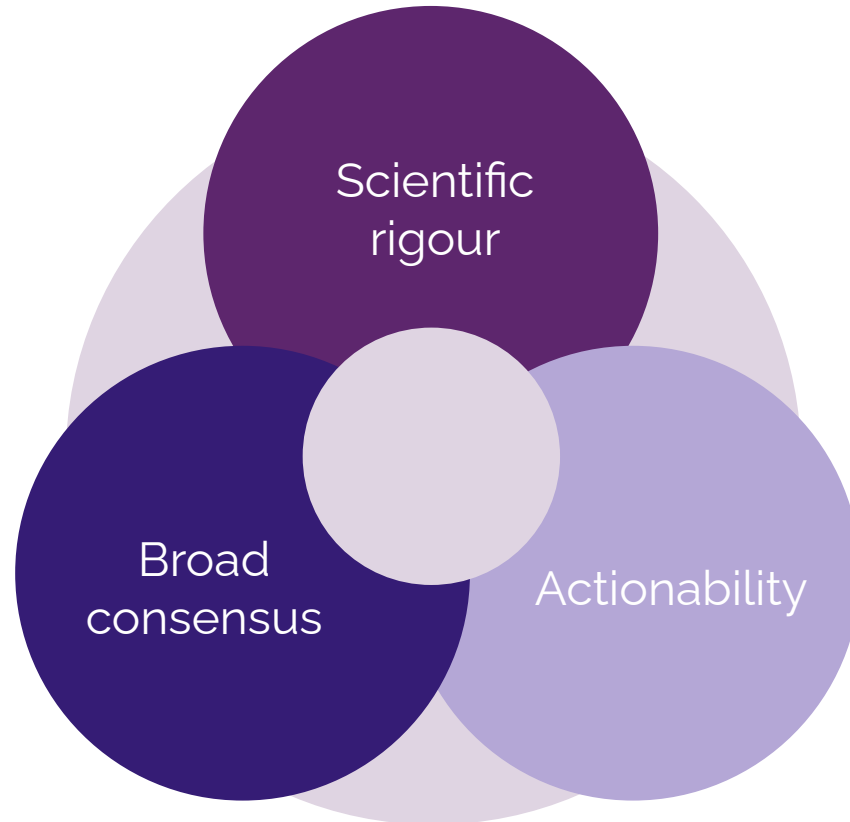
Enhance the SBTi's approach to addressing value chain emissions

Standard development | Overall revision process



Standard development | Guiding principles

SBTi intends to apply these guiding principles to the fullest possible extent across all stages of standard development and decision-making. Together, they ensure that SBTi standards are **credible**, developed following a **robust process**, and capable of driving **real-world impact**.





Workshop overview & objectives

Objectives | Why are we here?

This workshop brings together members from all five EWGs to advise on the latest iteration of CNZS V2.0, with a **focus on cross-cutting topics, surfacing areas of alignment and divergence**, and strengthening coherence of the draft.

Over three days, we will:

- Review progress to date across the EWGs,
- Clarify and document perspectives on issues spanning multiple groups, working towards alignment where possible, and
- Gather broader feedback on the draft.

Your advice will be essential to improving the standard's **technical accuracy, clarity, and credibility**, and to integrating the five topics into a **coherent draft ready for public consultation and pilot testing**.

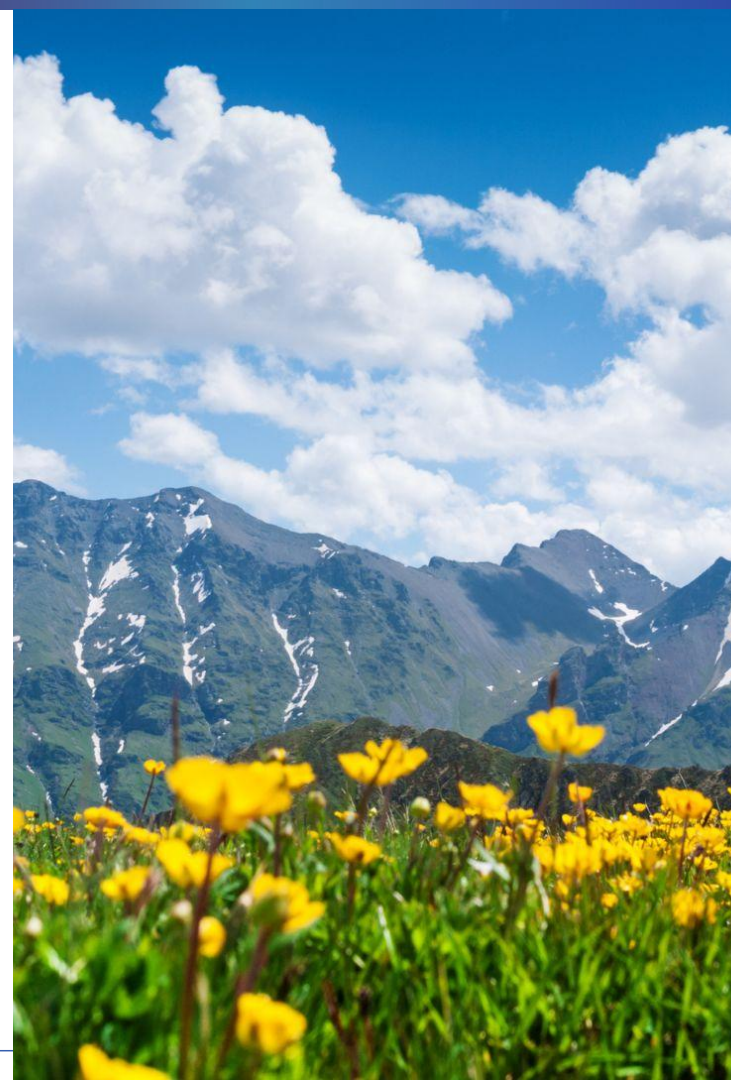
Objectives | Expected outputs

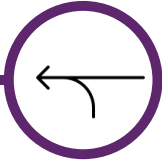
From the Workshop

- Feedback Log capturing agreements, divergences, risks, and recommendations.
- Clarified positions on cross-cutting issues (e.g., indirect mitigation, ongoing & residual emissions, claims), and direction on how to resolve outstanding issues.
- A strengthened near-final draft with improved coherence across the five topic areas.

Looking Ahead

- EWG Term extends until launch of the project, but meetings will slow down over the consultation period
- Further interrogation in areas that remain unresolved or require deeper technical development, with more informal / ad hoc meetings or offline reviews to gather advice
- Cross-EWG meeting(s) to discuss public consultation and pilot testing feedback





Indirect mitigation

Ensuring a robust and coherent approach to indirect mitigation approaches across operations and value chains.



Ongoing & residual emissions

Clarifying the design parameters to incentivize beyond value chain mitigation, including removals, and chart a path to consultation.



Quality criteria

Discuss the quality criteria for EACs and how they apply across specific use cases and scopes.



Claims & performance

Exploring how to design claims that protect credibility while motivating companies to stay ambitious and engaged.

Day 1: Scene-setting and Intro to Cross-Cutting Themes <i>(10:00 – 18:00)</i>	Day 2: Deep Dive on Cross-Cutting Themes <i>(09:00 – 18:00)</i>	Day 3: Cross-Cutting Themes Cont., Claims and Closure <i>(09:00 – 15:00)</i>
<ul style="list-style-type: none">● Introductory presentations● Updates from the five Expert Working Groups (EWGs)● Indirect Mitigation Part 1	<ul style="list-style-type: none">● Indirect Mitigation Part 2● Ongoing & residual emissions	<ul style="list-style-type: none">● Quality Criteria● Performance & Claims● Wrap up and next steps



Housekeeping & introductions (30 mins)

Introductions | SBTi colleagues supporting the meeting



Sophie FitzGerald
Research Partnerships Lead
Moderator



Tom Dowdall
Senior Impact Strategist
Moderator



Olga Swiatek
Technical Team Coordinator
Event Coordinator



Beatriz Garcia Navarro
Claims & Assurance Lead
Claims (NEW) / Event support



Claire Cappaert
Senior Associate Built Environment
Event Support



Stephen Mackenzie
FLAG Sector Lead
Event Support



Leona Maticjevic
Stakeholder Engagement
Event Support

Introductions | SBTi colleagues supporting the EWGs



Humphrey Adun

**SME, Research
Removals**



Scarlett Benson

**BVCM & Scope 2 Lead
BVCM & Scope 2**



Giulia Camparsi

**Value Chains SME
Scope 2**



**Alberto Carrillo
Pineda**

Chief Technical Officer



Abhilash Desu

**Senior Target Analyst
Scope 2**



Ayla Dinçay

**Sector Lead, Built
Environment
Scope 2**



**Hugo
Ernest-Jones**

**Value Chains Lead
Scope 3**



Alice Farrelly

**SME, BVCM &
Neutralization
BVCM, Removals**



Erin Lasher

**MRV Technical
Manager
Data, Quality
Assurance & Claims**



Piera Patrizio

**Head of Research
Removals**



Emma Watson

**Head of Corporate
Standards**



Eoin White

**Research Lead
Scope 3**

Group introductions Ice breaker

15 mins

Please organize yourselves into one line from newest to oldest by years in your current job.

In case of a tie, ask how long it took to travel here?

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Antitrust Caution – Do not engage in any discussion, activity or conduct that may infringe on any applicable competition law.

For example, do not discuss company-specific information on:

- current or future prices, pricing strategies, or price related information;
- output, capacity, inventory levels, or costs;
- data related to market share;
- current or future business model transformation strategies.

Members are responsible for halting any activity that may violate this policy and reporting it immediately to SBTi.

- As per the [EWG Terms of Reference](#) and the [SBTi COI policy](#), conflicts of interest must be declared
- At the start of each meeting the chair will ask members if a new COI has arisen
- A Conflict of Interest may be:
 - Actual: A true conflict exists between a Party's duties with the SBTi and their private interests.
 - Potential: Where a Party has personal or private interests that could conflict with their duties with the SBTi, or where it is foreseeable that a conflict may arise in future.
 - Perceived: Where an unbiased observer could reasonably form the view that a Party's private interests could influence their decisions or actions.

ARE THERE ANY COI THAT THE SBTi SHOULD BE AWARE OF?

Ways of working | Keeping order in the meeting



Respectful participation

One voice at a time, all views matter, no interruptions.



Inclusive for all

Equal space for all participants, both in-person and online.



Observers

Participation is limited to listening.



Group participation

Stick to your assigned group and elect a representative to feed back.



Stay focused

Timeboxed discussions; off-track points go to a parking lot.



Deliberation, not decision-making

Expert input supports the drafting team to finalize.



Practicalities

Use mics, raise your hands, stick to breaks and timings



Complete recordkeeping

All perspectives will be captured in the Feedback Log.

Workshop objectives | Day 1 detailed agenda

Time	Session	Description
10:30 – 11:15	Introductions & housekeeping	
11:15 – 11:30	Break	
11:30 – 11:55 <i>(15 min presentation, 10 min Q&A)</i>	EWG Overview: Scope 2	Background on topic, work-to-date and key issues to address.
11:55 – 12:30 <i>(20 min presentation, 15 min Q&A)</i>	EWG Overview: Scope 3	
12:30 – 13:10 <i>(25 min presentation, 15 min Q&A)</i>	EWG Overview: Ongoing and residual emissions	
13:10 – 13:30 <i>(15 min presentation, 5 min Q&A)</i>	EWG Overview: Claims	
13:30 – 14:30	Lunch	
14:30 – 15:15	Invitation to EWG Members to reflect on EWG Overviews	
15:15 – 15:45 <i>(15 min presentation, 15 min Q&A)</i>	Setting the scene for cross-cutting themes	Overview of the key elements of the standard, the open questions, and how we will address them.
15:45 – 16:00	Break	
16:00 – 17:45 <i>(30 min presentation, 30 min discussion, 45 minutes feedback)</i>	Indirect Mitigation Session 1/2: Justification for use	Discuss conditions for when indirect mitigation is an appropriate action
17:45 – 18:00	Welcome from SBTi CEO	

Optional informal dinner at The Iskele Restaurant (15 min walk)

CNZS V2.0 Expert Working Group Overviews

Overview of EWG work to date

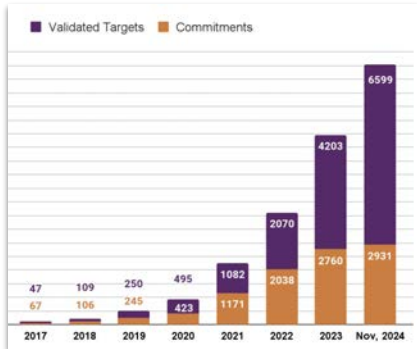
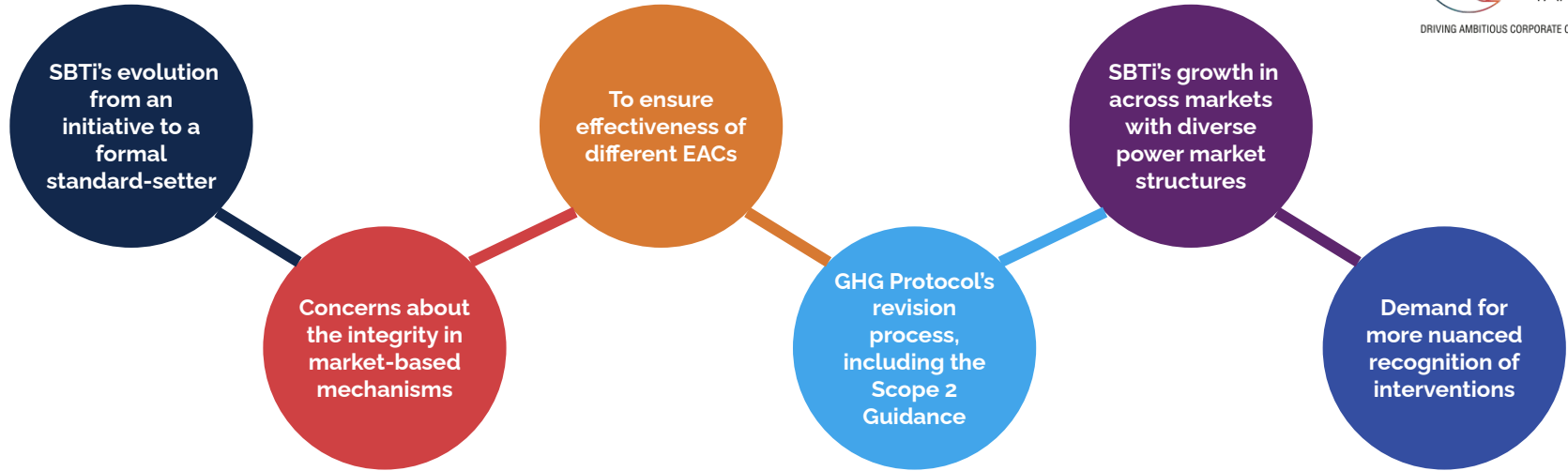
EWG Leads

Scope 2 Expert Working Group

Overview of EWG work to date


Scarlett Benson, EWG Lead
Ayla Dinçay, Buildings Lead
Abhilash Desu, Senior Target Analyst

Scope 2 in CNZS v2 | Why are we revising the approach?



ANNOUNCEMENT | 17 JUL 2023 | MARKETING@SBTi.COM
GHG Protocol Releases Summary of Scope 2 Guidance Survey Feedback

Summary Report of Scope 2 Guidance Survey Feedback Now Available




Evidence Synthesis Report Part 2: Environmental Attribute Certificates – Electricity

A synthesis of the relevant evidence on environmental attribute certificates for electricity submitted to the Science Based Targets initiative during the 2023 call for evidence on the effectiveness of environmental attribute certificates in corporate climate targets.

Version 1.0
March 2025



Nearly **600** renewable electricity sourcing targets



7469 with science-based targets

10299 businesses with targets and commitments



1652 net-zero targets

Scope 2 in CNZS v2 | What was proposed in the PC1 draft?

4 major updates...

- Separate targets:** Companies set distinct scope 1 & 2 targets.
- Mandatory location-based targets:** All companies set location-based scope 2 targets, plus *either* market-based or zero-carbon electricity targets.
- New criteria strengthen the effectiveness of market instruments:** Introduction of matching requirements.
- Flexibility for constrained grids:** Where companies lack access to zero-carbon electricity, sourcing from other grids was proposed as a time-limited alternative.

... to address current challenges with scope 2

Scope 2 challenges	CNZS V2.0 major updates		How does this help?
	Procurement- AND location-based targets	Best-practice market mechanisms	
Tracking market-based renewable energy procurement alone does not directly incentivize companies to support grid-wide emission intensity reduction			Location-based targets incentivize companies to take actions that support the reduction of the broader grid emissions, in addition to emissions from company-specific, market-based procurement
Use of unbundled renewable energy certificates (RECs) and guarantees of origin (GO) often fails in driving renewable energy deployment.			Incentivization of high-integrity, time- and geographically-matched market-mechanisms sourced in the same market to improve effectiveness of scope 2 targets



Scope 2 in CNZS v2 | What were the goals for this EWG?



Goal 1: Strengthen the credibility and effectiveness of scope 2 targets in accelerating energy system decarbonization.



Goal 3: Define clear and consistent criteria for zero-carbon electricity, including matching rules, quality criteria for EACs, and sourcing approaches.



Goal 3: Clarify and define differentiated requirements for 'constrained markets'.



Goal 4: Define the conditions, design features, and safeguards for company contributions to zero-carbon electricity in contexts where local sourcing options are constrained.

EWG Membership | Scope 2 EWG

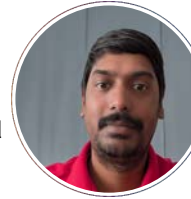
SBTi Team



Scarlett Benson
EWG Lead



Ayla Dinçay
Buildings Lead



Abhilash Desu
Senior Target Analyst



Aindrias Lefèvre
EDF Group



Alex Piper
EnergyTag



Doug Miller
Energy Peace Partners



Drew Beyer
RMI



Elliott Engelmann
GHG Protocol



Emma Saraff
Asia Clean Energy Coalition



Erik Landry
GRESB



Jinfeng Zhou
China BCGD Foundation



Kae Takase
Renewable Energy Institute



Lucile Bourguet
Fortescue



Matt Konieczny
Watershed



Matthew Brander
Univ. of Edinburgh



Mohanad Salah
SIDPEC



Molly Walton
WMB Coalition



Nicholas Fedson
CDP



Peggy Kellen
Center for Resource Solutions



Rachel Kitchin
Stand.earth



Rachel Swiatek
Climate Group



Roble Poe
Velasco-Rosenheim, The I-TRACK Standard Foundation

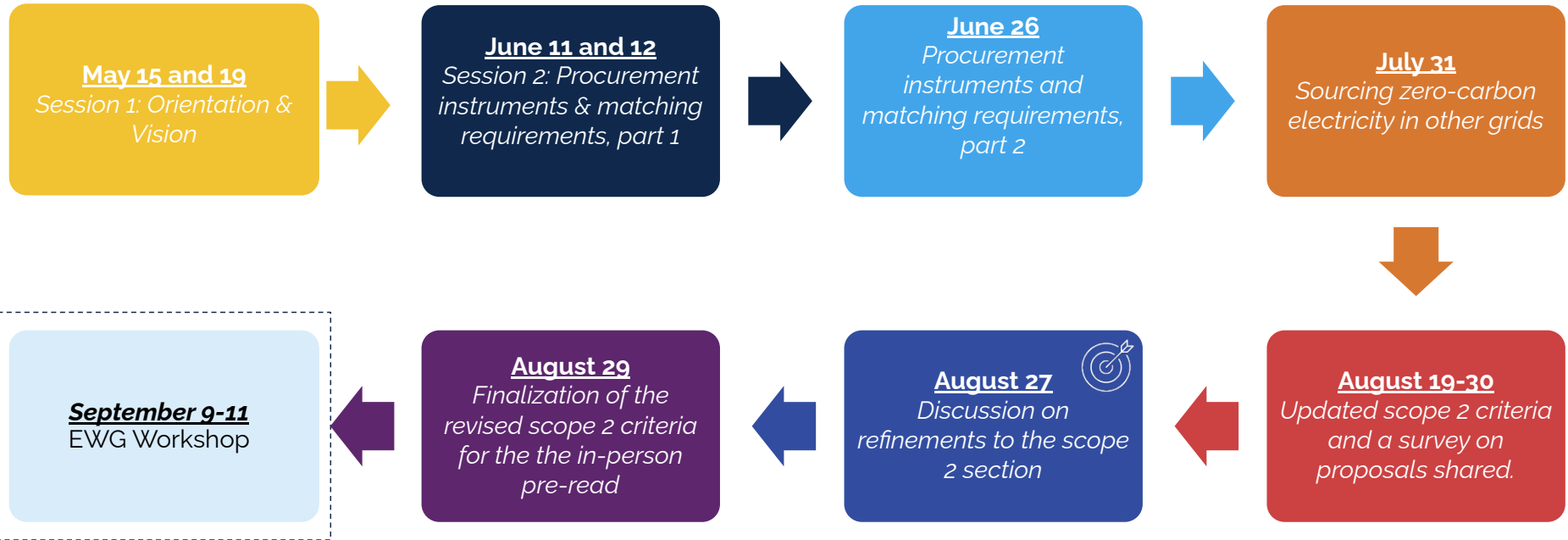


Skye Lei
ServiceNow

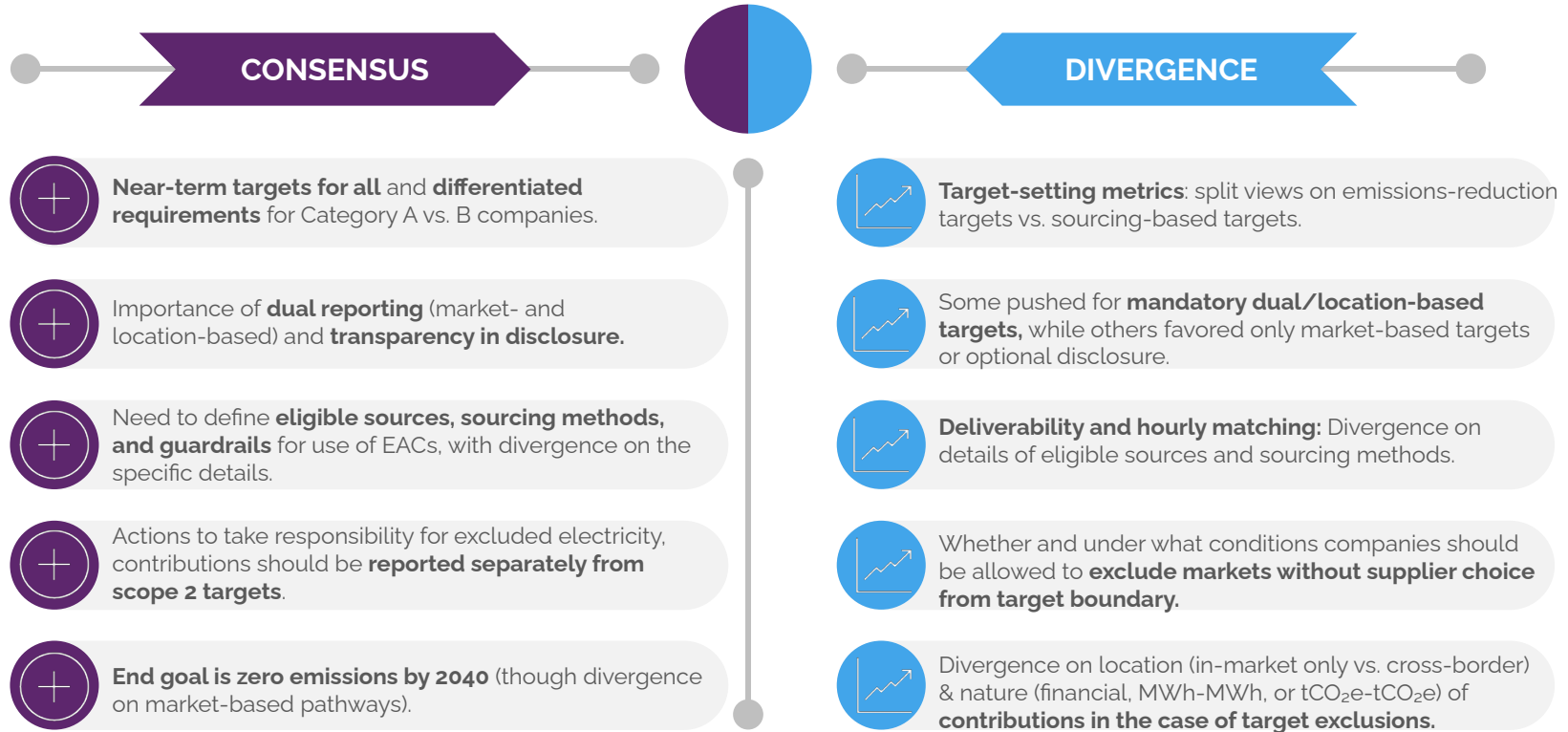


Chris St John Cox
Energy Systems Catapult

Timeline of work | Interactions to date



Key outcomes | Areas of consensus & divergence within scope 2



Where are we now | Updated scope 2 target-setting framework

High-level scope 2 requirements for category A companies

Set targets

Mandatory near-term target for Category A and B companies

Coverage: At minimum, 100% of sourced electricity. Electricity consumption may be excluded from boundary in markets where: (i) companies are not able to choose their electricity supplier; and (ii) no eligible EAC system is in place

Methods: Flexible:

- Alignment (% of electricity sourced)
- Emissions (% reduction in location- or market-based emissions)

Mandatory long-term target for Category A companies, optional for Category B companies

Coverage: 100% of sourced electricity, heat, steam and cooling.

Methods:

- Mandatory location-based emissions reduction target
- Optional
 - Alignment (% of electricity sourced)
 - Emissions (% reduction in market-based emissions)

Valid actions

Within target boundary:

Sourcing of ZCE that meets the criteria on: eligible sources (e.g., wind, solar...), eligible sourcing methods (e.g., retail supply contract with electricity supplier), corresponding quality criteria.

For excluded electricity consumption:

Finance additional zero-carbon electricity generation (MWh-for-MWh or CO2e-for-CO2e equivalent for, at a minimum, 100 % of the excluded electricity).

Within target boundary:

Sourcing of zero-carbon energy that meets the criteria on: eligible sources (e.g., wind, solar...), eligible sourcing methods (e.g., retail supply contract with energy supplier), corresponding quality criteria.

Topics for this workshop | Workshop objective and issues for whole group input

Workshop objective for scope 2: *Resolve areas where consensus is achievable, and identify the actions, evidence, and data points needed to address issues where divergence remains.*

1

Quality criteria
for [unbundled]
EACs

Some stakeholders see strict deliverability and hourly matching as essential for integrity, while others warn these requirements are infeasible in many markets and risk undermining participation.

Key question for discussion:

1. What quality criteria (e.g., deliverability, hourly matching) should apply for sourcing methods, including unbundled EACs?

2

Target boundary
and
potential
exclusions

Important that targets and claims clearly distinguish between actions that reduce a company's own transition risk (e.g., sourcing within the grid it depends on) versus compensatory actions (e.g., investing outside the grid).

Key questions for discussion:

1. Should electricity consumption in markets without supplier choice be excluded from target boundaries, and should action to take responsibility be required?
2. How should claims be framed to clearly distinguish between transition-risk reduction vs contributory actions?

3








Actions if/
when electricity
excluded from
boundary

Important to clarify whether contributions should count only in-market, extend across borders with safeguards, or include financial approaches.

Key questions for discussion:

1. Should contributions be restricted to in-market only, or also allow cross-border with safeguards?
2. Should financial contributions (e.g., carbon pricing, transition funds) count, and how should they be measured (MWh-MWh, tCO_2e-tCO_2e)

Areas for further work | What will be addressed at a later date?

Topic	Description	Dependencies for resolution
<p>Treatment of heat, steam, and cooling</p>	<p>The draft proposes that heat, steam, and cooling can be excluded from near-term targets, but requires all scope 2 emissions in long-term targets. Additionally, the currently proposed 2040 net-zero benchmark and underlying pathway are based on electricity generation. Further work is needed to assess implications of the exclusions and define pathways for non-electricity sources.</p>	<p>  Second public consultation feedback  Further SBTi research </p>
<p>Market-based emission reduction pathway</p>	<p>One option is to align the market-based pathway with the power sector pathway (as is proposed for location-based). This is arguably a flawed approach which undermines the purpose of MB accounting i.e., to reflect demand-side actions that accelerate renewable deployment and signal ambition beyond average grid trends.</p>	<p>  Second public consultation feedback  Further SBTi research </p>
<p>Thresholds for temporal matching</p>	<p>While there is broad recognition that moving beyond annual matching is essential for credibility, there is no consensus on what the minimum requirement should be (e.g., annual → monthly → daily → hourly) or how quickly expectations should tighten over time. Open questions include: what is technically feasible across different markets, what threshold balances ambition with accessibility, and whether phased milestones should be set.</p>	<p>  Second public consultation feedback  Pilot test </p>
<p>Consequential accounting</p>	<p>Work on consequential accounting for electricity will continue under the GHGP Actions and Market Instruments (AMI) workstream. Some sector-specific questions regarding avoided emissions are planned to be included in the GHGP's Scope 2 consultation in Q4 2025. However, it will not be a key feature of the consultation. Unclear how, or if, consequential accounting could fit into SBTi standards in the future.</p>	<p>  Further SBTi research (including engagement with GHGP) </p>

Questions?

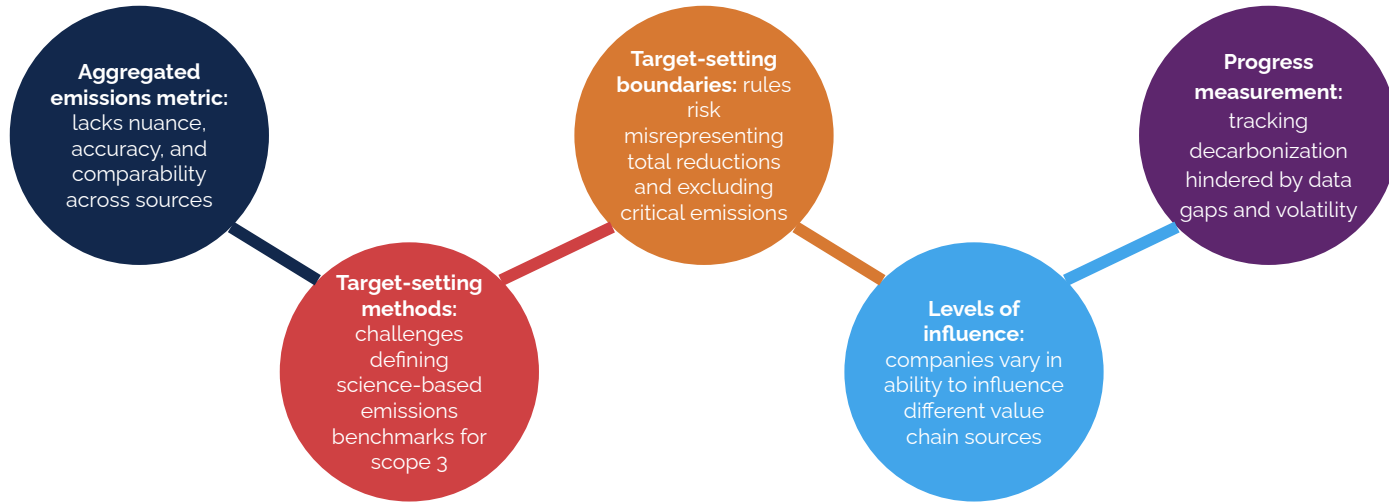
10 mins, until 11:55

Scope 3 Expert Working Group

Overview of EWG work to date

Hugo Ernest-Jones, Value Chains Lead
Giulia Camparsi, Value Chains SME
Eoin White, Research Lead

Scope 3 in CNZS v2 | Why are we revising the approach?



Scope 3 in CNZS v2 | What are we proposing in the PC1 draft?







Three major updates...

... to address current challenges with scope 3

Updated target boundary:
Boundary based on significant emissions, rather than a minimum percentage threshold.

Expanded target-setting options: Incorporation of additional, outcome-focused metrics for alignment targets, moving beyond absolute emissions or emissions intensity targets.

Mitigation actions:
Acknowledgment of the use of data and actions at the activity pool level and indirect mitigation (e.g., book and claim) on an interim basis for emissions with limited traceability

Scope 3 challenges	CNZS V2.0 major updates			How does this help?
	Updated target boundary	Alignment method	Delivery flexibility	
Scope 3 emissions heavily fragmented across emissions categories / sources				New boundary setting approach focuses on most significant emissions sources
Limited science-based rationale for scope 3 boundary (67%) and target setting methods				Boundary-setting based on significant emissions sources, rather than arbitrary percentage. Alignment metrics taken from science-based benchmarks e.g., SDA.
Existing methods not suitable for all companies (e.g., transition-aligned growth)				Alignment method includes metrics that track with company growth or structural change, e.g. sold/leased-product alignment with credible taxonomies (Indicator-CNZS.11)
Inconsistencies in calculating scope 3 emissions & limited supplier specific data				Alignment-based targets track progress based on SDA intensity or non-emissions benchmarks, reducing reliance on absolute emissions estimates
Limited ability to influence change e.g., with tier 2 suppliers / customers				Indirect mitigation mechanisms may be used for where there is limited traceability or availability of direct mitigation options.



Scope 3 in CNZS v2 | What were the goals for this EWG?



Goal 1: Define credible metrics and approaches for net-zero alignment both upstream (procurement) and downstream (revenue and products).



Goal 2: Establish minimum levels of traceability and evidence for direct mitigation claims



Goal 3: Develop a credible and practical approach to defining the scope 3 target boundary.



Goal 4: Develop minimum guardrails for when and how companies can credibly use indirect mitigation

Scope 3 in CNZS v2 | EWG Members

**SBTi
team**



Hugo Ernest-Jones
Value Chains Lead



Giulia Camparsi
Value Chains SME



Eoin White
Research Lead



Aditya Mishra
Proforest Europe



Alan Lewis
Smart Freight Centre



Alissa Benchimol
GHG Management
Inst.



Alli Devlin
ResponsibleSteel



Andreas Chang
Greenpeace USA



Asmita Marathe
Bureau Veritas



Derik Broekhoff
Stockholm Env.
Institute



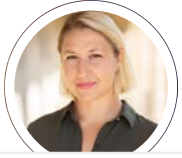
Eleanor Bastian
Amazon



Frederic Hans
NewClimate Inst.



Gibrán Vita
Rabobank



Kaya Axelsson
Oxford Net-Zero



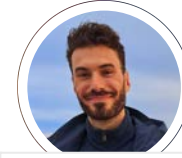
Krutarth Jhaveri
Apple



Lachlan Wright
Rocky Mountain
Inst.



Laura Hutchinson
Center for Green
Market Activation



Leonardo I. Boeri
A.P. Moller-Maersk



Lydia Elliott
WMBC



Miriam Kugele
Aga Khan University



Nicolas Clerget
Heineken



Sam Van den plas
Carbon Market Watch



Silvana Paniagua
VCI

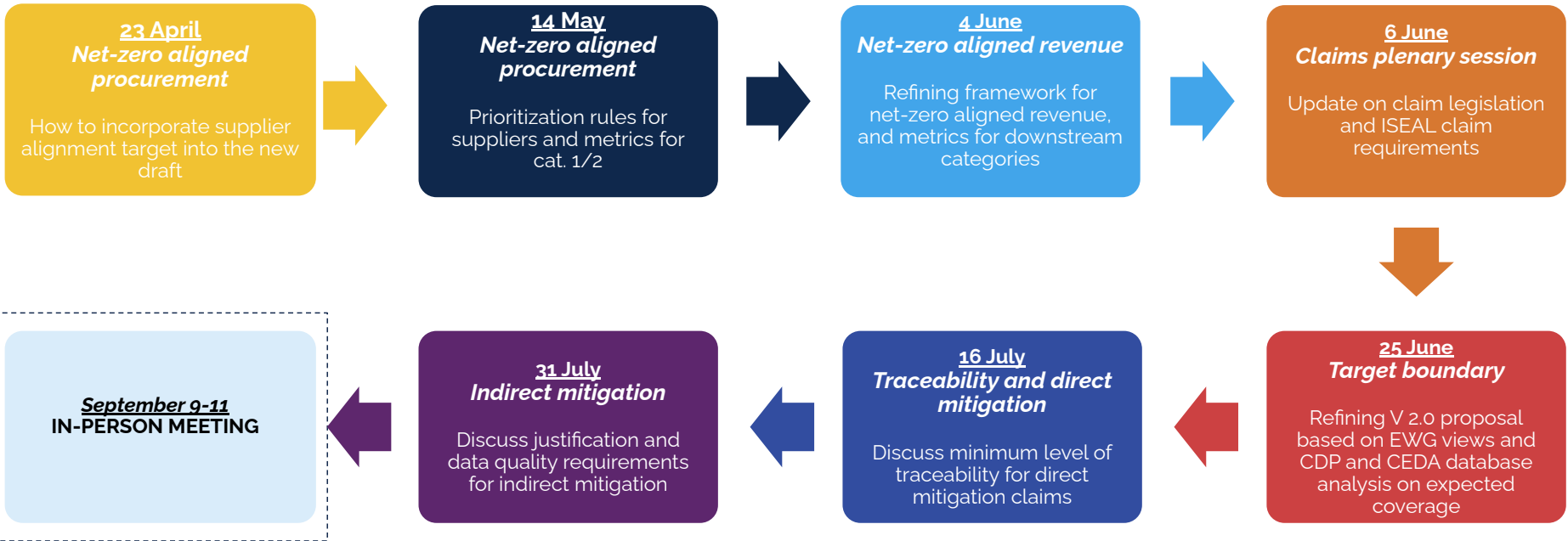


Sriram Rajagopal
IKEA



Svend Hansen
Ørsted

Timeline of work | Interactions to date



Key outcomes | Areas of consensus & divergence within Scope 3

CONSENSUS



Boundary: support for 5% significance threshold at category level; activity thresholds considered redundant



Activity-level targets: support for activity-level targets on EIAs (5% threshold proposed) unless justified



Supplier engagement: should be optional with ambition adjusted to 80% alignment by 2035 prioritising EIAs



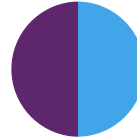
Alignment metrics (upstream): upstream alignment based on % vol/emissions with spend as back up. Allow "in-transition" benchmarks.



Direct mitigation: requirement to demonstrate a credible level of physical connectivity.



Indirect mitigation: permitted in interim action (no specified cutoff) where connectivity or availability not feasible; incentivize DM through claims framework



DIVERGENCE



Boundary: 90% min. coverage requirement due to sufficient coverage, simplicity and risk of including insignificant emissions



Activity-level targets: whether activity-level targets on significant EIAs should be mandatory or recommended due to data barriers



Integrated alignment targets: divergent views on integrating entity and activity alignment targets



Alignment metrics (downstream): mixed view on use of revenue to assess alignment with preference for phase out targets for FFs and unit-based metrics



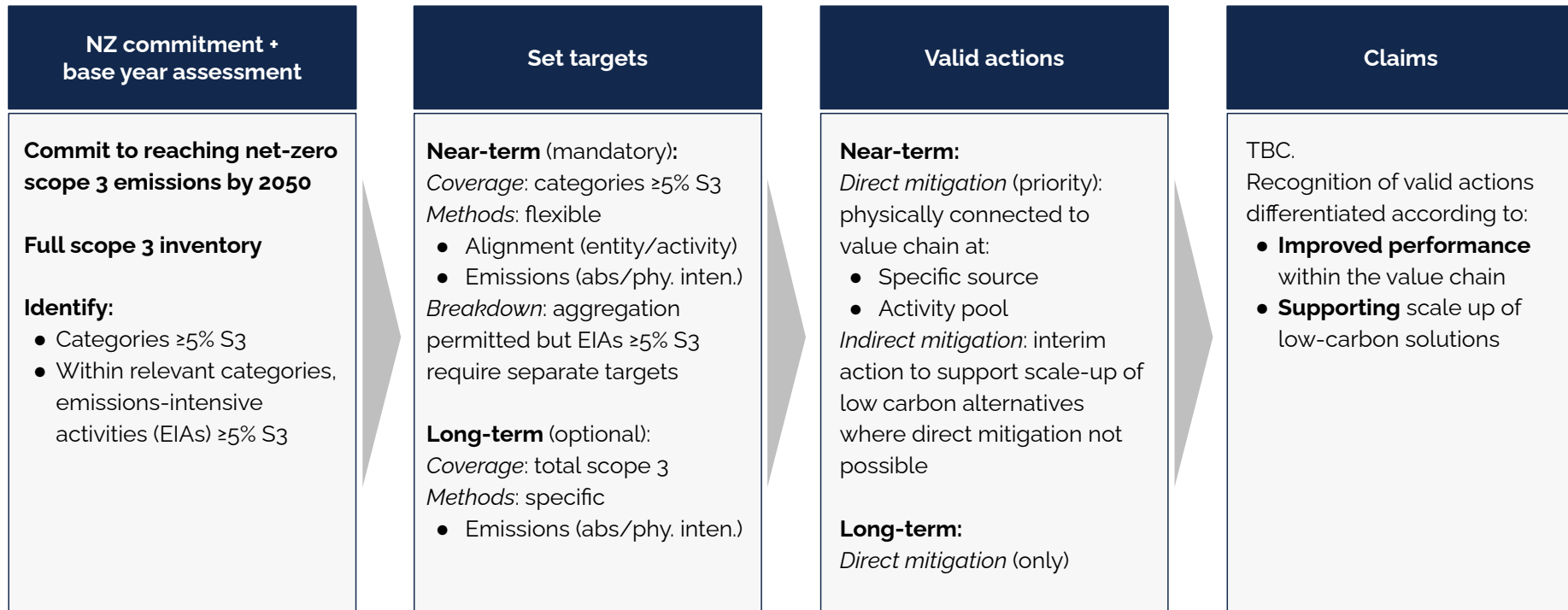
Direct mitigation: divergent views on cutoff for mass balance (site vs multi-site)



Indirect mitigation: divergent views on claims and whether it should be permitted only for alignment (not emissions targets)

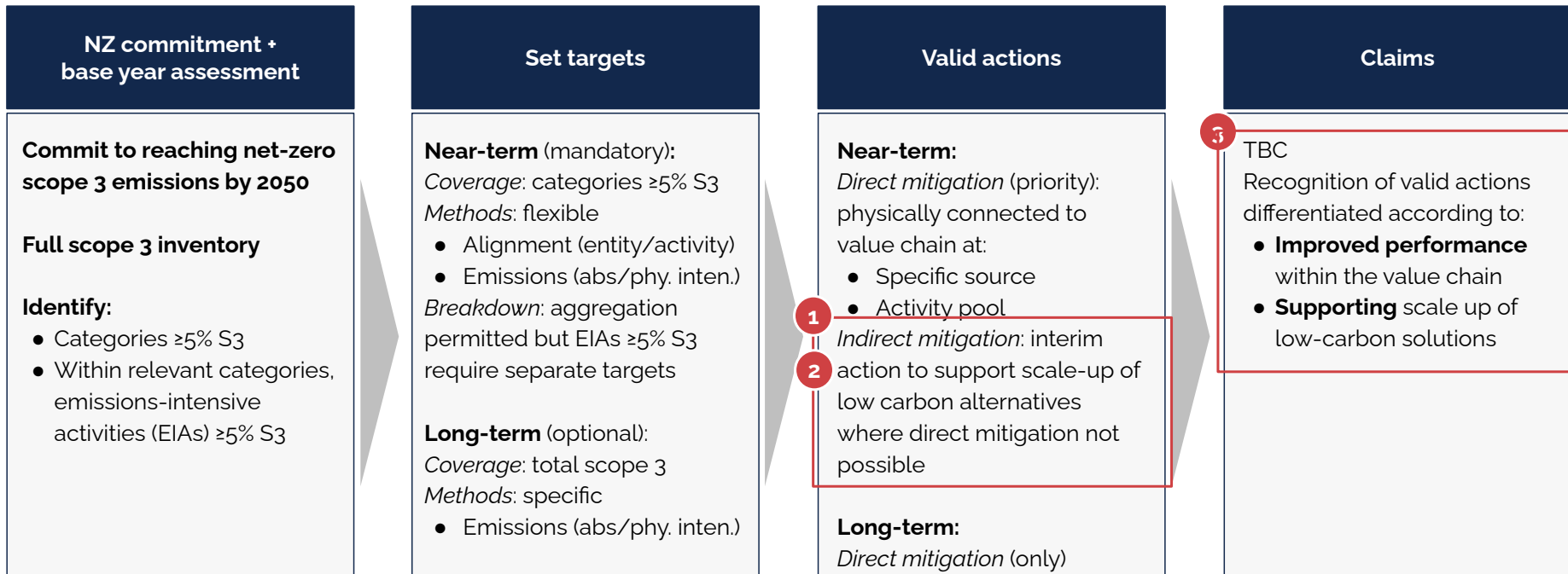
Where are we now | Updated scope 3 target-setting framework

High-level scope 3 requirements for category A companies









Where are we now | Workshop objectives

High-level scope 3 requirements for category A companies



- 1 Justifications: when indirect mitigation is a valid action
- 2 Quality criteria: quality requirements for certificates
- 3 Claims: framework for S3 performance and claims

Areas for further work | What will be addressed at a later date?

Topic	Description	Dependencies for resolution
Target coverage	<ul style="list-style-type: none">• Should the SBTi consider limiting scope 3 targets to a specific tier (e.g. tier 2 operational emissions)?• Receive feedback on allowable exclusion incorporated in Table 5 to cover the concept of influence.	 Second public consultation feedback  Pilot test  Further SBTi research
Integrating activity and entity-level alignment targets	<ul style="list-style-type: none">• SBTi is exploring whether alignment at the activity and entity levels could be aggregated together to allow for more flexibility based on the type of data available to companies	 Pilot test  Second public consultation feedback
Fossil fuel revenue target	<ul style="list-style-type: none">• PC2 will explore the revenue threshold for requiring companies generating revenue from sale of fossil fuels to set phase out targets	 Second public consultation feedback

Questions?

15 mins, until 12:30

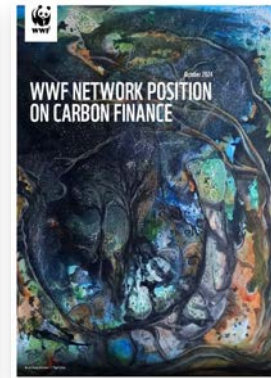
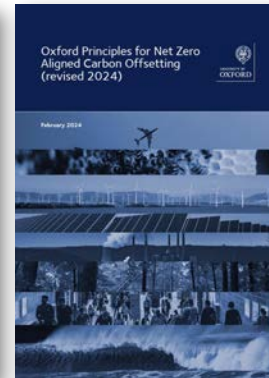
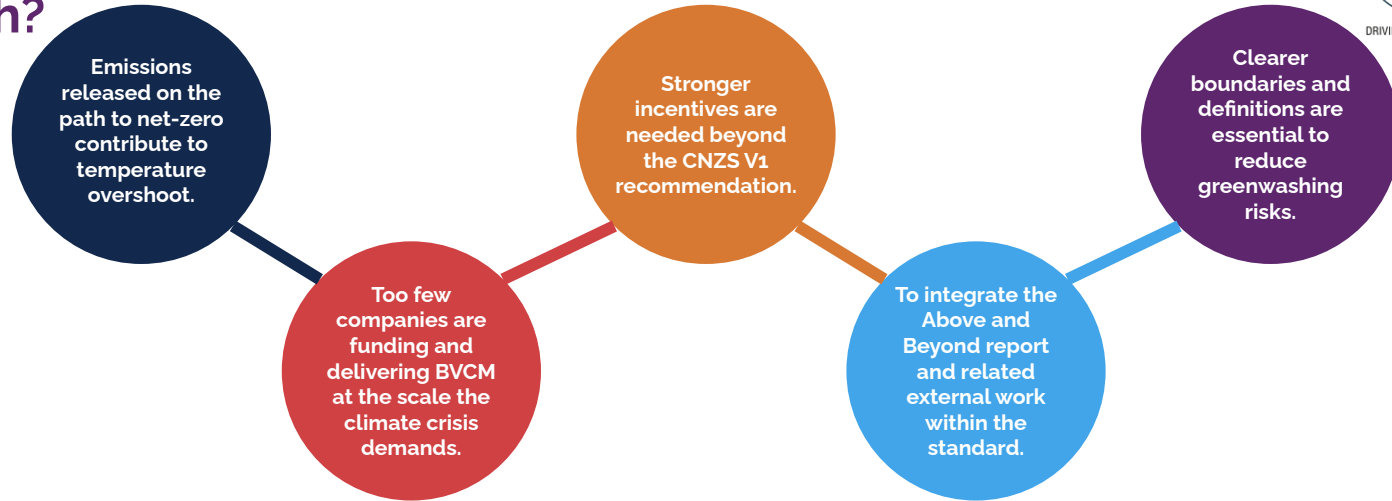
Ongoing Emissions and CDR Expert Working Groups

Overview of EWG work to date

Scarlett Benson, BVCM EWG Lead
Alice Farrelly, BVCM SME

Humphrey Adun, SME Research
Piera Patrizio, Head of Research

Ongoing emissions in CNZS v2 | Why are we revising the approach?







Ongoing emissions in CNZS v2 | What was proposed in the PC1 draft?

2 major updates...

... to further incentivize responsibility for ongoing emissions

1. SBTi to **formally recognize** companies that take responsibility for ongoing emissions.

2. Introduction of **eligibility criteria** that companies must meet in order to be recognized.

CNZS V2.0 major updates			
Ongoing emissions challenges	Optional leadership recognition	Eligibility criteria	How does this help?
Too few companies are delivering and funding BVCM - a stronger incentive is needed.			The Above and Beyond consultation found that the strongest incentive for BVCM would be clear criteria, validated targets, and formal recognition.
Companies have varying resources to deliver BVCM.			Optional recognition maintains inclusivity, allowing companies that wish to go above and beyond to demonstrate leadership.
Recognizing BVCM could enable greenwashing and detract efforts from value chain decarbonization.			Sets a clear scope of ambition, defines eligible activities and quality standards, and requires companies to progress in-value-chain abatement targets before recognition.



Ongoing emissions in CNZS v2 | What were the goals for this EWG?



Goal 1: Define what activities and support mechanisms are eligible for recognition for taking responsibility for ongoing emissions.



Goal 2: Define the scale of the contribution required for recognition, either in terms of a financial or mitigation contribution.



Goal 3: Define how companies can sufficiently demonstrate high-integrity BVCM activities.



Goal 4: Develop a recognition and claims frameworks that incentivizes companies to take responsibility for their ongoing emissions.



Goal 5: Define what level of performance is required on within value-chain abatement targets to be eligible for ongoing emissions responsibility recognition.

EWG Membership | BVCM & Ongoing Emissions

SBTi Team



Alice Farrelly
SME BVCM



Scarlett Benson
EWG Lead



Aisha Rodriguez
VCMi



Cindy Chiang
Netflix



Daniel Schneiders
Bayer AG



Elijah Innes-Wimsatt
Conservation
International



Melissa Chavana
SIG Combibloc



Morten Rossé
Lombard Odier Asset
Managers



Nathan Truitt
American Forest
Foundation



Nicolas Kreibich
Wuppertal Institute



Omonigho Erigha
Persistent Energy Capita



Billie Wilcox Brooke
ISEAL



Sophie Louise Gladov
Ørsted



Sunita Purushottam
Mahindra Lifespaces



Tim Clairs
Forest Integrity



Giulia Carbone
WBCSD



Robert Höglund
Marginal Carbon AB



Abigail Paris
As You Sow



Seruni Salsabila
Catalyst of Change
ASEAN (CoC ASEAN)



Jacqueline Persson
Oxfam

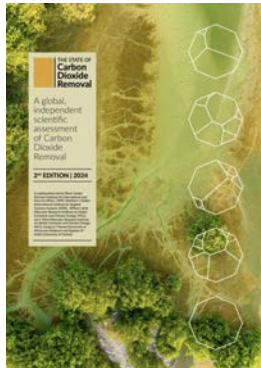
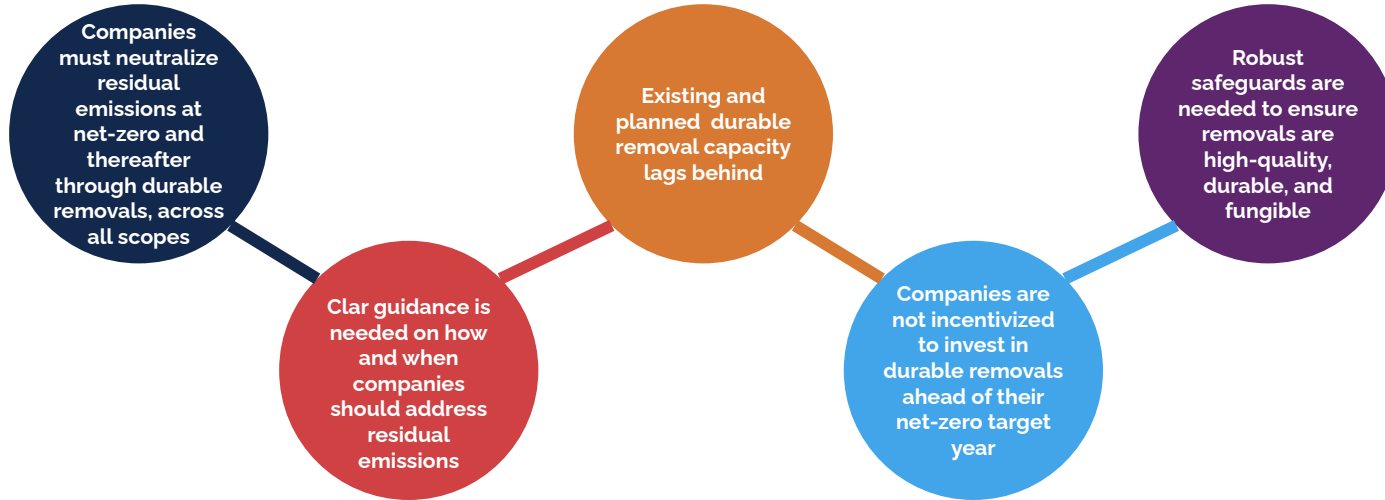


Jessica Omukuti
University of Oxford



Gilles Dufrasne
European Commission

CDR in CNZS v2 | Why are we revising the approach?







CDR in CNZS v2 | What was proposed in the PC1 draft?

2 major updates...

... to strengthen integrity and accountability for residual emissions

1. Interim removal targets:
Companies are incentivized to progressively address their residual emissions on the way to net-zero

2. Introduction of durability thresholds that define which removals are eligible to count towards removal targets

Residual emissions/CDR challenges	CNZS V2.0 major updates		How does this help?
	Incentive to address residuals before net-zero	Defining durability threshold of removals	
Companies are not incentivized to invest in durable removals at the pace needed to address their residual emissions			Provides options for companies to gradually increase removals over time prior to the net-zero year
Potential low supply of durable removals in the near term			1) Companies can choose increased scope 1 reductions in lead-up to net-zero in lieu of removals. 2) Set out two approaches to minimum durability, one assuming a progressive rise in durable removals toward net-zero
Robust safeguards are needed to ensure removals are high-quality, durable, and fungible			Durability thresholds determine eligible removals and ensure that, at net-zero, their permanence is sufficient to safeguard the credibility of the claim



CDR in CNZS v2 | What were the goals for this EWG?



Goal 1: Define the incentive models that drive science-based scaling of additional mitigation actions to address residual emissions



Goal 2: Define which design options to address residual emissions aligns with SBTi principles



Goal 3: Define the durability requirement removal intervention must fulfill to count as a credible approach to addressing residual emissions



Goal 4: Assess the feasibility and implementation risks of the proposed framework and identify options that can mitigate these risks

EWG CDR members

SBTi Team



Piera Patrizio
Head of Research



Humphrey Adun
SME Research



Noel Gurwick,
University of Maryland



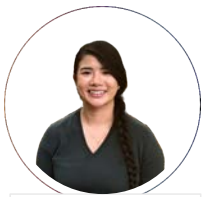
Shantanu Agarwal
Mati Carbon



Sarita Severien
Suzano



Fiona Perera
Gold Standard



Mai Bui
Supercritical



Toby Bryce
Yale centre for NCC



Thuy Phung
PepSiCo



Sifa Kinoti
Octavia Carbon



John Dulac
Saint Gobain



Matt Ramlow
WRI/GHG Protocol



Ankita Garg
Vahara ClimateAg



Fabiola De Simone
Carbon Market
Watch



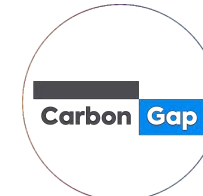
Ryan Maloney
Apple



Lene Peterson
WWF



Thea Lyngseth
ECOS



Louis Uzor
Carbon gap



Silke Mooldijk
New Climate Institute



Eva Tamme
Climate Principles



Injy Johnstone
Oxford Net Zero



Hannah Hunt
Heineken



Kelly Mcnamara
Food system
innovations

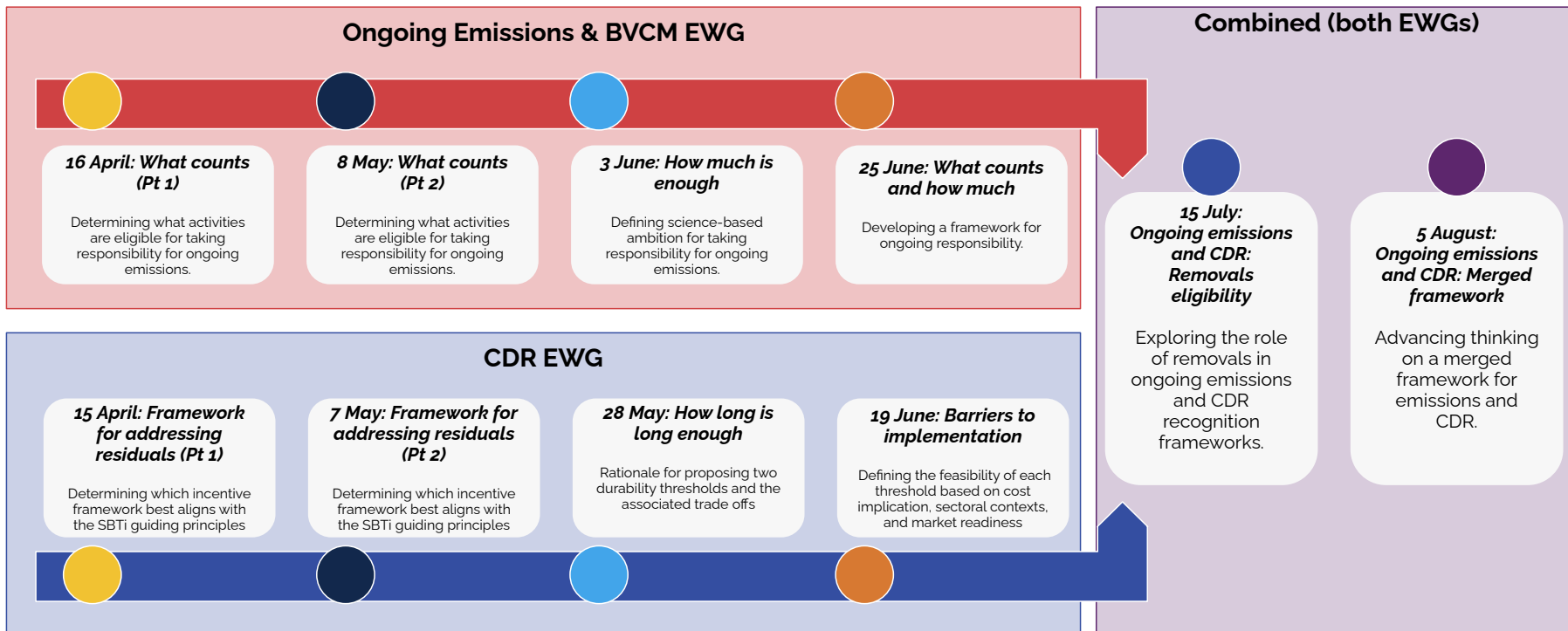


Eva Massa
Cemex SBA



Sarita Marques
Suzano

Timeline of work | Interactions to date across both EWGs



There was also the 6th June joint EWG claims plenary session with an update on claim legislation and ISEAL claim requirements

Ongoing Emissions & BVCM EWG

- Proposal for **"tiered recognition"** shared w. EWG ahead of 25 June.
- Survey results and open discussion revealed **broad support** for:
 - "Opt-out" disclosure requirement
 - Achievable "entry-level" tier
 - High ambition "full responsibility" tier
 - Ladder of responsibility (between entry level and full recognition) incentivized through transparency
- **Areas of divergence and details to be ironed out:** thresholds and eligible outcomes at each tier, eligibility of ex-ante investments.

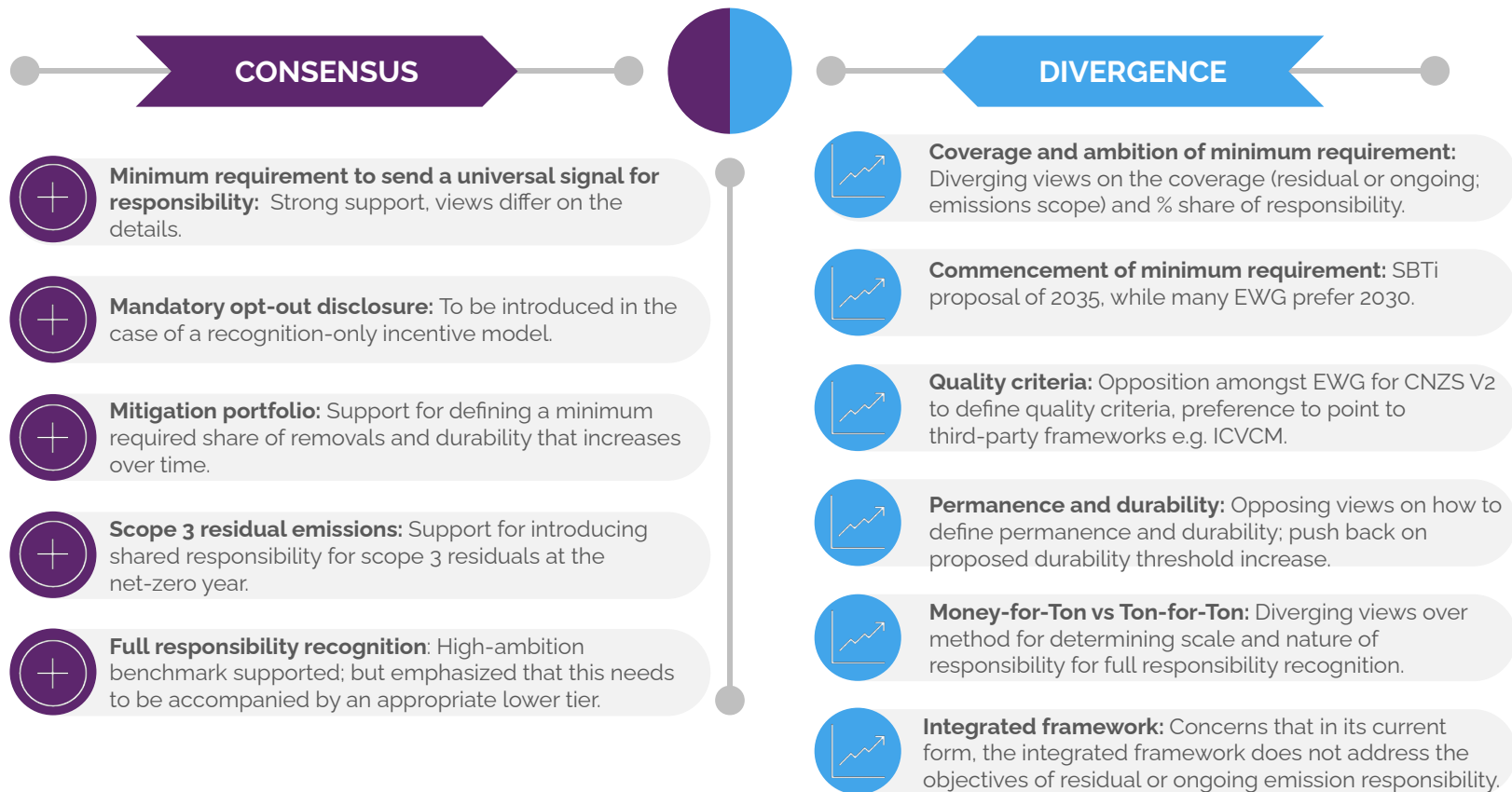
CDR EWG

- **Emerging support** for requirement-based incentive, citing clear market signal for CDR uptake.
- Preference for **linear scaling of removals**.
- **Concerns on feasibility:** availability of high-quality removal credit, and sectoral challenges.
- Diverging views on durability approaches - more support for a **"portfolio approach"**.
- Feasibility assessment highlighted significant costs barriers, prompting consideration of a **recognition based incentive model**.

Joint sessions

- Broad agreement that if removal targets are recognized (not required), in the interest of **simplicity**, we needed to develop an **integrated framework**.
- SBTi presented options for integration, with EWG support for both of the following:
 - (1) A **low level minimum requirement** for Cat A companies starting from 2030 or as soon as possible and increasing over time.
 - (2) A **2040 requirement for Cat A companies** to take responsibility for **100% of ongoing emissions**.
- After internal SBTi deliberations, a proposal was sent to EWG on 15 August date, alongside a survey.
- Survey results and direct communications indicate many EWG members **do not support the latest proposal**.

Where are we now | Areas of consensus and divergence



Topics for this workshop | Workshop objective and issues for whole group input

Workshop objective for *Ongoing and Residual emissions responsibility*: To explore the incentive model and corresponding design parameters for ongoing and residual emissions, with a deep dive into permanence and durability

1

Incentive model and design parameters

The framework must incentivize the objectives of addressing temperature overshoot and scaling highly durable CDR. We need a design that balances ambition with feasibility while ensuring value chain decarbonization remains the priority.

Key questions for discussion:

1. How to balance feasibility vs ambition in the incentive model?
2. What's the minimum "entry-level" action that still drives behavior?
3. Should ongoing and residual frameworks be integrated, or kept distinct with bridges?

2

Defining permanence and durability

Important in ensuring that mitigation outcomes genuinely balance the long-lived effects of GHGs in the atmosphere. It is equally important for considering feasibility, costs, and the need to scale both nature-based and engineered solutions.

Key questions for discussion:

1. How to balance near term scaling of durable solution vs their feasible implementation?
2. What minimum durability should be required in the near term?
3. At the net-zero year what count as mitigation?

3









Quality criteria and claims

Clear quality criteria and claims guidance define what good looks like and set expectations for substantiation, giving companies the confidence to act and communicate.

Key questions for discussion:

1. For v2.0, what is the level of detail needed on quality criteria, in recognition that SBTi is likely to introduce a formal recognition framework for specific certification systems in the future?
2. Does the distinction between claims resolve concerns about greenwashing while still incentivizing finance?

Areas for further work | What will be addressed at a later date?

Topic	Description	Dependencies for resolution
Incentive framework Permanence and durability Quality criteria	<ul style="list-style-type: none">Topics that have been under ongoing discussion with the EWG. While progress has been made, further work is needed to refine approaches and move towards resolution after today's workshop.	<ul style="list-style-type: none"> Second public consultation feedback Pilot test Further SBTi research
Carbon prices	<ul style="list-style-type: none">Whether to require or recommend specific carbon prices. What constitutes a "science-based carbon price"? Exploration of options for differentiated carbon pricing by scope.	<ul style="list-style-type: none"> Pilot test Further SBTi research
Validation of eligible activities and mechanisms	<ul style="list-style-type: none">Define validation processes and evidence requirements to ensure the integrity of activities and support mechanisms, particularly where outcomes are harder to measure.	<ul style="list-style-type: none"> Second public consultation feedback Pilot test Further SBTi research

Questions?

15 mins, until 13:10

Data Quality, Assurance and Claims Expert Working Group

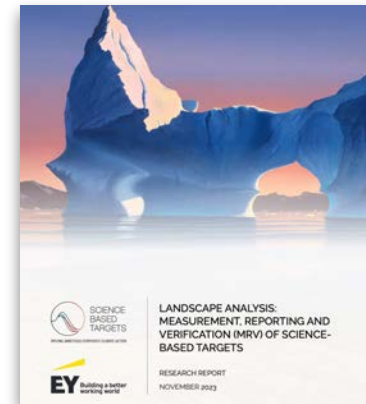
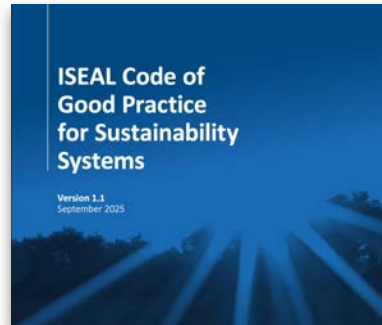
Overview of EWG work to date

Emma Watson, Head of Corporate Standards

Erin Lasher, MRV Manager

Beatriz Garcia Navarro, Claims & Assurance Lead (new starter)

Claims in CNZS v2 | Why are we revising the approach?







Claims in CNZS v2 | What was proposed in the PC1 draft?

3 major updates...

... to address current challenges with Data Quality, Assurance and Claims

1. Introduction of a claims framework
2. Introduction of performance assessment
3. Mandatory assurance and increasing traceability

Challenges	CNZS V2.0 major updates			How does this help?
	Claims framework	Performance assessment	Assurance & traceability	
Inconsistency in company communications				Standardization of how companies can communicate about their targets
Lack of accountability on target outcomes				Provides a consistent framework for assessing and communicating target performance
Data quality challenges				Provides incentive to improve data, leading to more robust substantiation



Claims in CNZS v2 | What were the goals for this EWG?



Goal 1: Identify the type of claims to include in the framework



Goal 2: Develop a path forward for ambition claims



Goal 3: Identify further gaps that must be addressed within an SBTi claims system



Goal 4: Identify options for design of performance claims

EWG Membership | Claims EWG

**SBTi
Team**



Erin Lasher
MRV Manager



Emma Watson
Head of
Corporate
Standards



**Beatriz Garcia Navarro -
NEW STARTER**
Claims and Assurance
Lead



Aaron Wu
Slaughter & May



Akshita Gupta
Greengage Environmental



Ana Behr
UL Solutions



Brad Schallert
Winrock Intl



Chris Bayliss
Aluminium Stewardship



Claire Wigg
Exponential Roadmap



Dan Magrath
Gold Standard



Florian Pothin
Toovalu / University of
Rennes



Laura Mora
Ecoverify



Laurence Opie
Green Guarantee Co.



Martha Stevenson
WWF



Max Eichelbaum
RSB



Paola D. Luna
Accountability Accelerator



Patrick Mallet
ISEAL



Polly Hemming
Australia Institute



Sangwon Suh
Watershed



Stephanie Glazer
RMHC



Tatiana Boldyreva
CDP



Vincent Kong
Sun Hung Kai Properties

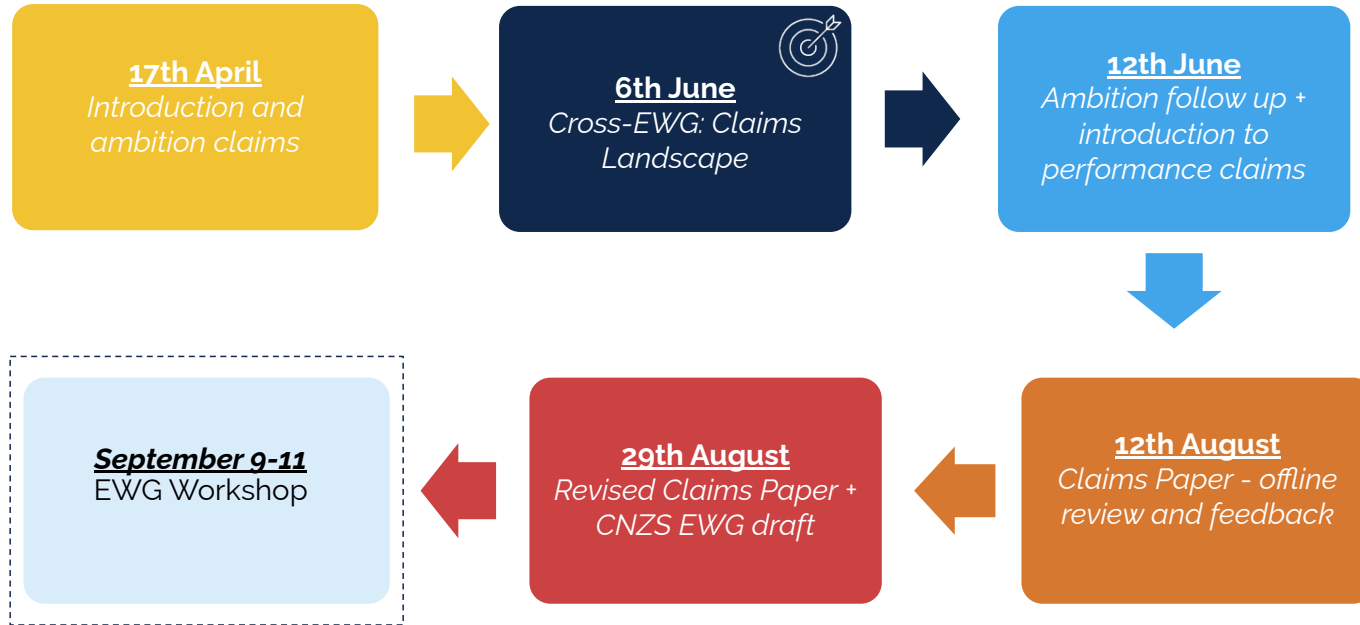


Vita Jarolimkova
SRT Group

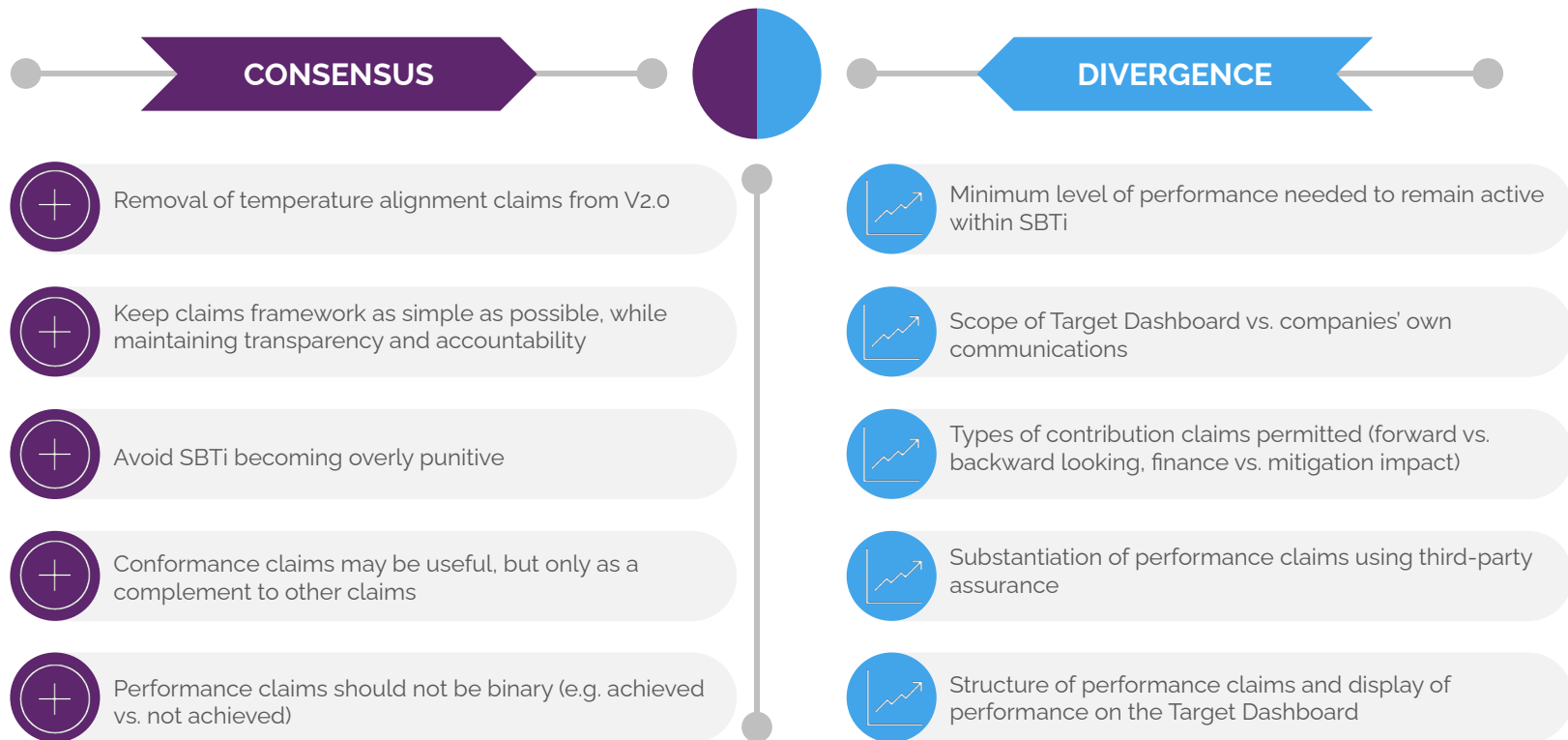


Wren Montgomery
Western University

Timeline of work | Interactions to date



Key outcomes | Areas of alignment and divergence



Topics for this workshop | Workshop objective and issues for whole group input

Workshop objective for Claims: Identify potential paths forward for the three most critical pending claims framework topics.

1

Indirect mitigation claims

Indirect mitigation can be used to substantiate progress against scope 3 alignment targets. Nevertheless, it is unclear whether this should count as target achievement or contribution toward target progress.

Key questions for discussion:

1. What claim should be used to recognize IM efforts?
2. What type of claim represent a sufficient incentive to push companies toward direct mitigation measures?

2

Ongoing & residual emission contribution claims

There is a need to ensure claims relating to responsibility for ongoing and residual emissions are not conflated with value chain claims. Moreover, we propose distinguishing between "Mitigation Impact Contribution" claims and "Climate Finance Contribution" claims to ensure impact claims relate to verified ex-post outcomes..

Key questions for discussion:

1. Do proposed claims resolve concerns about greenwashing while still incentivizing finance?

3

Fair and effective performance claims

To be effective, performance claims must incentivize continuous improvement and learning without being overly complex or punitive.




Key questions for discussion:

1. How can performance claims recognize genuine ambition and effort, whilst safeguarding against incentives to underdeliver?
2. How can we use performance assessments to not only track delivery but also drive learning and stronger future action?

Areas for further work | What will be addressed at a later date?

The Corporate Net-Zero Standard V2.0 will provide a high-level framework for claims, including:

- Types of claims available
- Principles for claims making
- Eligibility for certain claims types

Topic	Description	Dependencies for resolution
<div style="background-color: #1a3d54; color: white; padding: 20px; text-align: center;">Claims monitoring</div>	<p>The SBTi will be developing Claims System documents to complement the Corporate and Financial Institutions Net-Zero Standards, which will include:</p> <ul style="list-style-type: none"> • Types of sub-claims available • Detailed requirements for each type of claim • Claims monitoring • Other procedural elements 	<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">➤</div> <div style="display: flex; flex-direction: column; gap: 10px;"> <div style="display: flex; align-items: center;"> <div style="background-color: #6a3d9a; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin-right: 5px;">  </div> <p>Second public consultation feedback</p> </div> <div style="display: flex; align-items: center;"> <div style="background-color: #6a3d9a; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin-right: 5px;">  </div> <p>Further collaboration</p> </div> </div> </div>
<div style="background-color: #e67e22; color: white; padding: 20px; text-align: center;">Detailed claims requirements</div>		<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">➤</div> <div style="display: flex; align-items: center;"> <div style="background-color: #6a3d9a; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin-right: 5px;">  </div> <p>Further SBTi research</p> </div> </div>



CLAIMS FRAMEWORK - DRAFT FOR EWG MEMBERS

OVERVIEW AND OUTSTANDING ISSUES

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About this document

This document is a work in progress and reflects the SBTi's current thinking informed by input from the Claims Expert Working Group (EWG) and public consultations as of August 2025. This paper has been developed to support engagement and feedback from EWG members and does not represent final decisions or consensus views. We seek to gather input on the current thinking, particularly related to the EWG discussion topics listed throughout, and expect to evolve this framework as we move through the standard revision process.

1. Introduction

Stakeholders, particularly investors, see validated science-based targets (SBTs) as a key signal that a company is preparing for long-term competitiveness in a decarbonizing world. SBTs indicate credible, forward-looking ambition to reduce emissions, and innovate to meet the demands of a climate-constrained economy.

Arguably the strongest indicator that a company is managing its transition risk is whether its inventory emissions are declining over time. However, not all meaningful actions lead to immediate changes in inventory emissions. For example, companies may purchase look-and-claim certificates for emerging low-carbon commodities, such as green steel or sustainable aviation fuel, in order to catalyze demand and accelerate market development. Others may invest in the protection and restoration of ecosystems that are ecologically linked to their operations or supply chains. These actions may not show up directly in a GHG inventory, but can play a critical role in building long-term resilience, securing future access to key inputs, and shaping the conditions for decarbonization at scale.

The draft Corporate Net-Zero Standard V2.0 reflects this broader understanding of what it takes to manage transition risk and meaningfully contribute to global net-zero efforts. While direct emissions reductions remain central, the draft introduces new mechanisms to validate and incentivize a wider range of actions, including activity pool-level interventions, indirect mitigation where traceability is limited, interim targets for removals, and recognition of action taken to mitigate emissions beyond the value chain.

As corporate climate strategies become more sophisticated, the types of claims companies make are naturally proliferating. This reflects a broader and evolving landscape of climate action. In parallel, the broader landscape is becoming more complex. Regulators in multiple

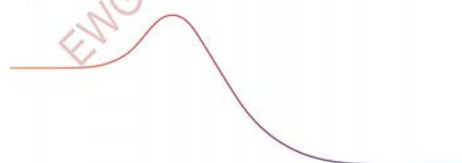


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SBTi CORPORATE NET-ZERO STANDARD VERSION 2.0

Draft for Expert Working Group review

August 2025



The Claims Paper contains the current proposed framework, including:

- Entry
- Ambition
- Contribution
- Achievement
- Conformance

The latest CNZS draft includes:

- Criteria for claims
- Annex of claims types

Questions?

5 mins, until 13:30

Reflections on EWG Overviews

Invitation for EWG Members to reflect (45 mins)

Setting the scene for cross-cutting themes

15:15 – 15:45 (*15 min presentation, 15 min Q&A*)

Alberto Carrillo Pineda, Chief Technical Officer

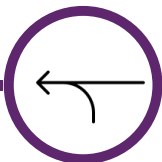
Scene setting | CNZS V2.0 includes five mitigation strategies to incentivize science-based corporate climate action

Mitigation approach	Description	Outcome
1 Direct mitigation	Actions to mitigate emissions that are physically linked to value chain activities and traceable to specific emissions sources or activity pools.	Reduces company's value chain emissions Reduces company transition risk by addressing exposure to high-emitting assets and processes.
2 Indirect mitigation	Actions that contribute to transformation relevant to the value chain to address barriers that prevent direct mitigation today (technology availability, traceability feasibility, or market access).	Accelerates system-wide decarbonization by contributing to scale-up new technologies relevant to the company's value chain Enables future access to low-carbon inputs , shaping market conditions, and signaling demand.
3 Ongoing emissions responsibility	Supplementary climate finance and mitigation outcomes on the path to net-zero (i.e., over and above what a company delivers under #1 and #2).	Increased climate finance accelerating climate mitigation outside of a company's value chain Directs capital to areas that underpin future operating environments: e.g., nature restoration to secure supply chains/ R&D to reduce cost of future abatement and removals.
4 Residual emissions responsibility (before net-zero)	Progressive ramp-up of removals before net-zero to take responsibility for emissions that we expect to remain at the net-zero target year .	Expands high-durability removal capacity to meet future demand. Secure early access to affordable, high-quality removals; hedges against future price spikes and scarcity.
5 Neutralization (at & after net-zero)	Neutralize all residual emissions at the target year and maintain thereafter (through removals).	Net-zero integrity - halting warming by fully counterbalancing GHGs, Ensures long-term continuity of claims and compliance in a net-zero economy; Protects against reputational, regulatory, and market risks by proving permanent balance.

Scene setting | Outstanding questions remain to progress to 2nd public consultation

Mitigation approach	Description	Key outstanding questions
1 Direct mitigation	Actions to mitigate emissions that are physically linked to value chain activities and traceable to specific emissions sources or activity pools.	<ul style="list-style-type: none"> • What quality criteria apply when direct mitigation is substantiated through EACs (scopes 1-3)
2 Indirect mitigation	Actions that contribute to transformation relevant to the value chain to address barriers that prevent direct mitigation today (technology availability, traceability feasibility, or market access).	<ul style="list-style-type: none"> • How can the use of indirect mitigation be justified? • Should it "count" towards value chain targets or fall under a separate target boundary? • What can companies claim? • What quality criteria apply when indirect mitigation is substantiated through EACs?
3 Ongoing emissions responsibility	Supplementary climate finance and mitigation outcomes on the path to net-zero (i.e., over and above what a company delivers under #1 and #2).	<ul style="list-style-type: none"> • Design parameters e.g., tiers, thresholds and "what counts" • Whether it should be integrated with interim removal targets • Quality criteria associated with contributions
4 Residual emissions responsibility (before net-zero)	Progressive ramp-up of removals before net-zero to take responsibility for emissions that we expect to remain at the net-zero target year .	<ul style="list-style-type: none"> • Incentive model (including whether should be integrated with OER) • Permanence and durability • Quality criteria
5 Neutralization (at & after net-zero)	Neutralize all residual emissions at the target year and maintain thereafter (through removals).	<ul style="list-style-type: none"> • Permanence and durability • Quality criteria

Scene setting | We will address these outstanding questions through sessions on four cross-cutting themes



Indirect mitigation

Ensuring a robust and coherent approach to indirect mitigation approaches across operations and value chains.



Ongoing & residual emissions

Clarifying the design parameters to incentivize beyond value chain mitigation, including removals, and chart a path to consultation.



Quality criteria

Discuss the quality criteria for environmental attribute certificates, and how they apply across specific use cases and emission scopes.



Claims & performance

Exploring how to design claims that protect credibility while motivating companies to stay ambitious and engaged.

Scene setting | We will use these guiding principles to deliberate these questions

SBTi intends to apply these guiding principles to the fullest possible extent across all stages of standard development and decision-making. Together, they ensure that SBTi standards are **credible**, developed following a **robust process**, and capable of driving **real-world impact**.

Scientific rigour

- SBTi standards and requirements are anchored in the best available climate science and aligned with internationally agreed climate goals.
- Science from international consensus bodies (e.g. IPCC) and authoritative sources (e.g. IEA) is prioritized.
- Underlying research methods, assumptions, and rationales for decisions are robust, transparent, and well-documented.

Broad consensus

- SBTi standard development is designed to foster an inclusive and participative process, seeking input from relevant stakeholders, including underrepresented voices.
- The consensus-building process is intended to secure the broadest possible support by balancing perspectives across different interests and stakeholder groups.
- Diverging views are considered, and where dissenting perspectives remain, they are transparently documented and resolved through established decision-making processes.

Actionability

- Actionability is intended to ensure that SBTi standards and requirements can be adopted in practice and deliver measurable impact.
- Feasibility can be assessed through evidence of established or emerging best practice, as well as targeted adoptability assessments for novel practices.
- SBTi requirements are intended to balance ambition with practical pathways for adoption at the necessary pace and scale, without compromising scientific integrity.



SCENE SETTING CROSS-CUTTING THEMES

Q&A (15 mins, until 15:45)

Indirect mitigation: Justifications for use

16:00 – 17:45 *(30 min presentation, 30 min discussion, 45 min feedback)*

Hugo Ernest-Jones, Value Chains Lead
Eoin White, Research Lead
Ayla Dinçay, Buildings Lead

Contents

- 1. Introduction to indirect mitigation and use cases**
2. Proposal in Public Consultation 1 (PC1)
3. Updated proposal on justifications for indirect mitigation
4. Discussion:
 - Sufficiency of justification approach
 - Risks / concerns with justification approach

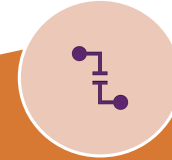


Direct mitigation

- Actions **physically linked** to activities in the value chain
- Traceable to the specific **emissions source** or **activity pool** through a credible system (e.g., chain of custody)
- Results in **emissions reductions** reflected in GHG inventory

Examples:

- Shift to lower carbon materials (S3)
- Switch to low carbon products (S3)
- Retail electricity supply contract (green tariffs) backed by EACs (S2)



Indirect mitigation

- Actions that **contribute** to net-zero-aligned transformation **relevant to the value chain**
- **No physical link** between actions and value chain activities.
- Substantiation based on e.g. **book and claim** systems
- Does **not result in emission reductions reflected in the GHG inventory**

Examples:

- Purchase of commodity certificates through book and claim systems (S3)
- Finance to accelerate supply of low-carbon commodities (S3)
- Contributions towards developing new ZCE generation (S2)

Background | Direct and indirect mitigation both support the transition to net-zero, but are applied under different conditions

Scaling up support for low carbon supply requires indirect mitigation, but this is considered a distinct action and must not be conflated with reducing emissions from physical procurement

Mitigation	Actions	Result	Claims
Direct mitigation	<ul style="list-style-type: none"> • Direct purchase of low-carbon inputs (e.g. steel, cement, energy) with physical connection • Reduced consumption 	<ul style="list-style-type: none"> • Improved emissions performance in value chain • Risk management through reduced exposure 	<ul style="list-style-type: none"> • Emissions reduction (reflected in GHG inventory)
Indirect mitigation	<ul style="list-style-type: none"> • Financial support, e.g. book and claim systems for low-carbon commodities outside value chain 	<ul style="list-style-type: none"> • Scale-up of low-carbon alternatives relevant to the activity to enable direct mitigation in long-term 	<ul style="list-style-type: none"> • Support to scaling up alternatives (not reflected in GHG inventory)

Background | Indirect mitigation has been introduced to address situations where barriers prevent direct mitigation within the value chain

DM is not possible in all cases due to three key barriers.

Why indirect mitigation matters as an alternative:

Not all high-integrity actions will show up in an inventory immediately. In these contexts, interim actions like book-and-claim purchases or market-building investments can play a crucial role such as accelerating technology scale-up and contributing to the creation of infrastructure where market rules block direct procurement

Barriers include...

Availability of alternatives

Low-carbon alternatives are not yet available at scale in the market.

Inability to establish a physical link

Low-carbon options exist, but establishing a physical link is technically or economically prohibitive.

Market structure

Low-carbon electricity exists, but local market design prevents procurement.

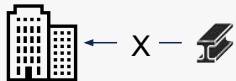
Background | Indirect mitigation has been introduced to address situations where barriers prevent direct mitigation within the value chain

Barrier type 1: Availability of alternatives

Low-carbon alternatives are not yet produced at scale, e.g.

Aviation: Sustainable Aviation Fuel (SAF) — only small volumes available, airlines can't source enough directly.

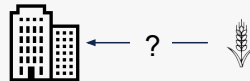
Construction: Green steel and low-carbon cement — currently limited demonstration plants, too little volume for most buyers or transport inefficient or impractical



Barrier type 2: Inability to establish a physical link

Low-carbon products exist but it is not possible to establish a credible physical link to the low-carbon source.

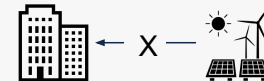
Agriculture/Food & Bev: Coffee or cocoa from smallholder farmers, once mixed at cooperative/port level, and chain-of-custody systems are immature or prohibitively costly to implement at the necessary scale



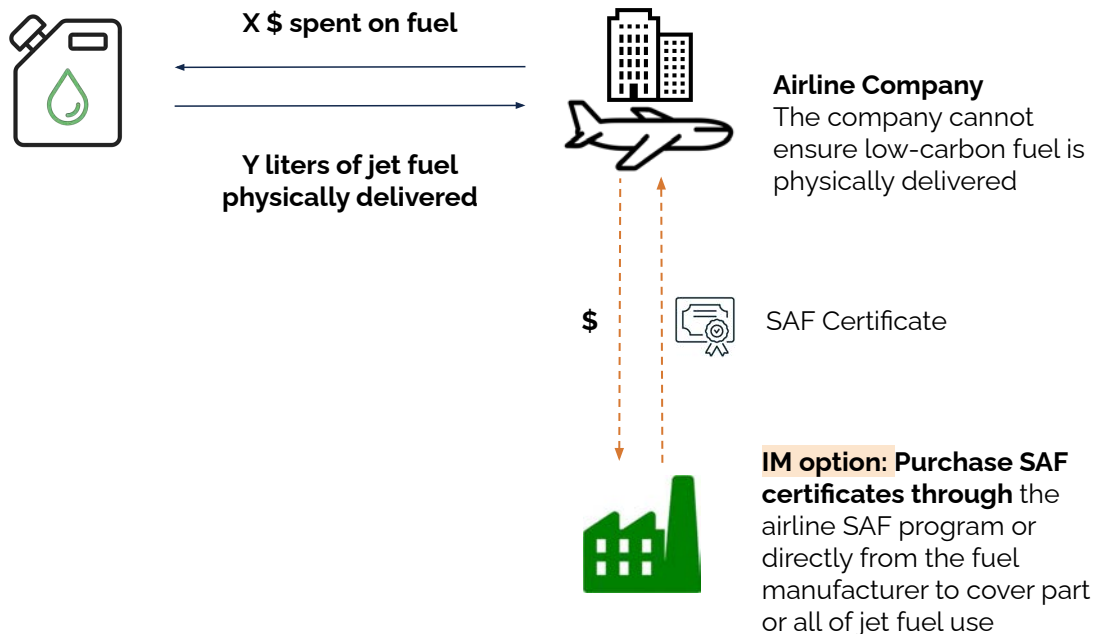
Barrier type 3: Market structure

Low-carbon energy exists, but local market prevents procurement.

Manufacturing in Emerging Markets: Companies in non-liberalized grids (e.g., parts of India, Southeast Asia) cannot procure low-carbon electricity through corporate PPAs because regulatory restrictions and the state-controlled market structure limit direct access to renewable generation



Indirect mitigation use case | Scope 1: purchasing low-carbon fuel certificates to contribute to scale up of SAF production

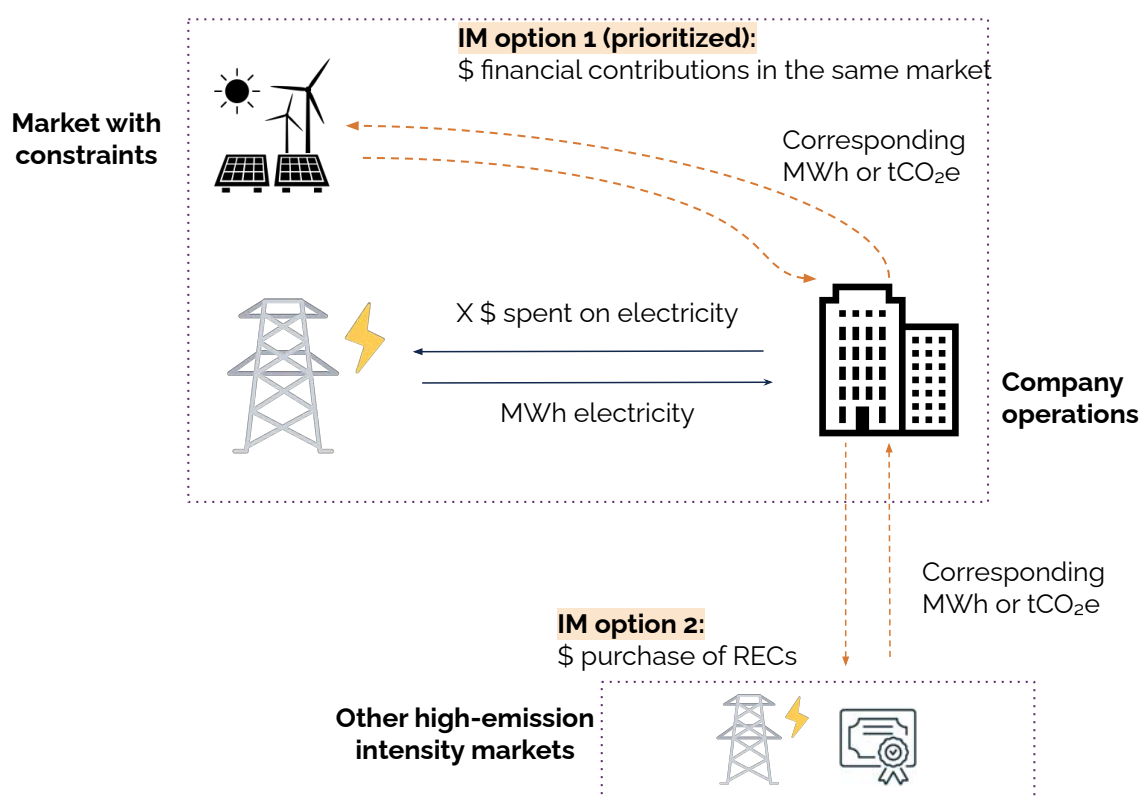


Indirect mitigation options

Interim actions to accelerate scale-up of low-carbon alternatives (e.g. fuels) where real supply-demand barriers exist. If low-carbon alternative is not available, or physically traceable, company may:

- Purchase of unbundled certificates for fuels used and combusted in operations
- Financially contribute to scaling production, via e.g. offtake agreement or forward market commitments

Indirect mitigation use case | Scope 2: financing low-carbon electricity generation

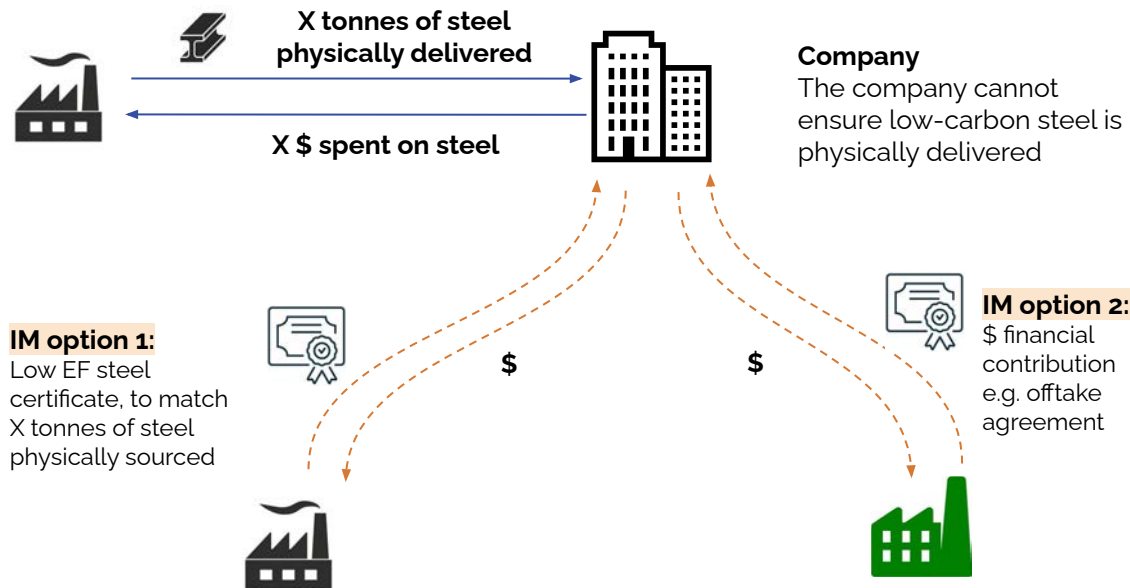


Indirect mitigation options

Where companies have excluded scope 2 emissions from the target boundary due to market constraints, they take responsibility for 100% of those emissions by financing additional zero-carbon generation either on a MWh-for-MWh or tCO₂-for-tCO₂e basis.

- Proposal: Contributions shall prioritize interventions in the same country or regional grid as the excluded consumption. Where this is not possible, priority shall be given to regions with high grid carbon intensity and limited access to zero-carbon electricity.

Indirect mitigation use case | Scope 3 (upstream): purchasing low-carbon commodity certificates to contribute to scale up of production



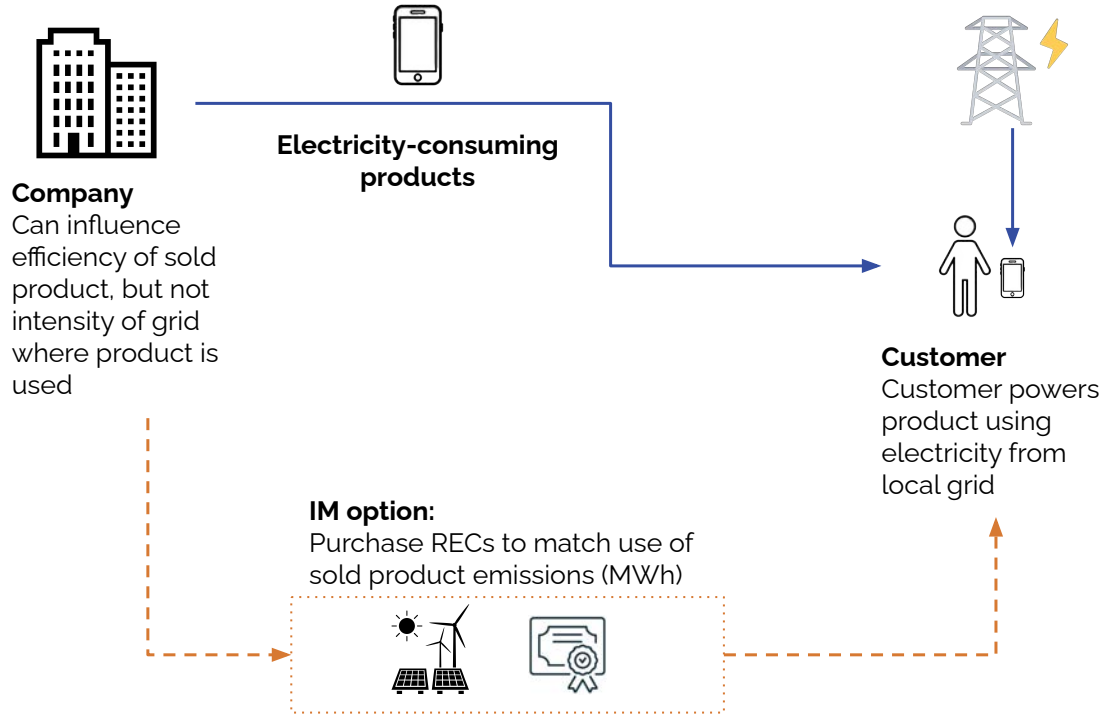
Indirect mitigation options

Proposal in CNZS v2.0:

If low-carbon alternative is not available, or physically traceable, company may:

- Purchase low-carbon certificates to match volumes of physically sourced commodities
- Financially contribute to scaling production, via e.g. offtake agreement or forward market commitments

Indirect mitigation use case | Scope 3 (downstream): addressing use of sold product emissions through financing low-carbon electricity generation



Indirect mitigation option

Where a company cannot directly influence the grid intensity where electrified sold product are used, they may:

- Purchase renewable electricity certificates (RECs) matched to the direct use phase emissions as a result of electricity consumed

Contents

1. Introduction to indirect mitigation and use cases
- 2. Proposal in Public Consultation 1 (PC1)**
3. Updated proposal on justifications for indirect mitigation
4. Discussion:
 - Sufficiency of justification approach
 - Risks / concerns with justification approach

Initial proposal | The CNZS draft prioritizes direct mitigation and says indirect mitigation may be used where justified

The CNZS draft acknowledges that direct mitigation is not possible in all cases and enabled companies to implement **actions to address emission sources indirectly** to demonstrate performance against targets.



Scope 2 Proposal

Criterion C15.5

Where sourcing zero-carbon electricity within the grids in which the company powers its operations is not possible, companies shall contribute to zero-carbon electricity in other grids as an interim measure to address the corresponding portion of scope 2 emissions.

- with a valid justification
- on a time-limited basis
- with separate reporting
- to deliver comparable outcomes



Scope 1 and 3 Proposal

Criterion C16.5

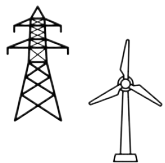
Scope 3 targets shall be pursued through mitigation measures traceable at the emission source or activity pool level. For emission sources that cannot be directly mitigated, companies may employ effective indirect mitigation measures:

- with a valid justification
- on a time-limited basis
- with separate reporting
- to deliver comparable outcomes

Contents

1. Introduction to indirect mitigation and use cases
2. Proposal in Public Consultation 1 (PC1)
- 3. Updated proposal on justifications for indirect mitigation**
4. Discussion:
 - Sufficiency of justification approach
 - Risks / concerns with justification approach

Updated proposal | Scope 2: justification for indirect mitigation is based on access constraints



Scope 2 Proposal

Contributions to zero-carbon electricity (i.e. MWh-for-MWh or tCO₂e-for-tCO₂e) shall be used to address scope 2 emissions in markets where the company can demonstrate constrained access to zero-carbon electricity.

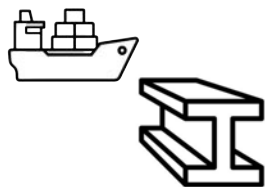
Justification: Constrained access to zero-carbon electricity can be demonstrated when both of the following conditions apply in the base year:

- Companies are not able to choose their electricity source; and
- No eligible Energy Attribute Certificate (EAC) system is in place.

Strengths: Flexibility for companies, a mechanism to improve the grid and availability of zero-carbon electricity in future.

Weaknesses: Can be complex to demonstrate, validate, and formulate claims.

Updated proposal | Scope 3: justification for indirect mitigation is based on availability and connectivity constraints



Scope 1 and 3 Proposal

Contributions to the supply of low carbon commodities, fuels and transport activities (matching volume) shall be used to address scope 1 and 3 emissions sources in cases where the company can demonstrate lack of availability of low carbon alternative, or where a credible physical link cannot be established.

Justification: eligibility for indirect mitigation actions can be demonstrated when at least one of the following conditions apply in the base year:

- Lack of availability: low carbon inputs required are considered not widely available or market ready (*primary justification*)
- Physical connectivity: a credible physical link cannot be established to demonstrate that the claimed emissions characteristic is present in the input (*for discussion*)

Strengths: Flexibility for companies, and simple to implement

Weaknesses: more limited scope and difficult to apply for certain EIAs e.g. FLAG

Gaps to address | What evidence is required from companies to justify use of indirect mitigation?

Barrier type 1 – technology availability gap (Scope 1 and 3)

Availability is based on technology readiness lists (e.g. MPP, IEA, AIM). If the commodity requires access to one of the technologies in the list the company can use indirect mitigation measures to support scale up

Barrier type 2 – inability to establish a physical link (Scope 1 and 3)

Physical link is based on company justifying via contracts and chain of custody models.
Note for discussion: is this justification sufficient/necessary for using IM? Or should instead lead to a requirement to improve data availability?

Barrier type 3 – market access gap (Scope 2)

Market gap is demonstrated by the company demonstrating it lacks both electricity supplier choice and an eligible EAC system to purchase electricity certificates. *(Research is ongoing to inform justification evidence requirements).*

Contents

1. Introduction to indirect mitigation and use cases
2. Proposal in Public Consultation 1 (PC1)
3. Updated proposal on justifications for indirect mitigation
4. **Discussion:**
 - Sufficiency of justification approach
 - Risks / concerns with justification approach



Justification for indirect mitigation

Guiding questions for discussion

30 min discussion, 45 min feedback (until 17:45)

Using your assigned use case as a guide...

Justifications: What is your view on the justifications proposed for indirect mitigation?

Risks: Are there potential risks or unintended consequences with these justifications for indirect mitigation?

Technology
availability
gap
(S1, S3)

Inability to
establish a
physical link
(S1, S3)

Market
access
gap
(S2)

Welcome from
David Kennedy, CEO
5:45 - 6 pm



CNZS V2.0 Expert Working Group Workshops: Day 2

9-11th September



Today's objectives

To explore how **indirect mitigation** fits into the Standard and can be recognized.

To explore the incentive model and corresponding design parameters for **ongoing and residual emissions**, with a deep dive into permanence and durability

Ways of working | Keeping order in the meeting



Respectful participation

One voice at a time, all views matter, no interruptions.



Inclusive for all

Equal space for all participants, both in-person and online.



Observers

Participation is limited to listening.



Group participation

Stick to your assigned group and elect a representative to feed back.



Stay focused & constructive

Off-track points go to parking lot: be solutions-oriented.



Deliberation, not decision-making

Expert input supports the drafting team to finalize.



Practicalities

Use mics, raise your hands, stick to breaks and timings



Complete recordkeeping

All perspectives will be captured in the Feedback Log.

Workshop objectives | Day 2 detailed agenda

Day 2: Cross-Cutting Themes (09:00 – 18:00)	
08:00 - 09:00	Breakfast
09:00 – 09:15	Day 2 Overview & Objectives
09:15 – 11:15 <i>(30 min presentation, 1 hour discussion, 30 min plenary feedback)</i>	Indirect mitigation: Role within target-setting
11:15 – 11:30	Break
11:30 - 13:30 <i>(30 min presentation, 45 min discussion, 45 min feedback)</i>	Ongoing & Residual Emissions Session: Incentive model and design parameters
13:30 – 14:30	Lunch
14:45 – 16:15 <i>(30 min presentation, 60 min discussion)</i>	Ongoing & Residual Emissions Sessions 1 & 2: Defining permanence and durability
16:15 – 16:45	Break and energizer
16:45 - 17:30 <i>(45 mins feedbacks)</i>	Ongoing & Residual Emissions Session 2.2 of 2: Defining permanence and durability
17:30 – 18:00	Wrap up

Group energizer

10 mins

Find somebody you haven't spoken
to yet and ask them the
**weirdest thing they have ever done
at work?**

Indirect mitigation: How can it be recognized?

09:15 – 11:15

(30 mins presentation, 60 min discussion, 30 min feedback)

Hugo Ernest-Jones, Value Chains Lead
Giulia Camparsi, Value Chains SME
Eoin White, Research Lead

Contents

1. Refresh of background information
2. Scope 2 and Scope 3 proposal
3. The importance of claims
4. Discussion

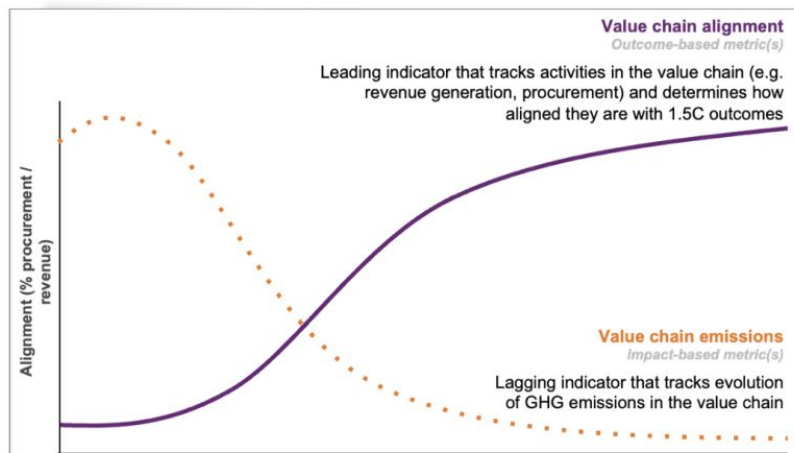
Quick recap of some key themes raised yesterday

- **Credibility risks** – Safeguards, given risks identified (e.g. additionality, and double counting)
- **Impact vs. Accounting:** Tension between accurate GHG inventory accounting (comparability, credibility) and enabling real-world system change (market transformation, decarbonization).
- **Incentives & Value:** Debate over whether IM should count toward inventories/targets; without recognition, companies may lack incentive to invest, but full equivalence seen as potentially risky.
- **Design Principles for Targets:** separation of Scope 2 vs. Scope 3 use cases, and framing IM as a transitional tool vs “substitute” for direct mitigation

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Refresher | CNZS v2.0 includes different target-setting methods, including new “alignment” targets



To address emissions from the procurement of an energy-intensive commodity (e.g. steel), companies can set any of the following targets:

- **Absolute reduction:** Targets to reduce absolute emissions from the procurement of the material.
- **Intensity reduction:** Targets to reduce the emissions intensity from the procurement of the material.
- **Alignment:** Targets to increasingly procure from low or zero-carbon sources (e.g. supplier alignment, green steel, zero-carbon electricity).

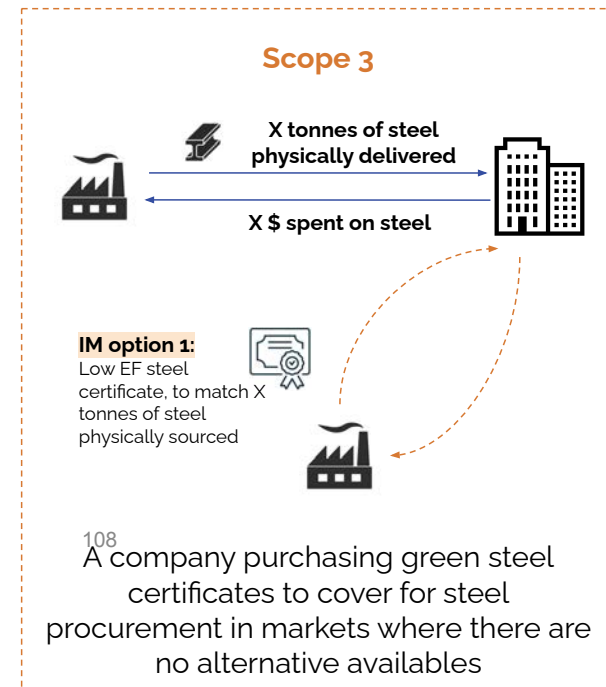
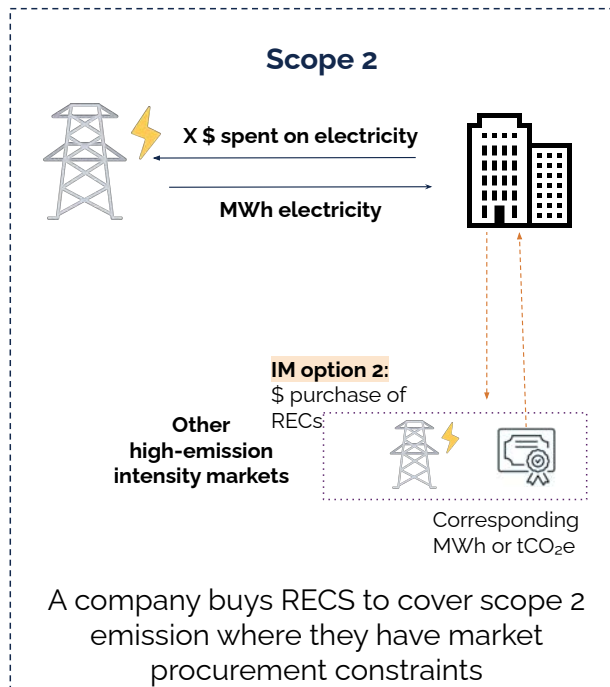
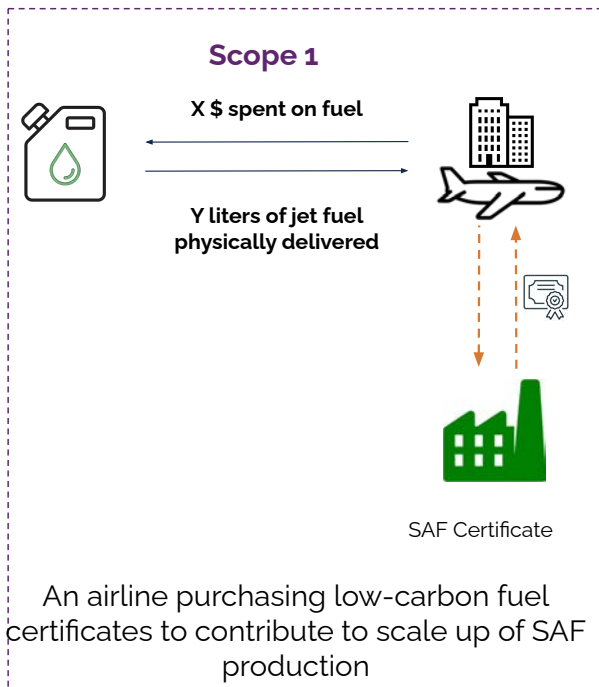
Alignment targets are expected to drive emissions reduction as value chain alignment is a leading indicator that tracks activities in the value chain and determines how aligned they are with 1.5°C outcomes.

Refresher | Direct and indirect mitigation both support the transition to net-zero, but are applied under different conditions

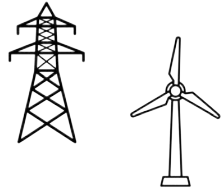
Scaling up support for low carbon supply requires indirect mitigation, but this is considered a distinct action and must not be conflated with reducing emissions from physical procurement

Mitigation	Actions	Result	Claims
Direct mitigation	<ul style="list-style-type: none">• Direct purchase of low-carbon inputs (e.g. steel, cement, energy) with physical connection• Reduced consumption	<ul style="list-style-type: none">• Improved emissions performance in value chain• Transition risk management through reduced exposure	<ul style="list-style-type: none">• Emissions reduction (reflected in inventory)
Indirect mitigation	<ul style="list-style-type: none">• Financial support, e.g. book and claim systems for low-carbon commodities outside value chain	<ul style="list-style-type: none">• Scale-up of low-carbon alternatives relevant to the activity to enable direct mitigation in long-term	<ul style="list-style-type: none">• Support to scaling up alternative (not reflected in inventory)

Refresher | There is potential for use for indirect mitigation across all three scopes...

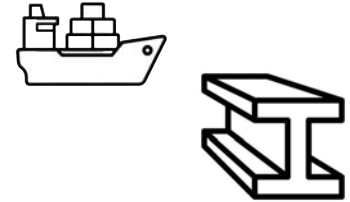
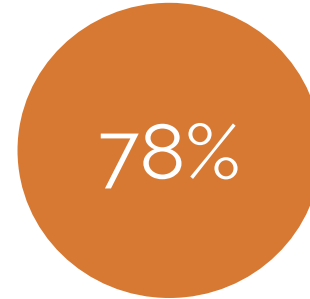


Consultation feedback | Respondents broadly support indirect mitigation proposals in principle for scope 2 and 3, but scope 1 has not been fully considered



...of respondents **support** the requirement for companies to **contribute to zero-carbon electricity in other grid**. Answers highlight tensions between the push for grid decarbonization and the risk of greenwashing if this measure is considered as emission reduction.

There are questions around whether this is actually "indirect mitigation" and therefore this has not been identified explicitly in the draft.



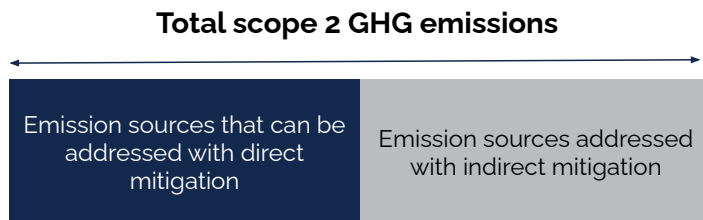
...of respondents believe that **indirect mitigation should count toward target achievement**. Key concerns are:

- No guarantee of emission reduction
- No control for additionality
- Confusion around the boundary with BVCM
- Reduced incentive for companies to invest in emissions reductions within value chain

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2. **Scope 2 and Scope 3 proposal**
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4. Discussion

Scope 2 proposal | Companies can take responsibility for scope 2 emissions where zero carbon electricity sourcing is constrained by financing additional zero-carbon electricity generation



Target boundary
(defined at the base year)



Emissions or alignment target that result in changes to GHG inventory.

Mandatory actions



Actions to finance zero-carbon electricity. Does not result in a change in the GHG inventory.

1

C13.2: Companies exclude from target boundary electricity consumption in markets where sourcing of ZCE is constrained

2

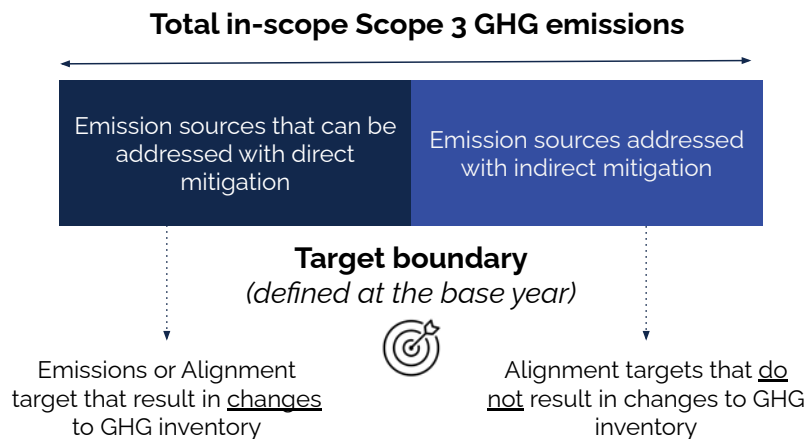
C13.4: Companies shall take responsibility for the excluded emissions through contribution

- C13.4.a: Cover 100% of excluded emissions on a MWh-for MWh or tCO₂e-for-tCO₂e basis
- C13.4.b: Finance new or newly built zero-carbon electricity facility, prioritizing the same country or regional grid with traceable instrument
- C.13.4.c: Report these contribution separately, and report on the size and type of their contribution

3

This counts as a contribution toward economic transition and allow for **contribution claims**.

Scope 3 proposal | Indirect mitigation measures only apply to alignment targets



Target boundary: Direct and indirect mitigation are **not separated** at the base year within the scope 3 target boundary because we do not believe it is possible to predict how a company will meet its targets five years in advance. Instead, a company would disclose whether it reached its target through direct mitigation, or if it had to use certificates.

Target method: Indirect mitigation is **allowed only for near-term alignment targets**. Alignment targets are preferred because they use **non-emissions metrics** (e.g., % aligned volume/spend), while **emission reduction targets depend on inventory accounting**, which does not yet capture scope 3 market-based actions.

64% of respondents in Scope 3 EWG survey somewhat (46%) or strongly (18%) disagree with the proposal for indirect mitigation to count only toward alignment target progress.

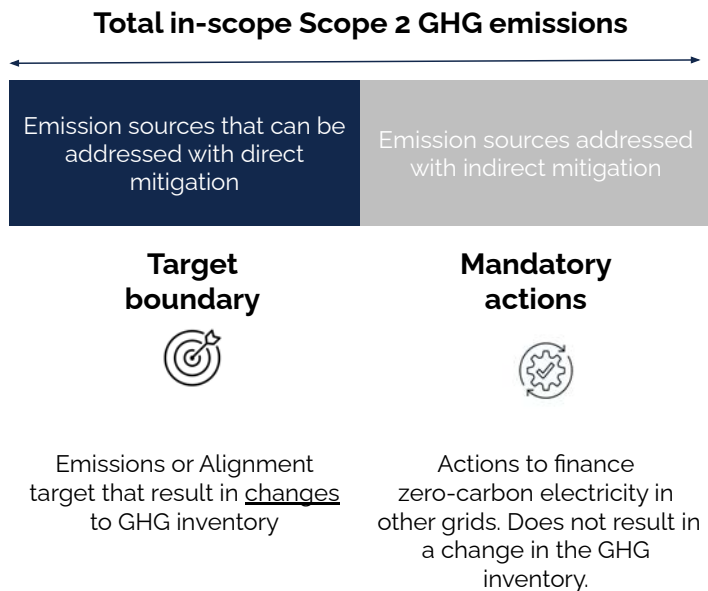
Use IM in alignment and emissions targets:

- IM is the only option available for commodities in complex value chains, so would limit choice in target-setting method
- Risk of insufficient incentive to invest in EACs

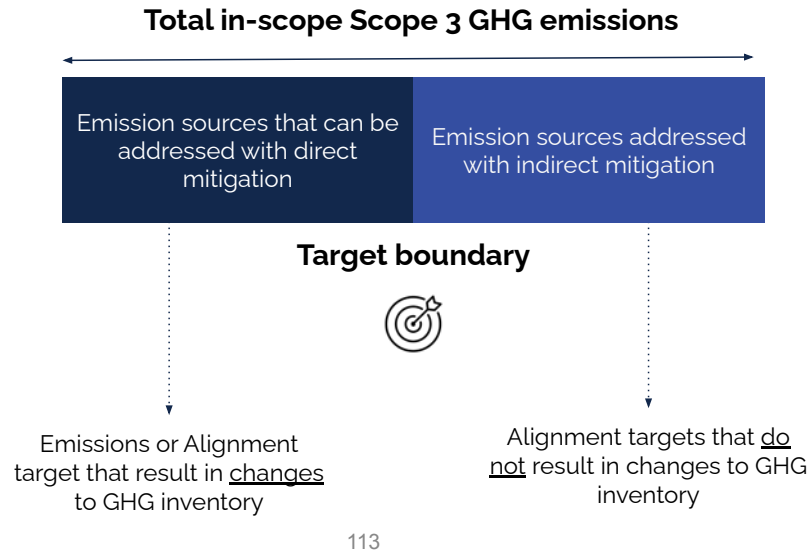
Use IM only in alignment targets:

- Restrict the use of IM as much as possible as it may disincentive companies from investing directly in system-wide solutions

Issue to consider | Indirect mitigation approach is inconsistent between scope 2 and 3



Example: “To take responsibility for scope 2 emissions outside the target boundary, we have contributed towards the development of zero-carbon generation equivalent of XXX MWh”



Example: Company B aims to procure 80% of steel from green steel sources by 2035. It directly procures 60% green steel, and to address the 20% shortfall, it purchases green steel certificates.

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1. Refresh of background information
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4. Discussion

Background | Why are claims particularly important for indirect mitigation



Prevent misleading claims and avoid pitfalls of offsetting.



Balance incentives to ensure companies remain motivated to pursue direct mitigation...



...with recognition of the efforts companies put into indirect mitigation



Address the topic explicitly, as indirect mitigation is a new and evolving concept.



EWG feedback is that conformance claims are unsuitable, but unclear whether contribution or achievement claims are most appropriate.

Illustrative examples | Claims linked to indirect mitigation measures

	Contribution claims	Achievement claims*	Conformance claims
Description	Indirect mitigation reported as a contribution outside the achievement framework.	Indirect mitigation may be considered a valid lever toward targets, but only under specific conditions.	Companies using indirect mitigation are only allowed to claim that they remain conformant with SBTi criteria,
Scope 2 example claim	<i>"To take responsibility for scope 2 emissions outside the target boundary, we have contributed towards the development of zero-carbon generation equivalent of XXX MWh"</i>	<i>"Due to the absence of procurement choice available for our operations in Country X, we relied on unbundled RECs outside the market boundary to achieve our scope 2 target."</i> (illustrative example, not proposed in draft)	<i>"Due to accessibility barriers, we relied on indirect mitigation measures related to our scope 2 target. As our procurement of certificates adheres to the SBTi's quality criteria for indirect mitigation for scope 2 emissions, we remain in conformance with SBTi requirements."</i>
Scope 3 example claim	<i>"To address our scope 3 emissions from steel, we have contributed towards the decarbonization of the steel sector through purchasing £5 million of green steel certificates."</i> <i>"Company B aims to procure 80% of steel from green steel sources by 2035. It directly procures 60% green steel, and to address the 20% shortfall, it purchases green steel certificates. "</i>	<i>"Due to the absence of low-carbon steel alternatives in our geography, we relied on indirect mitigation measures to achieve our scope 3 steel procurement target."</i>	<i>"Due to traceability and accessibility barriers, we relied on indirect mitigation measures related to our scope 3 cement target. As our procurement of certificates adheres to the SBTi's quality criteria for indirect mitigation, we remain in conformance with SBTi requirements."</i>

To bear in mind | The SBTi has developed quality criteria for EACs (Annex B) based on the following underlying principles

CERTIFICATE GENERATION

Integrity: EAC programs must apply publicly disclosed, standardized methodologies and protocols for the qualification and quantification of the environmental attributes (definition of accounting practices and system boundary)

System boundary: EACs shall be generated with specific traceability, and temporal and geographical boundaries

No double claiming: generating company shall apply residual EFs for commodities covered by the EAC

ENSURING COMPARABLE IMPACT

Quantity matching: Matching the quantity of EACs to the associated inventory component to prevent over-reporting.

Quality matching: Matching the emission source to be mitigated with the EAC bought (type, time, geography)

CERTIFICATE TRANSACTION

Credibility: EACs should be verified by third-parties to ensure accuracy and credibility

No double counting: tracking system shall be in place (e.g. registries) to prevent double counting

Price: the price of the certificate is comparable to the corresponding green premium of the low-carbon alternative*

* Not included in the draft yet

Discussion

Discussion | Four breakout options

Please consider which question you'd like to answer and move to any one of the assigned tables.

MANAGING RISK IN INDIRECT MITIGATION

Tables 1 & 2

As SBTi introduces new and untested approaches to indirect mitigation, what **research, governance, and safeguards** are needed to **track effectiveness, learn quickly, and protect credibility** if challenges arise?

INDIRECT MITIGATION ACROSS THE SCOPES

Tables 3 & 4

Should indirect mitigation targets be separated from emissions and / or alignment targets (scope 2 proposal) OR integrated as actions to progress toward target achievement (scope 3 proposal)?

CONSEQUENTIAL ACCOUNTING PROPOSAL

Tables 5 & 6

Acknowledging the calls from stakeholders to consider **consequential accounting** for indirect mitigation, what **practical proposal** would you recommend for how SBTi₁₉ should approach this?

CLAIMS

Tables 7 & 8

Review the **example claims** and come up with a proposal for **scope 2** and **scope 3** for how companies should **communicate indirect mitigation**.

1 hour discussion, 30 mins plenary feedback (until 11:15).

Discussion | Breakout option 1

Managing Risk in Indirect Mitigation

MANAGING RISK IN INDIRECT MITIGATION

Tables 1 & 2

As SBTi introduces new and untested approaches to indirect mitigation, what **research, governance, and safeguards** are needed to **track effectiveness, learn quickly, and protect credibility** if challenges arise?

Guiding Prompts for Groups

- **Explore** what research (e.g., independent evaluations, pilot studies), governance (oversight bodies, transparency requirements), and safeguards (limited/reasonable assurance, contingency measures) SBTi should consider to ensure credibility of indirect mitigation actions.
- **Transition risk and journey** - What are the minimum safeguards and practical implementation details you feel are necessary for indirect mitigation?

Report-Back Structure (3 mins)

- **Proposed Approach** → two/three-sentence description of your group's proposal.
- **Key Features** → Include an additional 2–3 design elements or safeguards you'd include, which may include key "red-lines" SBTi should implement when allowing indirect mitigation

1 hour discussion, 30 mins plenary feedback (until 11:15).

Discussion | Breakout option 2

Indirect mitigation across the scopes

INDIRECT MITIGATION ACROSS THE SCOPES

Tables 3 & 4

Should indirect mitigation targets be separated from emissions and / or alignment targets (as in the scope 2 proposal)

OR

integrated as actions to substantiate target progress in the same targets?

Guiding Prompts and GHG Scope specific questions:

1. Does indirect mitigation have a place in **scope 1**, and can you think of examples outside of the one provided?
2. Do the actions described for **scope 2** alleviate transition risks and journey of a company under the definition of indirect mitigation?
3. What is your preferred approach for **scope 3**?

Report-Back Structure (3 mins)

4. **Proposed Approach** → decide on your preferred approach and provide 2 to 3 justification points for each GHG emissions scope

121

1 hour discussion, 30 mins plenary feedback (until 11:15).

Discussion | Breakout option 3

Consequential accounting

CONSEQUENTIAL ACCOUNTING PROPOSAL

Tables 5 & 6

Acknowledging the calls from stakeholders to consider **consequential accounting** for indirect mitigation, what **practical proposal** would you recommend for how SBTi should approach this?

Problem statement: Due to the immaturity of consequential accounting, the SBTi is unclear on how it could incorporate this within its framework. Many stakeholders have called for SBTi to incorporate this within targets, but the SBTi is unable to see a clear path forward.

Task: Develop a practical proposal for how the SBTi can consider consequential accounting for scope 2 and / or 3 targets.

Report-Back Structure (3 mins)

- Proposed Approach - near-term, longer-term
- Implementation process
- Risks & Mitigations

122

1 hour discussion, 30 mins plenary feedback (until 11:15).

Discussion | Breakout option 4

Claims

CLAIMS PROPOSAL

Tables 7 & 8

As SBTi introduces indirect mitigation within the target-setting framework, how should the claims be structured?

Problem statement: The incentive to transition from direct mitigation to indirect mitigation is largely driven by the claims available for each. The SBTi needs input on how claims should differ for direct vs. indirect mitigation levers.

Task: Review the example claims and come up with a proposal for scope 2 and scope 3 for how companies should communicate indirect mitigation. Consider both headline claims, and what information is important publicly report.

Report-Back Structure (3 mins)

- Proposed approach for scope 2 and scope 3
- Implementation process 123
- Risks & mitigations

1 hour discussion, 30 mins plenary feedback (until 11:15).



Break (15 min)

Please return by 11:45

Breakouts | Proposed groups

Group A Group 6 Table	
1.	Aisha Rodriguez
2.	Daniel Schneiders
3.	Elijah Innes-Wimsatt
4.	Fiona Perera
5.	Hilde Stroot
6.	Lene Petersen
7.	Nicolas Kreibich
8.	Noel Gurwick
9.	Toby Bryce

Group B Group 7 Table	
1.	Billie Wilcox Brooke
2.	Nathan Truitt
3.	Cindy Chiang
4.	Eva Masa Pinto
5.	John Dulac
6.	Omonigho Erigha
7.	Sarita Severien
8.	Thuy Phung
9.	Giulia Carbone

Group C Group 8 Table	
1.	Robert Höglund
2.	Tim Clairs
3.	Hannah Hunt
4.	Injy Johnstone
5.	Louis Uzor
6.	Mai Bui
7.	Shantanu Agarwal
8.	Silke Mooldijk
9.	Thea Lyngseth
10.	Sophie Louise Gladov

Group D Group 1 Table	
1.	Aaron Wu
2.	Brad Schallert
3.	Claire Wigg
4.	Dan Magrath
5.	Laura Mora
6.	Martha Stevenson
7.	Elliott Engelmann
8.	Frederic Hans
9.	<i>Laurence Opie</i>

Group E Group 5 Table	
1.	Paola Delgado Luna
2.	Josh Taylor
3.	Kaya Axelsson
4.	Sangwon Suh
5.	Stephanie Glazer
6.	Tatiana Boldyreva
7.	Andres Chang
8.	Sam Van den plas
9.	Alissa Benchimol

Group F Group 2 Table	
1.	Krutarth Jhaveri
2.	Leonardo Lemmi Boeri
3.	Matthew Brander
4.	Pete Budden
5.	Aindrias Lefèvre
6.	Lucile Bourguet
7.	Matt Konieczny
8.	Aditya Mishra

Group G Group 3 Table	
1.	Nicolas Clerget
2.	Svend Hansen
3.	Mohanad Salah
4.	Rachel Swiatek
5.	Kae Takase
6.	Alex Piper
7.	Alli Devlin
8.	Alan Lewis
9.	<i>Chris St John Cox</i>

Group H Group 4 Table	
1.	Claire McCarthy
2.	Sriram Rajagopal
3.	Doug Miller
4.	Erik Landry
5.	Peggy Kellen
6.	Oleg Dobrovolsky
7.	Miriam Kugele
8.	Silvana Paniagua Tufinio

ONGOING & RESIDUAL EMISSIONS Part 1: Incentive model & design parameters

11:30 – 13:30

(15 min presentation, 60 min breakout group, 45 min feedback to group)

Scarlett Benson, BVCM EWG Lead
Alice Farrelly, BVCM SME

- **Context (10 mins)**

- Context from Above and Beyond
- A refresher on the difference between ongoing and residual emissions
- A reminder on the proposal in the EWG in person meeting draft

- **Challenge & goals (5 mins)**

- Discuss challenge we face in putting together the different design parameters into an effective incentive model
- Highlight our goals and some considerations ahead of our discussion

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- **Discussion (60 mins in groups + 45 mins report back)**

- We will go into breakout groups for an hour and then come back for 45 reporting back/discussion, There are three different breakout topics which we will introduce later.

Contents

1. Background context
2. Challenge & goals
3. Discussion: a path towards resolution

Context | Three methods to define the “nature and scale” of responsibility

TON-FOR-TON METHOD

A company delivers BVCM proportional to the climate impact of a defined percentage of its unabated GHGs emissions.

E.g., for every 1 tCO₂e of unabated emissions, the company delivers 1 tCO₂e of BVCM.



MONEY-FOR-TON METHOD

A company channels finance towards BVCM by applying a price of carbon to its unabated GHG emissions.

E.g., for every 1 tCO₂e of unabated emissions, the company deploys USD 100 into BVCM.



MONEY-FOR-MONEY METHOD

A company channels finance towards BVCM based on defined share of profit or revenue.

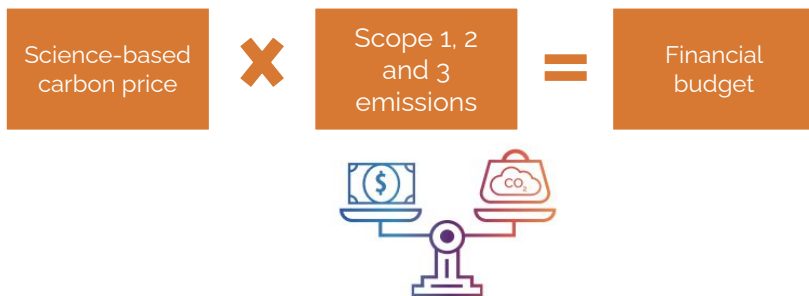
E.g., the company allocates 1% of its profit each year towards BVCM.



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Context | Best practice proposal in “Above and Beyond”

1) Apply a science-based carbon price to unabated scope 1, 2 and 3 emissions to determine a financial budget



The SBTi considers **science-based carbon prices** to represent the economic value of GHG emissions, based on:

- robust scientific assessment of the external cost of GHG emissions (the costs of emissions that the public pays for);
- robust scientific assessment of the expected costs associated with achieving a 1.5°C pathway; and/or
- the true and complete cost to fully and permanently abate a given GHG emission.

2) Use this budget to fund a combination of near-term BVCM outcomes (aligned with Goal 1) and long-term BVCM finance (aligned with Goal 2), as well as wider categories of climate action.

- Use a portion of the budget to deliver ex-post BVCM outcomes equivalent to 50% of unabated scope 1-3 emissions (i.e. 50% ton-for-ton).
- Use the remaining budget to fund a chosen combination of:
 - Additional ex-post BVCM outcomes;
 - The scale up of nascent climate solutions and enabling activities;
 - Adaptation and/ or loss and damage.



BVCM GOAL 1: Deliver additional near-term mitigation outcomes to achieve the peaking of global emissions in the mid-20s and the halving of global emissions by 2030.



BVCM GOAL 2: Drive additional finance into the scale-up of nascent climate solutions and enabling activities to unlock the systemic transformation needed to achieve net-zero by mid-century globally.

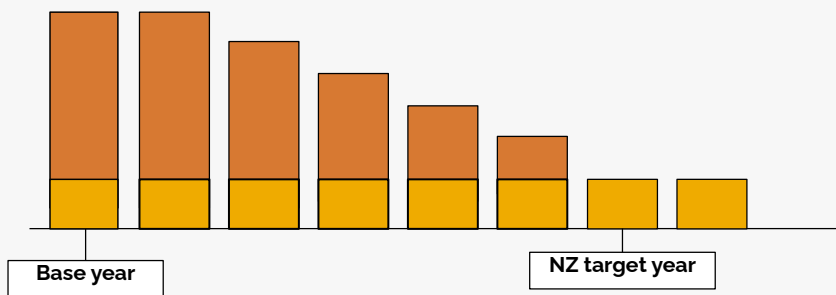
Context | Defining ongoing and residual emissions

Even the most ambitious **companies will continue to emit greenhouse gases on the road to net-zero.**

These **“ongoing emissions”** fall into **two categories**: those that are considered “residual emissions” which we expect to remain at the net-zero year after all feasible abatement has been achieved, and those that we expect will be abated ahead of the net-zero year.

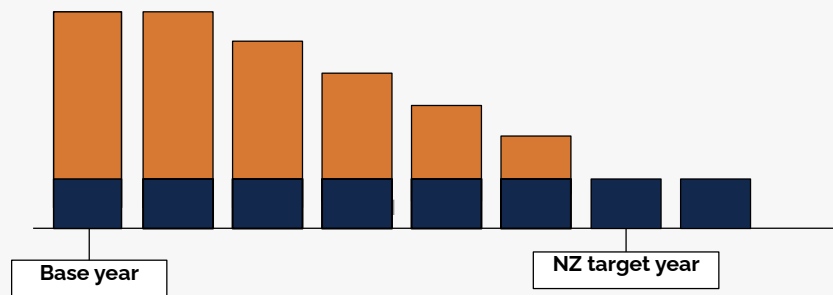
1. Ongoing emissions

“Ongoing emissions are the GHG emissions across all scopes that continue to be released into the atmosphere within the target timeframe.”



2. Residual emissions

“Residual emissions are a subset of ongoing emissions that are expected to remain unabated at the net-zero target year, after all feasible abatement measures have been implemented in line with the company’s SBTi-validated pathway.”



1. Ongoing emissions which we expect to be abated ahead of the NZ year
2. Ongoing emissions which we expect to remain at the NZ year (residual)

Context | How are the responsibility concepts distinct?

	Responsibility for ongoing emissions	Responsibility for residual emissions	
		Interim removal targets	Neutralization of residual emissions at and after NZ target date
Different climate objectives	Reduce temperature overshoot from cumulative ongoing emissions	Prepare the system to meet future removal needs and avoid shocks	Ensure net-zero claims are physically valid by counterbalancing residuals
Different temporal roles	Applies continuously before NZ year	Pre-NZ year only (phased ramp-up)	From NZ year onward (ongoing requirement)
Different logics of responsibility	Accountability for near-term climate impact: taking action on unabated emissions to reduce overshoot	System preparedness: supply must scale in advance Accountability: demonstrating commitment to future neutralization	Physical integrity: must remove what remains to halt further warming
Different contributions to systems change	Supports near-term scaling of a broad mix of mitigation outcomes	Sends investment signal for high-durability removals; manages future risk	Locks in long-term demand for permanent removals and stabilizes global mitigation trajectory

Context | Core features of EWG in-person pre-read proposal

Neutralization at net-zero

CNZS-C18

- Permanent removal of all residual emissions at and after net-zero date

Responsibility for residual emissions before the net-zero target year

CNZS-C19

- Mandatory requirement for scope 1 residual emissions responsibility starting from 2035, Incentivised through recognition until then.
- Increasing responsibility overtime
- Portfolio approach with increasing share of removals and durability

Responsibility for ongoing emissions

CNZS-C20

- Optional recognition for responsibility of 100% scopes 1-3 emissions
- Science-based carbon price applied with at least 40% TtT equivalent mitigation

BVCM & CDR EWG feedback...

- **Ambition has been watered down too far;**
- By combining them in this way **we've weakened both incentives** for ongoing emission responsibility and scale up of higher durability of CDR.

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Context | “What counts” in our proposal



Ex-post mitigation: Implemented mitigation activities with concluded monitoring periods, based on observed, measured, or otherwise verifiable data from those completed periods.



Mitigation-enabling outcomes: Funding for activities that unlock or enable mitigation at scale, such as policy reform, institutional capacity building, or infrastructure deployment.



Ex-ante mitigation funding: Financial or contractual commitments made before mitigation outcomes have been generated, to enable or accelerate the development of projects or activities expected to deliver quantified GHG reductions or removals in the future.



Adaptation and resilience outcomes: Funding for actions that reduce vulnerability or increase resilience to climate impacts, particularly in climate-vulnerable regions and communities.



Low/zero-carbon R&D and innovation: Funding for research, development, and demonstration projects aimed at accelerating the availability, scalability, and cost-effectiveness of high-impact climate solutions.



Loss and damage finance: Financial support to address unavoidable climate-related losses and damages, prioritizing those least responsible for emissions and most affected by impacts.

Mitigation outcome has occurred and been verified

Expected mitigation outcome, where it should be measurable in the future

Expected mitigation outcome, where it is unlikely to be measurable

Outcome not related to mitigation (wider categories of climate action)

Context | Proposed “reporting ledgers” and claims

Mitigation Impact Contribution Ledger *(unit = tCO₂e)*

Climate Finance Contribution Ledger *(unit = \$ or equivalent currency)*

1. Ex-post mitigation outcomes only

1. **Ex-post mitigation funding:** Funding deployed towards ex-post mitigation outcomes.
1. **Ex-ante mitigation funding:** Financial or contractual commitments made before mitigation outcomes have been generated, to enable or accelerate the development of projects or activities expected to deliver quantified GHG reductions or removals in the future.
1. **Low/zero-carbon R&D and innovation:** Funding for research, development, and demonstration projects aimed at accelerating the availability, scalability, and cost-effectiveness of high-impact climate solutions.
1. **Mitigation-enabling outcomes:** Funding for activities that unlock or enable mitigation at scale, such as policy reform, institutional capacity building, or infrastructure deployment.
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1. **Loss and damage finance:** Financial support to address unavoidable climate-related losses and damages, prioritizing those least responsible for emissions and most affected by impacts.



Where climate finance contributions subsequently result in verified ex-post mitigation outcomes, the impact should be added to the Mitigation Impact Contributions ledger in the cycle of delivery, while the original finance remains in finance ledger from year committed.

Contents

1. Background context
2. Challenge & goals
3. Discussion: a path towards resolution

Tensions & trade-offs | Framing the challenge, framing the goals



Distinct objectives & responsibilities logics



Design parameters connect them



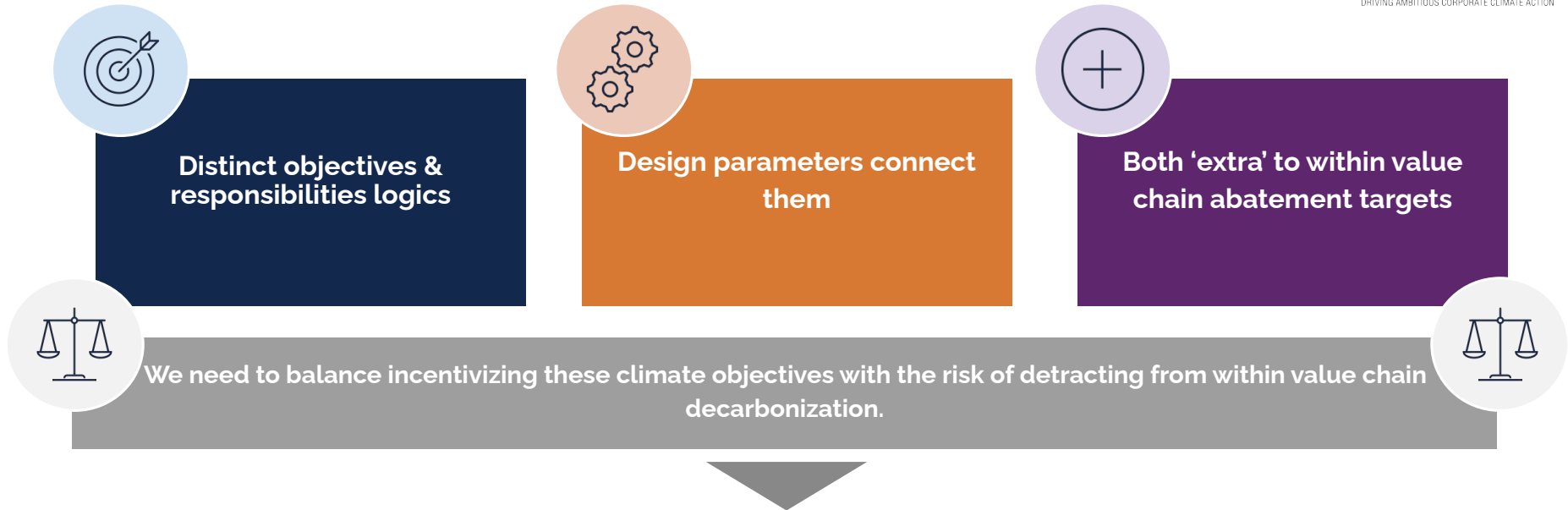
Both 'extra' to within value chain abatement targets



We need to balance incentivizing these climate objectives with the risk of detracting from within value chain decarbonization.



Tensions & trade-offs | Framing the challenge, framing the goals



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Our goals today:

With the expert EWGs (BVCM & CDR): push deeper into the design parameters, so we can converge on a strong proposal.

With the non-expert EWGs (Scope 2, Scope 3, Claims): test whether our emerging ideas make sense to a broader audience – are they clear, motivating, and feasible for companies? What would strengthen the business case and credibility?

Key consideration | There many are interlinked “Design Parameters” which creates complexity

1	2	3	4	5	6	7	8
How is it incentivized?	Who is covered?	When would it kick in?	What emissions are covered?	Which emissions scopes are covered?	How would ambition increase over time?	What mitigation outcomes are eligible?	What durability requirements would be in place?
<ul style="list-style-type: none"> A. Targets are required B. Targets are recognized (optional) 	<ul style="list-style-type: none"> A. All companies B. Category A companies 	<ul style="list-style-type: none"> A. From today B. From 2030 C. From 2035 D. From 2040 	<ul style="list-style-type: none"> A. Ongoing emissions B. Residual emissions 	<ul style="list-style-type: none"> A. Scope 1 B. Scope 1-3 C. Scope 1 and portion of scope 3 	<p>Starting level:</p> <ul style="list-style-type: none"> A. Minimum requirements for all B. Differentiated entry tiers (Category A vs. B, sectoral tiers). <p>Progression model:</p> <ul style="list-style-type: none"> A. Linear ramp-up pathway B. S-curve C. Cumulative scaling 	<ul style="list-style-type: none"> A. Removals only B. Portfolio of ex-post mitigation outcomes: removals/ reductions / avoidance C. Other climate action e.g. ex-ante mitigation funding; low/zero-carbon R&D. 	<ul style="list-style-type: none"> A. Like-for-like (atmospheric lifetime) B. Gradual transition at the activity level C. Gradual transition at the portfolio level

These design parameters are interdependent, we can't resolve one without implications for others.

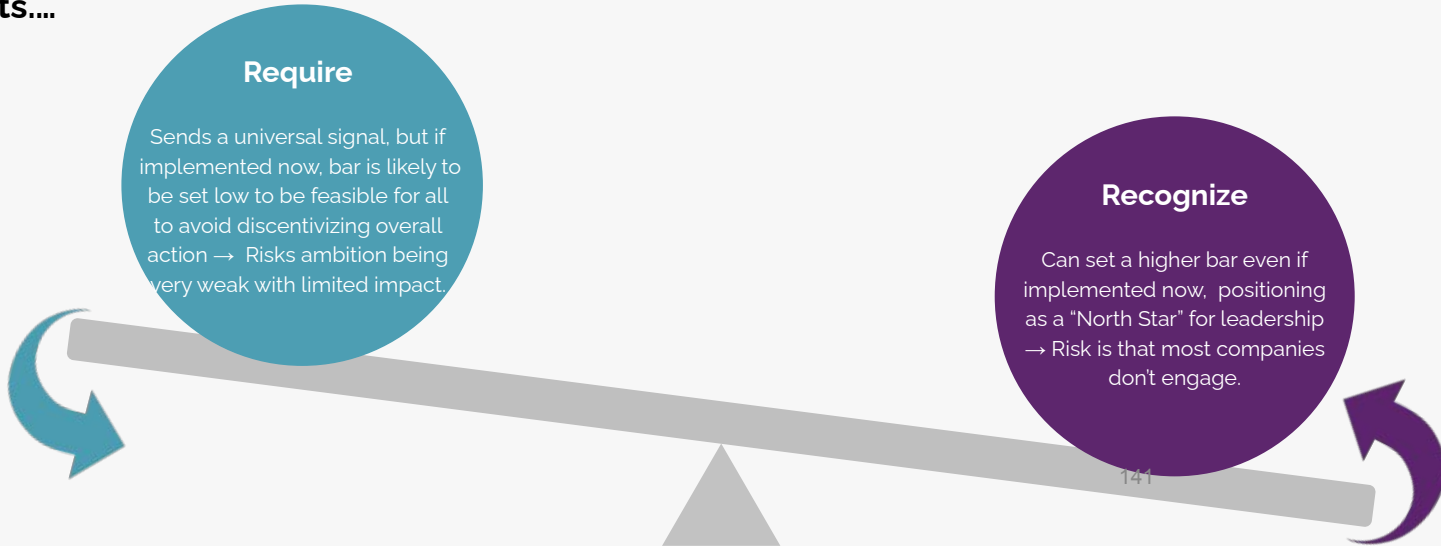
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How is it incentivized?	Who is covered?	When would it kick in?	What emissions are covered?	Which emissions scopes are covered?	How would ambition increase over time?	What mitigation outcomes are eligible?	What durability requirements would be in place?
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These design parameters are interdependent, we can't resolve one without implications for others.

Key consideration | There is a trade-off that we're balancing in terms of the incentive model

Incentive model, timing, and ambition are intrinsically interlinked – and we must balance these while ensuring this framework does not detract from companies' own decarbonization targets....



EWG discussions indicate support for a "ladder" to drive ambition:
Low-level entry → Middle ground incentivized through transparency → Full responsibility "north star"

1

How is it incentivized?

Key consideration | Integrating the framework allows for more simple communication, but creates complexity in design

If the framework is integrated, should we link the minimum requirement / recognition to ongoing emissions or residual emissions?

- ▶ **Current draft proposal:** links the minimum requirement to **residual emissions** → builds long-term accountability towards neutralization.
- ▶ **Counterpoint:** link the minimum requirement to **ongoing** → reflects today's reality & immediate responsibility. Since ongoing emissions at NZ are by definition residuals, addressing them now can also be seen as building responsibility for future residuals.

Consideration	Ongoing emissions	Residual emissions
Practicality	Companies know the volume of ongoing emissions (it's their inventory)	Residual emissions represent a projection of what is likely to be "unabatable" at 2050 and are thus hard to estimate
Risk signal	Companies are arguably already taking responsibility for the "abatable" portion through their long-term decarbonization	There is arguably a stronger transition-risk signal; companies will have to take responsibility in the future and this builds supply of CDR
Cost	Initial research shows high costs due to large volumes of ongoing emissions today.	Still high cost overall, though lower volume may mean lower absolute spend – this is strongly dependent on durability requirements and removal type.

Contents

1. Background context
2. Challenges & goals
3. Discussion: a path towards resolution

Discussion | Three breakout topics

We have assigned you to groups based on EWG membership, please move to the assigned table.

Framework building

*Groups A-C
Tables 6, 7 & 8*

How should the **incentive frameworks for ongoing and residual emissions be designed** – integrated or separate – and what choices on coverage, timing, ambition, and incentives will make them clear, motivating, and credible without undermining value chain decarbonization and wider participation in SBTi?

Contribution claims

*Groups D & E
Tables 1 & 5*

How to **design and communicate contribution claims that are clear, motivating, and credible** – and to ensure they channel finance and effort into the right kinds of actions?

Business case

*Groups F-H
Tables 2, 3 & 4*

Acknowledging the tension between setting requirements that drive action and the risk of setting the bar too high too soon, **what is the business case for different incentive models** – recognition-only, phased requirements, or mandatory entry?

How can SBTi **design them to motivate action** without causing disengagement?

1 hour discussion, 45 mins plenary feedback (until 13:30).
Detailed instructions are provided in your print out!

Breakouts | Proposed groups

Group A Table 6	
1.	Aisha Rodriguez
2.	Daniel Schneiders
3.	Elijah Innes-Wimsatt
4.	Fiona Perera
5.	Hilde Stroot
6.	Lene Petersen
7.	Nicolas Kreibich
8.	Noel Gurwick
9.	Toby Bryce

Group B Table 7	
1.	Billie Wilcox Brooke
2.	Nathan Truitt
3.	Cindy Chiang
4.	Eva Masa Pinto
5.	John Dulac
6.	Omonigho Erigha
7.	Sarita Severien
8.	Thuy Phung
9.	Giulia Carbone

Group C Table 8	
1.	Robert Höglund
2.	Tim Clairs
3.	Hannah Hunt
4.	Injy Johnstone
5.	Louis Uzor
6.	Mai Bui
7.	Shantanu Agarwal
8.	Silke Mooldijk
9.	Thea Lyngseth
10.	Sophie Louise Gladov

Group D Table 1	
1.	Aaron Wu
2.	Brad Schallert
3.	Claire Wigg
4.	Dan Magrath
5.	Laura Mora
6.	Martha Stevenson
7.	Elliott Engelmann
8.	Frederic Hans
9.	<i>Laurence Opie</i>

Group E Table 5	
1.	Paola Delgado Luna
2.	Josh Taylor
3.	Kaya Axelsson
4.	Sangwon Suh
5.	Stephanie Glazer
6.	Tatiana Boldyreva
7.	Andres Chang
8.	Sam Van den plas
9.	Alissa Benchimol

Group F Table 2	
1.	Krutarth Jhaveri
2.	Leonardo Lemmi Boeri
3.	Matthew Brander
4.	Pete Budden
5.	Aindrias Lefèvre
6.	Lucile Bourguet
7.	Matt Konieczny
8.	Aditya Mishra

Group G Table 3	
1.	Nicolas Clerget
2.	Svend Hansen
3.	Mohanad Salah
4.	Rachel Swiatek
5.	Kae Takase
6.	Alex Piper
7.	Alli Devlin
8.	Alan Lewis
9.	<i>Chris St John Cox</i>

Group H Table 4	
1.	Claire McCarthy
2.	Sriram Rajagopal
3.	Doug Miller
4.	Erik Landry
5.	Peggy Kellen
6.	Oleg Dobrovolsky
7.	Miriam Kugele
8.	Silvana Paniagua Tufinio

Context & Challenge

Context

Group A (BVCM & CDR EWGs)

- Aisha Rodriguez
- Daniel Schneiders
- Elijah Innes-Wimsatt
- Fiona Perera
- Hilde Stroot
- Lene Petersen
- Nicolas Kreibich
- Noel Gurwick
- Toby Bryce

Group B (BVCM & CDR EWGs)

- Billie Wilcox Brooke
- Nathan Truitt
- Cindy Chiang
- Eva Masa Pinto
- John Dulac
- Omonigho Erigha
- Sarita Severien
- Thuy Phung
- Giulia Carbone

Group C (BVCM & CDR EWGs)

- Robert Höglund
- Tim Clairs
- Hannah Hunt
- Injy Johnstone
- Louis Uzor
- Mai Bui
- Shantanu Agarwal
- Silke Mooldijk
- Thea Lyngseth
- Sophie Louise Gladov

- Companies will continue to have both ongoing and residual emissions in the coming decades, even as they decarbonize. The SBTi is developing a Recognition and Incentive Framework to guide how companies can take responsibility for these emissions in ways that are credible and aligned with climate goals.
- As part of the Corporate Net-Zero Standard (CNZS) V2 revision process, SBTi has been through multiple iterations of these frameworks – starting with separate frameworks in the first public consultation, and more recently testing an integrated approach. We haven't yet struck the right balance with the design parameters, and we need your help working toward a resolution.

The Challenge

- Designing this framework is complex. Ongoing and residual emissions have different climate objectives, but they are also interconnected: both allow removals, both are an extra to value chain targets, and both must be balanced so they don't weaken actions on within value chain decarbonization.
- The challenge is how to structure recognition and incentives in a way that is:
 - Clear – easy for companies and stakeholders to understand.
 - Motivating – incentivize companies to go beyond minimum requirements.
 - Credible – works towards the goals of climate science and not an excuse to delay scope 1-3 decarbonization.
- Your input will help shape design choices that:
 - Provide companies with credible pathways to take responsibility for ongoing and residual emissions.
 - Ensure recognition and incentives drive real, lasting climate impact.

Breakouts | Groups A, B and C topic – framework building!

Your Task

Group A (BVCM & CDR EWGs)

- Aisha Rodriguez
- Daniel Schneiders
- Elijah Innes-Wimsatt
- Fiona Perera
- Hilde Stroot
- Lene Petersen
- Nicolas Kreibich
- Noel Gurwick
- Toby Bryce

Group B (BVCM & CDR EWGs)

- Billie Wilcox Brooke
- Nathan Truitt
- Cindy Chiang
- Eva Masa Pinto
- John Dulac
- Omonigho Erigha
- Sarita Severien
- Thuy Phung
- Giulia Carbone

Group C (BVCM & CDR EWGs)

- Robert Höglund
- Tim Clairs
- Hannah Hunt
- Injy Johnstone
- Louis Uzor
- Mai Bui
- Shantanu Agarwal
- Silke Moodijk
- Thea Lyngseth
- Sophie Louise Gladov

Step 1 – Individual Reflection (5 mins)

Take a few minutes on your own to complete the **Framework-Building Table**.

- For each building block, select the option(s) you think make the most sense.
- If you select *Recognized*, note when you think it should become *Required*.
- If you select *Tiered*, complete both the *Entry* and *Full* columns.
- Add short notes on why you made those choices.

Step 2 – Group Discussion (20 mins)

Go around the group and ask each person to briefly share one design choice they feel strongly about (and why). Use these reflections as a springboard for discussion. Guiding questions:

- Should the framework be **separate or integrated**? What are the benefits and risks of each?
- Should companies face requirements at the entry level, or only recognition until a later point?
- If tiered, does it make sense for entry and full tiers to cover different emissions (e.g., entry = Residual, full = Ongoing)?
- How do we balance ambition with feasibility – ensuring scope 1–3 decarbonization stays the top priority?

Step 3 – Group Framework Design (30mins)

Work together to complete **one group Framework-Building Table** (proposal).

- Compare your individual reflections.
- Aim to agree on one set of design choices, or if consensus isn't possible, note the main trade-offs or alternative views

Step 4 – Prepare to Report Back (5 mins)

Your group will have 5 minutes to present your proposal.

- Highlight your key design choices, and share the reasoning behind them.
- If there were disagreements, briefly explain the different perspectives.

Breakouts | Groups D and E topic – contribution claims!

Context & Challenge

Group D (Other EWGs)	Context
<ul style="list-style-type: none">• Aaron Wu• Brad Schallert• Claire Wigg• Dan Magrath• Laura Mora• Martha Stevenson• Elliott Engelmann• Frederic Hans• Laurence Opie	<ul style="list-style-type: none">• Companies will continue to have ongoing and residual emissions over the coming decades.• SBTi is exploring a claims framework that allows companies to show responsibility for these emissions.• Two complementary claims are being proposed:<ul style="list-style-type: none">○ Mitigation Impact Contribution Claims – ex-post verified tonnes of CO₂ avoided/ reduced/ removed (in addition to what is delivered under their value chain targets).○ Climate Finance Contribution Claims – measured in funding deployed to ex-post mitigation, and solutions that enable future mitigation, adaptation, and resilience and loss and damage.
Group D (Other EWGs)	The Challenge
<ul style="list-style-type: none">• Paola Delgado Luna• Josh Taylor• Kaya Axelsson• Sangwon Suh• Stephanie Glazer• Tatiana Boldyreva• Andres Chang• Sam Van den plas• Alissa Benchimol	<p>These ideas are new to many companies and stakeholders. The challenge is how to design and communicate them so they are clear, motivating, and credible – and so they channel finance and effort into the right kinds of actions. If we don't get this right, there's a risk the claims could be seen as confusing or fail to drive meaningful change.</p> <p>We'd like your input to help shape claims that will:</p> <ul style="list-style-type: none">• Build a positive business case for early action on residual and ongoing emissions.• Mobilize finance at scale into climate solutions that matter.• Provide companies with a credible and inspiring way to demonstrate leadership. <p>SBTi confidential</p>

Breakouts | Groups D and E topic – contribution claims!

Your Task

Step 1 – Individual Reflection (5 mins)

Take a few minutes on your own to note down:

- What feels most promising or exciting about the contribution claims proposal?
- Where do you see questions, tensions, or uncertainties?

Step 2 – Group Discussion (20 mins)

Go around the group and ask each person to briefly share their one like and one concern/question. Use these as a springboard for deeper discussion. Here are some guiding questions/ provocations to help you.

- Does the distinction between “mitigation impact contribution” and “climate finance contribution” resolve concerns about greenwashing while still incentivizing finance?
- Where have claims in other areas (e.g., human rights) worked well? What lessons can we learn?
- Some companies are reportedly “greenhushing”. How do we design claims that cut through this tension: encouraging openness, protecting companies from unfair attack, and still building public trust?
- How can we enable comparability between companies, while recognizing different abilities to pay for ongoing emissions responsibility?

Step 3 – Group Exercise on “What actions can lead to climate finance contribution claims?” (30 mins)

Brainstorm types of finance contributions companies could make (e.g., R&D, adaptation, loss & damage, enabling policy, just transition, ex-ante mitigation). Please discuss:

- Which types feel most climate-relevant and credible?
- Are there any categories that clearly shouldn't count?
- What risks come with certain types of contributions (e.g., unverifiability, “business as usual” spending)?
- What evidence or safeguards would be needed to make them credible?

Output: Propose 2–3 categories you think should be eligible for climate finance claims, and explain why.

Step 4 – Prepare to report back (5 mins) SBTi confidential

You will have max 5 minutes to present what you discussed as a group. Help your presenter to prepare.

Group D (Other EWGs)

- Aaron Wu
- Brad Schallert
- Claire Wigg
- Dan Magrath
- Laura Mora
- Martha Stevenson
- Elliott Engelmann
- Frederic Hans
- Laurence Opie

Group E (Other EWGs)

- Paola Delgado Luna
- Josh Taylor
- Kaya Axelsson
- Sangwon Suh
- Stephanie Glazer
- Tatiana Boldyreva
- Andres Chang
- Sam Van den plas
- Alissa Benchimol

Context & Challenge

Group F (Other EWGs)

- Krutarth Jhaveri
- Leonardo Lemmi Boeri
- Matthew Brander
- Pete Budden
- Aindrias Lefèvre
- Lucile Bourguet
- Matt Konieczny
- Aditya Mishra

Group G (Other EWGs)

- Nicolas Clerget
- Svend Hansen
- Mohanad Salah
- Rachel Swiatek
- Kae Takase
- Alex Piper
- Allie Devlin
- Alan Lewis
- *Chris St John Cox*

Group H (Other EWGs)

- Claire McCarthy
- Sriram Rajagopal
- Doug Miller
- Erik Landry
- Peggy Kellen
- Oleg Dobrovolsky
- Miriam Kugele
- Silvana Paniagua Tufino

Context

- We are rapidly entering overshoot. If we are to avoid climate tipping points, corporate climate action needs to accelerate. At the same time, sustainability is facing political headwinds.
- SBTi is considering whether responsibility for ongoing and residual emissions ahead of net-zero should be purely recognition-based, or whether minimum requirements will be needed before neutralization at 2050.
- A recognition-only framework depends on a strong business case.
- Requirements would be more effective. But as a voluntary standard, SBTi must carefully consider the risks. If the bar is set too high too soon, companies may disengage, undermining the whole effort.

The Challenge

The business case for action doesn't rest on SBTi alone; it is shaped by policy, investors, customers, and wider market signals. But SBTi can:

- Communicate and amplify the business case.
- Reinforce leadership through claims, dashboards, recognition pathways.
- Explore whether and how requirements could be phased in over time.

We'd like your input to help us understand:

- What would motivate companies to take responsibility voluntarily for ongoing and residual emissions?
What can SBTi do to help?
- Is recognition on its own enough, or would most companies only move if there is a requirement?
- From a company perspective, what ~~would make~~ SBTi's approach feel fair and feasible?
- If requirements are needed, how could they be introduced gradually to avoid disengagement?

“Your Task

Group F (Other EWGs)

- Krutarth Jhaveri
- Leonardo Lemmi Boeri
- Matthew Brander
- Pete Budden
- Aindrias Lefèvre
- Lucile Bourguet
- Matt Konieczny
- Aditya Mishra

Step 1 – Individual Reflection (5 mins)

Take a few minutes on your own to note down:

- One reason your company (or others you know) would act voluntarily before 2050.
- One reason your company (or others you know) would not.

Group G (Other EWGs)

- Nicolas Clerget
- Svend Hansen
- Mohanad Salah
- Rachel Swiatek
- Kae Takase
- Alex Piper
- Allie Devlin
- Alan Lewis
- *Chris St John Cox*

Step 2 – Group Discussion (20 mins)

Start with each person sharing the above. Use these as a springboard for deeper discussion. Here are some guiding questions to help you.

- What factors have historically motivated companies to go beyond compliance (e.g. reputation, investor expectations, supply chain security)? Is the past a good indicator for the future in this context?
- What are the biggest barriers (e.g. cost, uncertainty, political headwinds)?
- How do different internal stakeholders (CFO, Board, legal, comms, sustainability team) view voluntary climate action?

Group H (Other EWGs)

- Claire McCarthy
- Sriram Rajagopal
- Doug Miller
- Erik Landry
- Peggy Kellen
- Oleg Dobrovolsky
- Miriam Kugele
- Silvana Paniagua Tufinio

Step 3 – Group Exercise on “Testing the business case under three scenarios?” (30 mins)

SBTi is exploring different options for companies to take responsibility for ongoing and residual emissions. Consider how your company (or those you advise) would react under each of these **illustrative** options:

- **Recognition-only until 2050:** Entirely voluntary. Recognition and leadership signals for early movers.
- **Phased residual requirement:** Recognition framework throughout, combined with minimal requirements for Cat A companies phased in from 2035, linearly increasing to 100% of residual emissions by 2050.
- **Ongoing emissions requirement:** Recognition framework throughout, combined with requirement for Cat A companies to take responsibility for 100% of their ongoing emissions from the year 2040.

Step into the shoes of your company's CEO (or a client's CEO, if you advise companies). As a group, discuss how your CEO would rank these scenarios. Which option would they favor? Which would they resist most strongly, and why?

Step 4 – Prepare to report back (5 mins) SBTi confidential

You will have max 5 minutes to present what you discussed as a group. Help your presenter to prepare.

Print out | Above & Beyond work on the business case

Illustrative examples of the rationale for BVCM

Securing access to finance

A fashion company funds the protection of the Amazon rainforest to signal that it is a purpose-led brand and to attract investors focused on purposeful businesses.

Talent acquisition and retention

A professional services company seeks to differentiate itself from its competitors through BVCM to attract and retain talent.

Brand differentiation

A telecommunications company funds solar mini grids to differentiate itself from peers and to unlock opportunities for price premiums linked to climate leadership.

Technology risk management

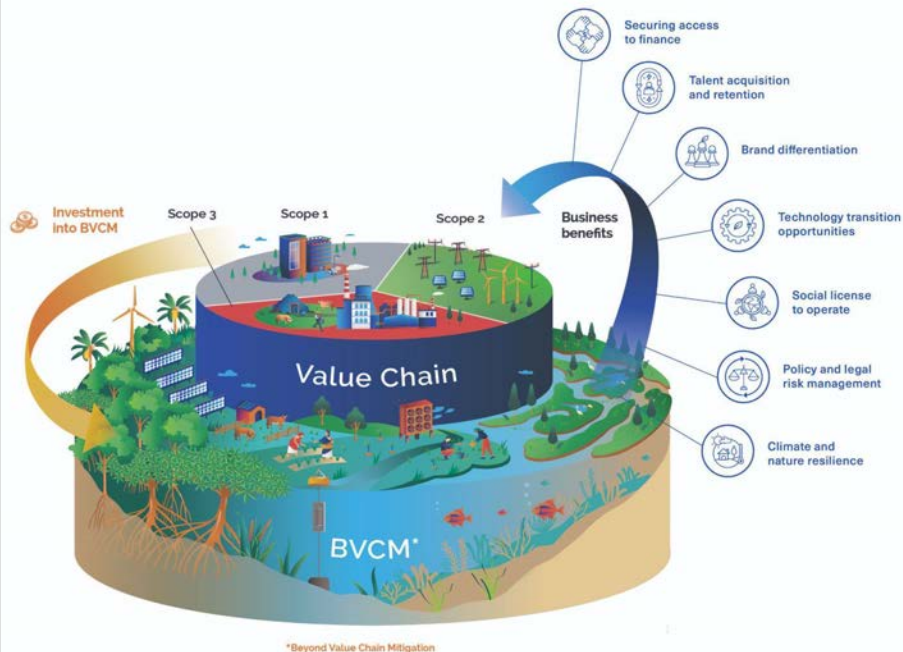
An aviation company funds BVCM by purchasing direct air carbon capture and storage carbon credits to help scale the availability of this technology and bring down costs.

Social license to operate

A high profit technology company funds a portfolio of BVCM activities to demonstrate to civil society and regulators that its privileged economic position is balanced by tangible social responsibility.

Resilience and security of supply

A manufacturing company funds the restoration of coastal ecosystems adjacent to its production facilities to mitigate the risk of cost increases or loss of revenue linked to storm surges damaging production facilities.



Fear of greenwash accusation and lack of a credible BVCM claim were cited by corporates, FIs and SMEs as the top barriers preventing BVCM funding

Corporate, FI and SME ranking of barriers (mean)

The lower the number the more significant the barrier



Tax incentives and assessment of BVCM claims were identified as the top new incentive mechanisms in terms of their potential impact in driving BVCM funding

Corporate, FI and SME ranking of incentives (mean)

The lower the number the more impactful the incentive



Source: <https://sciencebasedtargets.org/resources/files/BVCM-Public-Consultation-Results.pdf>

Feedback from breakout groups

(30 mins)

Breakouts | Proposed groups

Group A - before net-zero Table 8 (Scarlett)

1. Aisha Rodriguez
2. Daniel Schneiders
3. Fiona Perera
4. Hilde Stroot
5. Eva Masa Pinto
6. Noel Gurwick
7. Mai Bui
8. Giulia Carbone
9. Sam Van den plas
10. Martha Stevenson

Group B - before net-zero Table 7 (Piera)

1. Billie Wilcox Brooke
2. Omonigbo Erigha
3. Sarita Severien
4. Hannah Hunt
5. Kaya Axelsson
6. Nathan Truitt
7. Lene Petersen
8. Tim Clairs
9. Nicolas Kreibich

Group C - at net-zero Table 6 (Humphrey)

1. Robert Höglund
2. Injy Johnstone
3. Dan Magrath
4. Elijah Innes-Wimsatt
5. Elliott Engelmann
6. Silke Mooldijk
7. Toby Bryce
8. Thea Lyngseth
9. Sophie Louise Gladov
10. Andres Chang

Group D at net-zero Table 5 (Alice)

1. John Dulac
2. Cindy Chiang
3. Josh Taylor
4. Aaron Wu
5. Eva Masa Pinto
6. Brad Schallert
7. Frederic Hans
8. Louis Uzor
9. Thuy Phung

Group E Table 4 (Emma)

1. Krutarth Jhaveri
2. Matthew Brander
3. Sriram Rajagopal
4. Rachel Swiatek
5. Pete Budden
6. Aindrias Lefèvre
7. Matt Konieczny
8. Oleg Dobrovolsk

Group F Table 3 (Stephen)

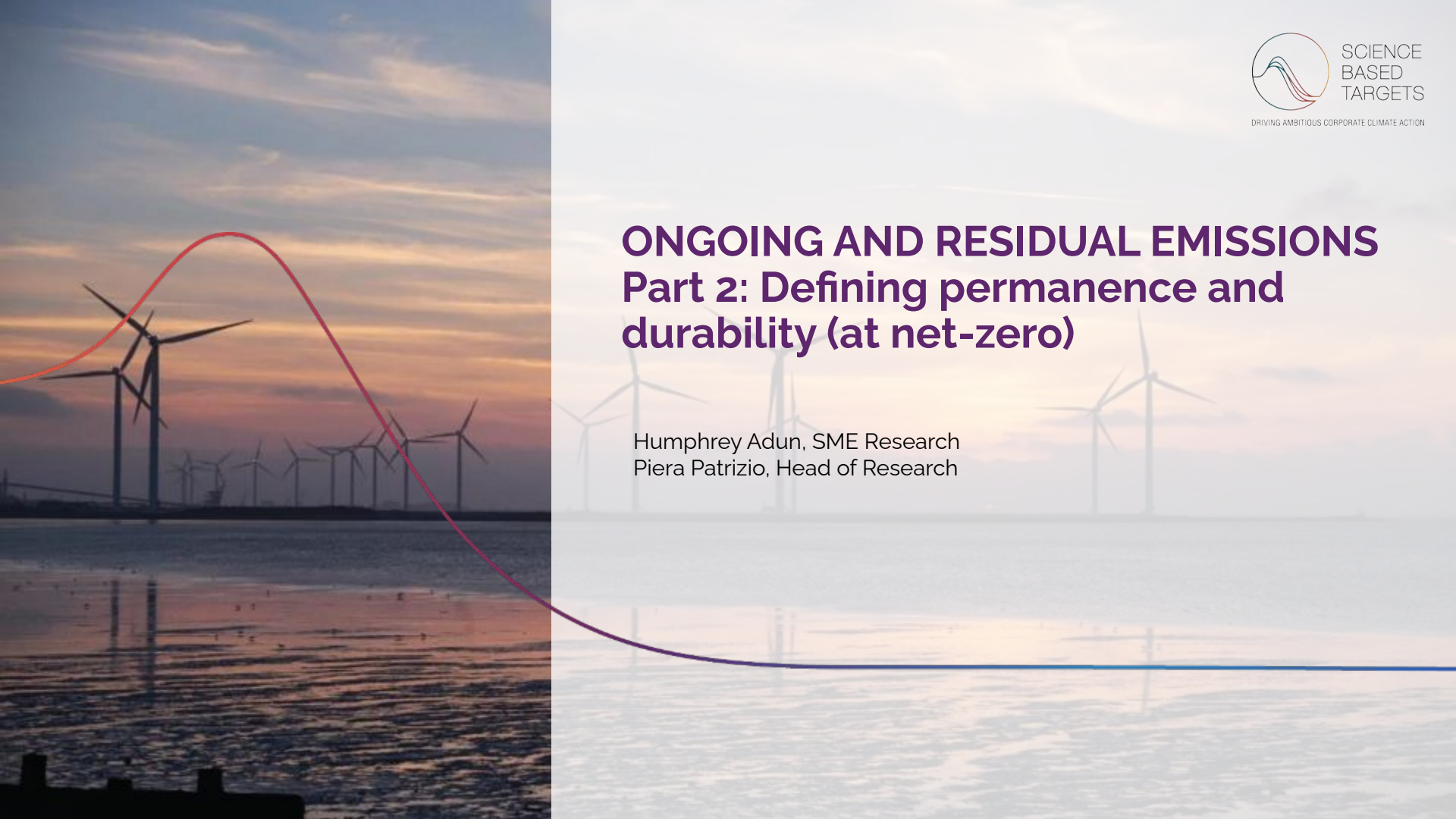
1. Paola Delgado Luna
2. Sangwon Suh
3. Stephanie Glazer
4. Erik Landry
5. Shantanu Agarwal
6. Tatiana Boldyreva
7. Alissa Benchimol
8. Laura Mora

Group G Table 2 (Eoin)

1. Nicolas Clerget
2. Svend Hansen
3. Mohanad Salah
4. Lucile Bourguet
5. Kae Takase
6. Alex Piper
7. Alli Devlin
8. Alan Lewis
9. *Chris St John Cox*

Group H Table 1 (Hugo)

1. Claire McCarthy
2. Doug Miller
3. Aditya Mishra
4. Claire Wigg
5. Peggy Kellen
6. Leonardo Lemmi Boeri
7. Miriam Kugele
8. Silvana Paniagua Tufinio



ONGOING AND RESIDUAL EMISSIONS

Part 2: Defining permanence and durability (at net-zero)

Humphrey Adun, SME Research
Piera Patrizio, Head of Research

Contents

1. Scene setting: contexts and objectives
2. The challenges and the perspectives from the debate
3. EWG insights on proposals so far

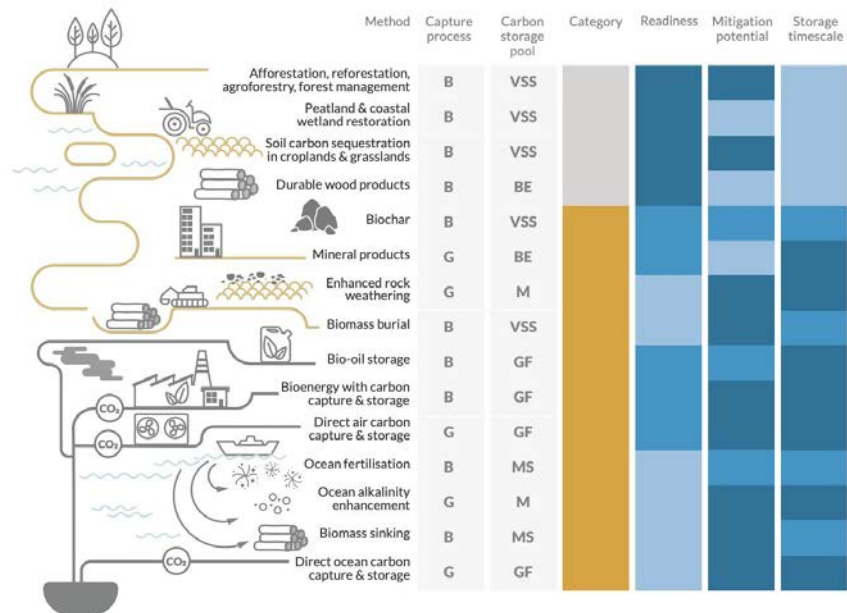
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Introduction | Different durability challenges across NZ timeline

	Before net-zero	At and after net-zero
Climate goal	Additional impacts like reducing peak warming	Achieve and maintain durable net-zero
Risks	Availability of durable removal credits, high costs, immature MRVs, sustainability trade-offs, failure of individual removal solutions	Residuals not credibly neutralized if there is no credible fungibility with removals (including risk of reversal) .
Proposed approach	Portfolio of durable removal solutions	Durable removals with required permanence

Setting the scene | Not all CDR are created equal



Each CDR method can be thought of as a particular route through the Earth's carbon cycle, capturing carbon from the atmosphere and transferring it to durable carbon pools.

Each of these pools has a different characteristic timescale for how long it will store carbon.

Carbon removal solutions with **physical permanence** store CO₂ in inherently stable forms where reversal risk is negligible over millennial timescales, guaranteed by physical and chemical processes.

Why this matters? Because the **climate value** of removals intervention rest upon the durability and integrity of the underlying storage medium

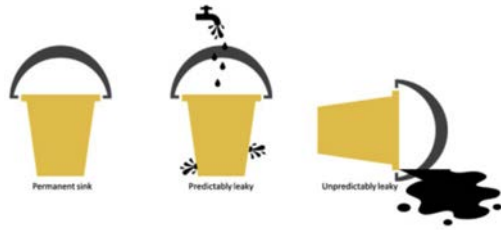
Legend:

- B Biological
- G Geochemical
- VSS Vegetation, soils and sediments
- BE Built environment
- GF Geological formations
- MS Marine sediments
- M Minerals
- Conventional
- Novel
- High
- Medium
- Low
- Large
- Moderate
- Small
- > Ten millennia
- Centuries to millennia
- Decades to centuries

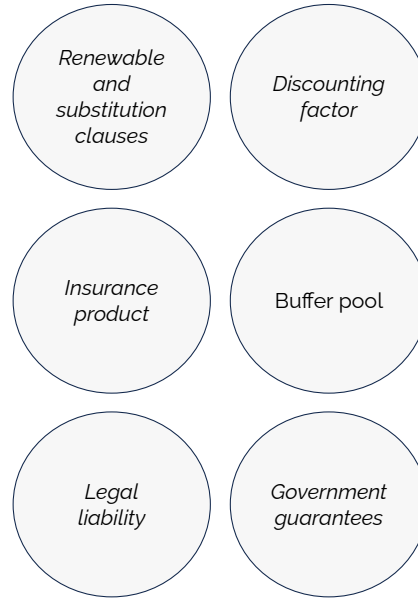
The challenge | How to match the climate value of removal solutions

Removal methods differ in longevity and leakiness of stored carbon

- Carbon pools can be imagined as buckets of different sizes and leakiness: some hold carbon securely for millennia, while others return carbon more quickly.
- This shows that permanence is not a binary property, but a **continuum of storage durations** shaped by the characteristics of each pool.



Equivalence and liability mechanisms can serve as a bridge



Removal methods achieve continued storage through institutional guarantees

- **Contractual permanence:** refers to the use of long-term legal or financial commitments that ensure any carbon released back into the atmosphere is compensated for, maintaining **the integrity of stored carbon over time**.
- **Climate value is conditional:** A ton backed only by contractual guarantees does not deliver the same certainty as one stored in inherently stable reservoirs; its value depends on the credibility and continuity of enforcement.
- **Risk:** Over centuries, contractual mechanisms become fragile, offering a weaker guarantee than physical permanence.

Physical vs contractual permanence | Different integrity assumptions

	Physical permanence	Contractual permanence
1 Assumptions	Integrity comes from the inherent stability of the storage	Integrity comes from the institutional arrangements
2 Credibility relies on	Scientific evidence (models, analogues, shorter-term monitoring).	Governance tools (insurance, buffer pools, replacement, portfolios).
3 Uncertainty	<i>Physical</i> – whether storage truly lasts for centuries.	<i>Institutional</i> – whether mechanisms persist and function over time.
4 Implied logic	Durability is a <i>property of the unit</i> (like-for-like).	Durability is a <i>property of the system</i>

Problem statement: *Should only interventions with intrinsic durability (Physical permanence) count or can mechanisms (contractual permanence) provide credible safeguards at net-zero?*

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Divergent perspectives | At and beyond net-zero, what count as mitigation?

[Position A]: Physical permanence

- “Permanence must be embedded in the intervention.”
- “Valid mitigation requires *like-for-like* storage: a tonne emitted must be matched by a tonne stored with equivalent durability.”
- “Safeguards can support, but not replace, intrinsic durability.”

[Position B]: Contractual permanence

- “No approach can *prove* 1000-year permanence.”
- “Mechanisms (buffers, insurance, replacement, portfolios) can credibly manage risk and deliver equivalent outcomes at the system level.”
- “Long timeframes are less relevant for real-world decision-making — policy horizons (e.g. to 2100) matter more than thousands of years.”

Why it matters?

If permanence rests on interventions

- Strong integrity signal: only long-lasting storage counts.
- Clear like-for-like logic: a tonne emitted is matched by a tonne stored for centuries (simpler accounting, traceability and verifiability).
- **But:** reduces flexibility, may exclude some approaches, and raises costs.

If permanence rests on mechanisms

- Broader set of activities can qualify, improving scalability.
- Risk can be pooled and managed adaptively.
- **But:** Multi-century monitoring and liability are not realistic to expect and contract duration generally extend to max 100 years.

Most of these views are drawn from stakeholder submissions to the UNFCCC Article 6.4 consultation on non-permanence and reversals (MEP007, July–August 2025). They reflect a range of views (NGOs, research groups, and other stakeholders) they are anonymized to focus on the arguments rather than the organizations.

Physical permanence supporters

"Risk of reversal is very likely to be very low [for geological storage], but quantifying generic risk is not feasible as it is site specific."

"Real removals must remove CO₂ from the atmosphere and store it permanently, understood as at least 1000 years."

"Contractual permanence should not be understood as a direct alternative to physical permanence."

Contractual permanence supporters

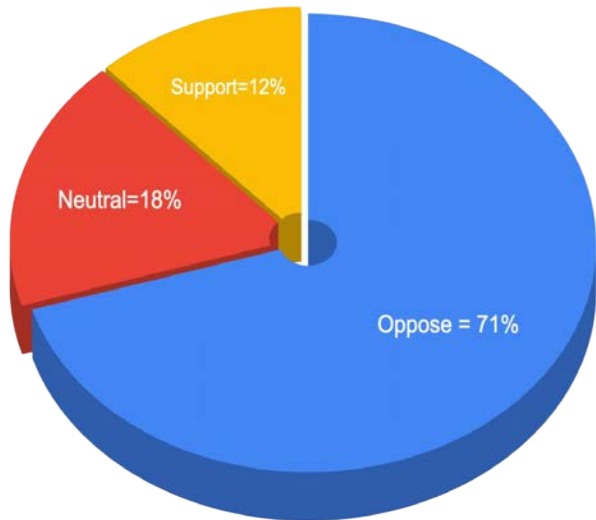
"Existing models such as buffer pools, insurance mechanisms, permanence trust funds, or commitments by sovereigns offer a more realistic and enforceable means of managing non-permanence risk"

"It is unwise to set up a system which cannot reasonably be expected to operate... obligations should be limited to timeframes institutions can realistically persist, or transferred to credible third parties."

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Do you support the proposed thresholds for the required share and durability of removals within the mitigation portfolio?



“

Appreciating the high durability with 1000+ from 2050 onwards and 100% CDR. Wondering if the specific timing could also reflect the company specific LT target rather than 2050.

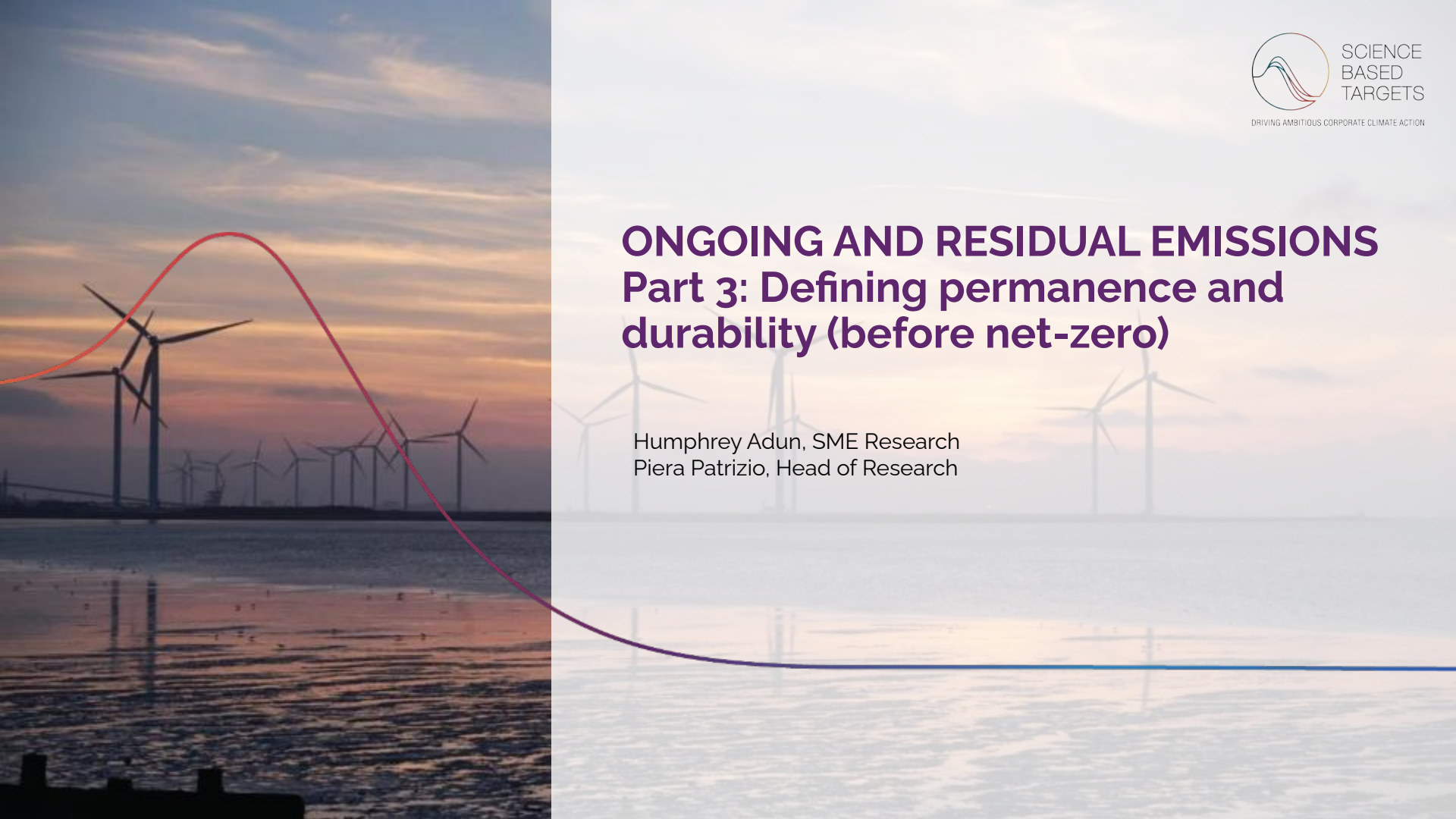
It seems reasonable to progressively increase the share of removals with different durability over time, moving towards 100% permanent removals by the net-zero year

100 years is the practical limit of what an individual organization can guarantee, and pushing organizations towards 1000+ year durability will effectively eliminate land- and marine-based removals. 100 years should be the topmost durability that is required. Alternatively, if longer durations are to be insisted on, the percentage of the portfolio which comes from such solutions should be more aligned with global pathway

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*The proposed thresholds are set far too high, especially for the net-zero year (1,000+ years). Durability could be managed much more effectively by retaining the "risk of reversal" criterion instead. **More broadly, I disagree with the assertion that an average of 1,000+ year durability is necessary, as this is not consistent with how the IPCC frames the issue, and also is too high a threshold to be implementable by most companies.***

”



ONGOING AND RESIDUAL EMISSIONS

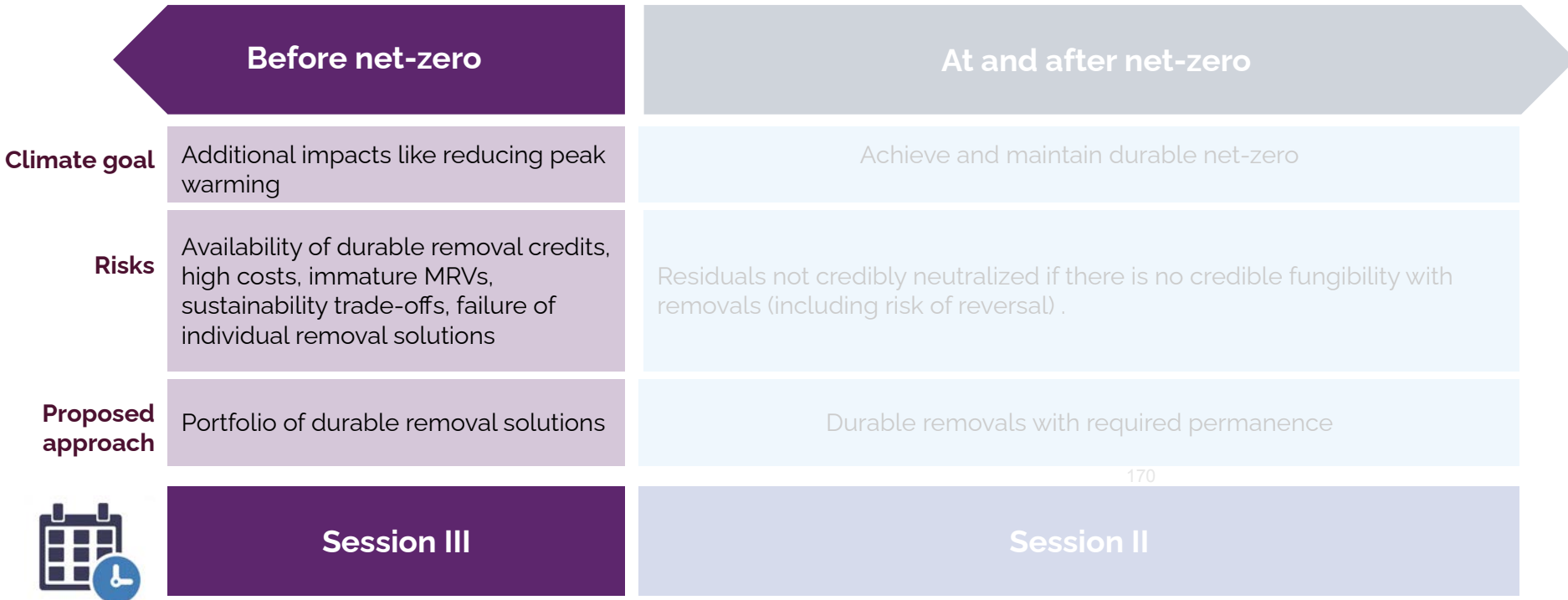
Part 3: Defining permanence and durability (before net-zero)

Humphrey Adun, SME Research
Piera Patrizio, Head of Research

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1. Scene setting: contexts and objectives
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4. Discussion: a path towards resolution

Introduction | Different durability challenges across NZ timeline



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How should durability be defined | Stakeholders feedbacks

Durability at the intervention level	
What counts	Challenges to scale durable removals
Individual CDR method that meet a minimum durability threshold (e.g. 100+ or 1000+ years)	<ol style="list-style-type: none"> 1) Floor effect: companies do just enough durability to qualify, rather than investing in more permanent solutions. 2) Innovation barriers: mid range solutions excluded, slowing diversification and technology development.



Durability at the portfolio level	
What counts	Challenges to scale durable removals
Eligibility determined by the portfolio's weighted average durability	<ol style="list-style-type: none"> 1) Weak demand signal: if the average is set too low, investment in permanent capacity is weak. 2) Implementation complexity: Governance for weighted averages are harder to operationalize and verify at scale.

- **Feedback from PC** highlighted cut-offs are not science based
- **Economic assessment and EWG discussion** emphasized economic and non-economic barriers to meet thresholds in the near-medium term

- Broad agreement amongst EWG members that a **portfolio approach** is the right direction and that **durability within portfolios must increase over time**.
- Divergence remains on the **pace of the ramp-up**: how quickly portfolios should shift toward durable removals.

Problem statement: How do we phase in durability requirements in a way that is feasible, credible, and drives investment ?

Portfolio design before net zero | The new proposal

Already discussed in the incentive model Session

How we designed the portfolio approach

- Set a minimum average durability requirement for each target period (e.g., 100 years in 2036–2040).
- Combine a mix of removal types in a portfolio, instead of relying on a single solution.
- Weight removals by their durability and volume (ton-years) to calculate the average.

Interim period	Share of residual addressed through CDR	Share of removals within the durability threshold	average portfolio durability
2025-2030	1%	10%	20+
2031-2035	5%	20%	50+
2036-2040	10%	40%	100 years
2041-2045	25%	60%	200+
2046-2050	50%	80%	500+
2050 onwards	100%	100%	1000+

- An archetypal cement company with projected scope 1 residual emissions of 100tCO₂ at the net-zero year
- Between 2036-2040;
 - the cement company is required to address **10% of annual residual emission** (50tCO₂) through durable removals.
 - the required minimum average durability of the removal portfolio should be **100 years**
 - the company deploys a portfolio combining afforestation with biochar, resulting in an average durability above the required threshold (>100)
 - the storage durability of afforestation is 40 years, and 200 years for biochar



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Divergent perspectives | Optimal portfolio design before net-zero

[Position A]: Forward looking portfolios

- Portfolios should feature high shares of durable removals from the start.
- This reduces long-term transition risks (avoids stranded investments in non-durable removals)
- The priority is to send a strong, credible signal to markets about the end-state.

[Position B]: Near term feasibility portfolios

- Portfolios should start with a greater share of non-durable removals, reflecting current cost, supply, and MRV constraints.
- Non-durable solutions deliver immediate climate value by reducing peak warming and buying critical time for durable removals to scale.
- The priority is to enable companies to act now.

Why it matters?

Both approaches agree durable removals are essential — the disagreement is about **when portfolios should reflect that requirement.**

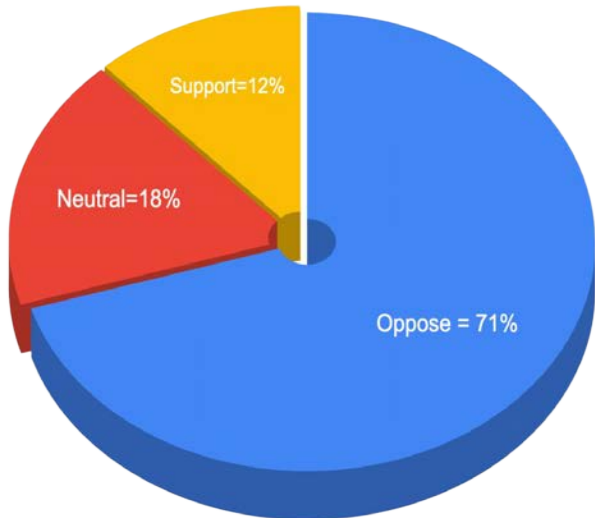
Forward-looking portfolios align with the net-zero end-state, sending a strong signal to markets.

Near-term feasibility portfolios make participation practical under today's barriers, while still managing climate and financial transition risks but face questions on whether they truly accelerate durable capacity.

CDR | Feedback and survey results

Sources: BVCM/CDR EWG survey, public consultation, EWG comments (Excel).

Do you support the proposed thresholds for the required share and durability of removals within the mitigation portfolio?



“

I welcome the inclusion of a progressive element, but would need more time to understand the interplay of the 2 dimensions of share of CDR and Durability. Also flagging that there might be additional flexibilities on storage durations if/when the like-for-like is back

The thresholds are too low - we need stronger incentives and signals so companies implement climate actions at the speed and scale needed.....

Even in the period 2036-2049, the average durability requirement would allow companies to purchase mostly non-durable CDR, which cannot neutralise the climate impact of ongoing fossil emissions, with some durable CDR

I think it could be simplified by saying that anything above 200+ is just the same. Regarding the wording, I suggest using "minimum" instead of "average" as the portfolio in 200+ for instance could consist of a credit of 1 years' durability and one of 1000 years and they would still meet the requirement of an average durability of 200 years.

”

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Discussion | Three breakout topics

We have assigned you to groups based on EWG membership, please move to the assigned table.

Optimal portfolio design on the path to net-zero

*Groups A-B
Tables 8 & 7*

1. What **minimum average durability** should apply in the near term?
2. **What share** of removals need to meet this durability threshold?
3. Should there be a minimum share of **permanent removals** in the near term? or when should the requirement kick in?
4. *What mechanisms/safeguards are needed to ensure the intended mitigation outcome*
5. *Which of these should be required vs recommended in the standard?*

Optimal portfolio design at net zero

*Groups C, D
Tables 6 & 5*

1. At the net zero year, should only solutions that provide **physical permanence** count?
2. If not, how should the portfolio look like at net zero, so that a sufficient share of permanent removals is available?
3. *What mechanisms/safeguards are needed to ensure the intended mitigation outcome*
4. *Which of these should be required vs recommended in the standard?*

Converging the divergence

*Groups E, F, G & H
Tables 1-4*

*Within your groups, come up with a **proposal that balances both perspectives physical permanence and contractual permanence.***

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1 hr discussion, 30 min break, 45 mins plenary feedback (until 17:30).

Detailed instructions are provided in your print out!

Breakouts | Proposed groups

Group A - before net-zero Table 8 (Scarlett)

1. Aisha Rodriguez
2. Daniel Schneiders
3. Fiona Perera
4. Hilde Stroot
5. Eva Masa Pinto
6. Noel Gurwick
7. Mai Bui
8. Giulia Carbone
9. Sam Van den plas
10. Martha Stevenson

Group B - before net-zero Table 7 (Piera)

1. Billie Wilcox Brooke
2. Omonigbo Erigha
3. Sarita Severien
4. Hannah Hunt
5. Kaya Axelsson
6. Nathan Truitt
7. Lene Petersen
8. Tim Clairs
9. Nicolas Kreibich

Group C - at net-zero Table 6 (Humphrey)

1. Robert Höglund
2. Injy Johnstone
3. Dan Magrath
4. Elijah Innes-Wimsatt
5. Elliott Engelmann
6. Silke Mooldijk
7. Toby Bryce
8. Thea Lyngseth
9. Sophie Louise Gladov
10. Andres Chang

Group D at net-zero Table 5 (Alice)

1. John Dulac
2. Cindy Chiang
3. Josh Taylor
4. Aaron Wu
5. Eva Masa Pinto
6. Brad Schallert
7. Frederic Hans
8. Louis Uzor
9. Thuy Phung

Group E Table 4 (Emma)

1. Krutarth Jhaveri
2. Matthew Brander
3. Sriram Rajagopal
4. Rachel Swiatek
5. Pete Budden
6. Aindrias Lefèvre
7. Matt Konieczny
8. Oleg Dobrovolsk

Group F Table 3 (Stephen)

1. Paola Delgado Luna
2. Sangwon Suh
3. Stephanie Glazer
4. Erik Landry
5. Shantanu Agarwal
6. Tatiana Boldyreva
7. Alissa Benchimol
8. Laura Mora

Group G Table 2 (Abhilash)

1. Nicolas Clerget
2. Svend Hansen
3. Mohanad Salah
4. Lucile Bourguet
5. Kae Takase
6. Alex Piper
7. Alli Devlin
8. Alan Lewis
9. *Chris St John Cox*

Group H Table 1 (Ayla)

1. Claire McCarthy
2. Doug Miller
3. Aditya Mishra
4. Claire Wigg
5. Peggy Kellen
6. Leonardo Lemmi Boeri
7. Miriam Kugele
8. Silvana Paniagua Tufinio

Breakouts | Groups A, B topic – Optimal portfolio design on the way to net zero

Key advantages of the portfolio approach

- Blend cost and durability to optimize investment
- Meet thresholds while ensuring supply resilience
- Diversify suppliers and avoid lock-in to a single solution
- Create a pathway to shift portfolios toward durable net zero



How to unlock them

- Ensure that portfolios progressively increase their durability to align with net zero.
- Start with a greater early share of intervention that provide immediate climate value and help overcome feasibility barriers
- Apply robust safeguards and quality criteria to prevent lock-in and ensure environmental integrity

Your Task

Step 1 – Individual Reflection (5 mins)

Take a few minutes on your own to complete the **Portfolio design Table**.

- For each building block, select the option(s) you think make the most sense.
- Add short notes on why you made those choices.

Step 2 – Group Discussion (20 mins)

Go around the group and have each person briefly share their preferred options for the **Building Blocks** table and the reasons behind those choices. Use these reflections as a springboard for discussion

- Should the threshold start low (e.g., 20+ years) to encourage early participation, or higher (e.g., 60+ or 80+) to send stronger signals for long-term removals? What are the trade-offs in feasibility, cost, and ambition?
- Should a small share (10–30%) qualify initially to ease entry, or should a majority (50–100%) be required to avoid lock-in of short-lived removals?
- Should the share of removals increase through **linear scaling**, stay **constant**, or follow an **evidence-based trajectory** (e.g., IPCC pathways)? How do we weigh clarity versus flexibility?
- Should the durability requirement rise **linearly**, remain **constant**, or adjust based on **evidence-based milestones** (e.g., shifting from 50+ years to 1000+ years by 2050)? How does this influence credibility and feasibility?
- Should there be a minimum share (e.g., 1% or scenario-based) of permanent removals (1000+ year storage) required early on? -What role do permanent removals play in anchoring credibility at net zero?
- Should the requirement apply already in the first interim period, or phase in later based on climate scenarios? - **What are the risks of delaying vs. starting early?**

Step 3 – Group Framework Design (30mins)

- Compare your individual reflections across all four building blocks.
- Aim to agree on one set of design choices for each block.
- If consensus is not possible, capture the main trade-offs or alternative perspectives.

Step 4 – Prepare to Report Back (5 mins)

Your group will have 5 minutes to present your proposal.

- Highlight your key design choices, and share the reasoning behind them.
- If there were disagreements, briefly explain the different perspectives.

Reporting structure

Optional portfolio design before net zero

Headline design choices	Highlight trade-offs and disagreements
Minimum durability threshold chosen + progression model	<ul style="list-style-type: none">• Should we set a higher threshold to send a stronger long-term signal, even if fewer options are feasible?• Or should we set a lower threshold that is easier to deliver?• Should we choose a linear progression for predictability, or an evidence-based approach ?
Share of removals that meet durability threshold + progression model	<ul style="list-style-type: none">• Should the share start low (10–30%) to encourage participation, or high (50–100%) to strengthen integrity?• Should the share increase linearly for clarity, or follow an evidence-based model that aligns with pathways?
Share of permanent removals + timing requirement + progression model	<ul style="list-style-type: none">• Should permanent removals be required early to send a strong demand signal, or later to avoid feasibility risks?• Should the share increase linearly for clarity, or follow an evidence-based model that aligns with pathways?

Context & Challenge

Context

A key question at and beyond net-zero is: *what counts as valid mitigation?*

The durability of storage is central to this debate.

Two perspectives are shaping the discussion:

- **Physical permanence** – valid mitigation requires like-for-like storage, with a tonne emitted matched by a tonne stored of equivalent durability.
- **Contractual permanence** – since no approach can *prove* 1000-year permanence, risk can be managed through mechanisms (e.g., buffers, insurance, replacement, portfolios).

Each approach carries trade-offs for integrity, feasibility, and scalability.

The Challenge

The debate on permanence raises two critical questions:

- **At the net-zero year, should only solutions that provide physical permanence count?** (this means that at net zero year, 100% of removals with 1000+ durability)
- **How can we ensure that a sufficient share of net-zero is achieved with durable solutions?**

Getting this right is essential to ensure the framework is **credible, transparent, and workable**. If it is too restrictive, it may exclude viable solutions and raise costs; if it is too permissive, it risks weakening trust and climate impact.

Your Task

Step 1 – Individual Reflection (5 mins)

Take a few minutes on your own to complete the **Portfolio design Table**.

- For each building block, select the option(s) you think make the most sense.
- Add short notes on why you made those choices.

Step 2 – Group Discussion (20 mins)

Go around the group and have each person briefly share their preferred options for the **Building Blocks** table and the reasons behind those choices. Use these reflections as a springboard for discussion

- Should the durability threshold at the net zero year reflect physical permanence (1000+) or should be lower? What are the trade-offs in feasibility, cost, and ambition?
- What share of removals should meet this threshold?
- Another way to pose this question could be: "What is the minimum share of permanent removal (1000+ year storage) at the net zero year?"

Step 3 – Group Framework Design (30mins)

Process:

- Compare your individual reflections across all four building blocks.
- Aim to agree on one set of design choices for each block.
- If consensus is not possible, capture the main trade-offs or alternative perspectives.

Step 4 – Prepare to Report Back (5 mins)

Your group will have 5 minutes to present your proposal.

- Highlight your key design choices, and share the reasoning behind them.
- If there were disagreements, briefly explain the different perspectives.

Reporting structure

Optimal portfolio design at the net zero year



Headline design choices	Highlight trade-offs and disagreements
Average durability threshold at the net zero year	If consensus wasn't reached, briefly explain the alternative views.
Share of removals that must meet this threshold	If consensus wasn't reached, briefly explain the alternative views.
Share of permanent removals at the net zero year	If consensus wasn't reached, briefly explain the alternative views.

Context & Challenge

Context

Safeguards and contractual mechanisms (e.g., buffers, insurance, replacement obligations) are often proposed as ways to manage risks of reversal or non-delivery.

SBTi has not yet conducted research on their effectiveness or scope, and these mechanisms are likely to **evolve over time**. Their role may differ across time horizons:

- **Before net zero** – where companies may rely on a portfolio of solutions with varying durability.
- **At net zero** – where credibility depends on whether safeguards can complement or substitute for long-lived storage.

The Challenge

Key questions to guide further work:

1. **What mechanisms or safeguards are needed to ensure the intended mitigation outcome?**
 - **Before net zero**
 - **At net zero**
2. **Which of these should be required versus recommended in the standard?**

This discussion is critical because:

- SBTi must decide how safeguards fit into a credible net-zero framework.
- Mechanisms may expand or adapt over time, requiring flexibility in rule design.

Reporting structure

The role of safeguards

Headline design choices	Justification:	Highlight trade-offs and disagreements
Mechanisms/safeguards required before net zero (top 1 or 2)	what risks these measures mitigate?	If consensus wasn't reached, briefly explain the alternative views.
Mechanisms/safeguards required at the net zero year (top 1 or 2)	what risks these measures mitigate?	If consensus wasn't reached, briefly explain the alternative views.
Which mechanism should the standard require vs recommend?	what risks these measures mitigate?	If consensus wasn't reached, briefly explain the alternative views.

CNZS V2.0 Expert Working Group Workshops: Day 3

9-11th September

Day 3 Overview & Objectives

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Today's objectives

- To **validate what we've heard**, present and gather feedback on updated proposals for indirect mitigation and ongoing & residual emissions.
- To break into EWG group discussions on **EWG specific topics**, including quality criteria
- To explore how to design **claims** that protect credibility while motivating companies to stay ambitious and engaged.

Workshop objectives | Day 3 detailed agenda

Day 3: Cross-Cutting Themes, Claims & Closure (09:00 – 15:00)

08:00 – 09:00	Breakfast
09:00 – 10:00	Feedback and direction of travel
10:00 – 10:15	Introduction to quality criteria
10:15 – 11:00	EWG discussions
11:00 – 11:15	Break
11:15 – 13:30 <i>(20 min presentation, 15 min discussion, 25 min feedback) 2h 30 mins</i>	Performance & Claims
13:30 – 14:30	Lunch
14:30 – 15:00	Next Steps & Closing Session

Feedback and direction of travel

09:05-10:00

Alberto Carrillo Pineda, Chief Technical Officer

Summary of feedback and direction of travel

- Thematic lead presents a summary of feedback received.
- Thematic lead presents a directional proposal that reflects and seeks to bridge different perspectives.
- EWG members indicate their sentiment on the directional proposal:
 - ▶ I like it
 - ▶ I can live with it
 - ▶ I hate it
- EWG members in the “I hate it” group are invited to document what they don't like about the proposal and suggest one adjustment to the proposal that could move them to “I can live with it” or “I like it”.
- Thematic leads consider these suggested adjustments, identify areas requiring further assessment or consultation, and document any remaining disagreements.

Evolution of indirect mitigation for PC2 draft

Considerations from EWG feedback

- Indirect mitigation can be an effective transitional tool to support scale-up of low-carbon alternatives when those are not yet accessible to companies;
- The incentives for indirect mitigation should balance the incentives provided to companies with the importance of transparent and robust claims;
- As a transitional tool, the standard should provide mechanisms that incentivise companies to gradually shift from indirect to direct mitigation;
- Quality criteria are important to ensure the intended impact of indirect mitigation, acknowledging that the cross-sector standard can only provide high-level criteria, and more activity and sector-specific criteria can only be resolved through sector-specific standards and activity-specific standards.

Evolution of indirect mitigation for PC2 draft

Directional proposal for indirect mitigation both in scope 2 and 3 (to be used as a basis to revise PC2 draft)

- **Indirect mitigation can be used as a mechanism** for companies to address value-chain emissions, whenever direct mitigation is not feasible;
 - ▶ Activities in early transition phase;
 - ▶ Location-bound activities where low-carbon alternatives are unavailable due to infrastructure, regulatory or supply constraints specific to the location.
- **Indirect mitigation shall adhere to quality criteria** to ensure intended outcome through specific accounting mechanism, system boundary, quantity and quality matching to avoid double counting and ensure comparable impact;
- **Companies shall transparently report** the share of emissions addressed through direct and indirect mitigation;
 - ▶ Both, direct and indirect mitigation will count towards target achievement for the purpose of SBTi recognition;
 - ▶ Claims around **value-chain emission reductions** shall be substantiated through actions that reduce emissions from activities and sources within the value chain of the company;
 - ▶ Actions, outcomes and impact from **indirect mitigation** interventions shall be reported separately from the physical inventory.
 - ▶ **Claims to be discussed in the next section**

Evolution of ongoing and residual emissions for PC2 draft

Considerations from EWG feedback

- We want to provide a strong incentive for companies to support scale-up of removals and BVCM without discouraging participation in SBTi
- Some groups support an incentive model based on recognition in the shorter-term, with expectation for companies to increasingly address projected residual emissions through a requirement. Another group proposed introducing a requirement to address projected residual emissions even in the shorter-term
- In all cases, companies should be required to disclose how they are addressing ongoing and residual emissions
- Proposed requirement to address 100% of emissions across all scopes sets the bar too high. Scope of responsibility for recognition should be revised to encourage wider participation;

Evolution of ongoing and residual emissions for PC2 draft

Directional proposal (to be used as a basis to revise PC2 draft)

- Incentive model
 - ▶ In the short-term companies will be recognised for taking responsibility for a portion of their ongoing emissions.
 - ▶ In the mid-term companies will continue to be recognised for taking responsibility for their ongoing emissions, with a requirement to increasingly address a portion of their projected residual emissions;
 - To maximise participation and impact, the year in which the removals requirement kicks-in will be determined through public consultation / targeted feasibility assessment.
 - ▶ At the net-zero year, companies are required to counterbalance 100% of their remaining emissions
- Scope of responsibility
 - ▶ Scope of responsibility for optional recognition will be determined through public consultation / targeted assessment with the aim of incentivising maximum participation
- Mitigation outcomes
 - ▶ Flexibility in mitigation activities and outcomes in the short term, with a share of ongoing emissions expected to be addressed through carbon dioxide removal.
 - ▶ A portfolio approach allowing flexibility in removal durability in the short term, with a clear expectation of progressively increasing the share of durable removals over time, in line with a science-based trajectory.
 - ▶ Durability can be demonstrated in two ways:
 - Contractual mechanisms
 - Storage methods capable of storing carbon on centuries-to-millennia timescales.
 - ▶ Other climate activities such as R&D, ex-ante, adaptation loss and damage may be eligible mitigation activities for ongoing emissions, with their eligibility and verifiability to be determined through further research.
 - ▶ Mitigation activities to take responsibility for ongoing and residual emissions are expected to adhere to high-quality criteria.
- Transparency
 - ▶ All companies will be required to disclose whether and how they are addressing the impact of their ongoing emissions as they transition to net-zero (i.e. 'opt-out disclosure')

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“Quality Criteria” scene setting

15 minutes presentation, 45 minutes discussion in EWG

Scarlett Benson, BVCM & Scope 2 EWG Lead

Defining “quality criteria” | The situation and the challenge

Situation:

In V2.0, we must move from validating ambition to also validating progress, which requires establishing *what counts* as credible delivery – and defining the substantiation that SBTi Services will need to check in order to validate it.

Challenge:

“Quality criteria” cover a messy landscape: multiple use cases (direct, indirect, residual, neutralization), different substantiation mechanisms (EACs, supplier inventories, label...), different maturation of substantiation mechanisms across commodities and markets, and different outcome types (removals, reductions, climate finance...).

Defining “quality criteria” | What we mean with this term?

A catch all term for now...

The substantiation mechanism: *What substantiates the action occurred and, where relevant, quantifies its impact?*

Example of substantiation mechanisms: EAC, supplier inventory, product label etc.

Illustrative criteria that apply at this level regardless of the substantiation mechanism?

- Robust quantification?
- Social and environmental safeguards?
- Legal right to claim?

Illustrative criteria that are specific to the substantiation type?

- E.g., for carbon credits: additionality...

The use case & associated claim: *How is the company using that substantiation, and what claim are they attaching to it?*

Example of use case & associated claim: Direct mitigation (Scope 2), indirect mitigation (Scope 3), responsibility for ongoing emissions, neutralization...

Illustrative criteria that are specific to the use case?

- Deliverability?
- Permanence & reversal risk?
- Vintage?
- Additionality?
- +++

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Recap | The SBTi has developed quality criteria for EACs (Annex B) based on the following underlying principles - applicable to scope 1, 2, and 3

CERTIFICATE GENERATION

Integrity: EAC programs must apply publicly disclosed, standardized methodologies and protocols for the qualification and quantification of the environmental attributes (definition of accounting practices and system boundary)

System boundary: EACs shall be generated with specific traceability, and temporal and geographical boundaries

No double claiming: generating company shall apply residual EFs for commodities covered by the EAC

ENSURING COMPARABLE IMPACT

Quantity matching: Matching the quantity of EACs to the associated inventory component to prevent over-reporting.

Quality matching: Matching the emission source to be mitigated with the EAC bought (type, time, geography)

CERTIFICATE TRANSACTION

Credibility: EACs should be verified by third-parties to ensure accuracy and credibility

No double counting: tracking system shall be in place (e.g. registries) to prevent double counting

Price: the price of the certificate is comparable to the corresponding green premium of the low-carbon alternative*

* Not included in the draft yet

Recap | The SBTi has proposed a box on quality criteria for the ongoing and residual emissions chapter

C18: Companies shall neutralize any residual emissions that remain at the net-zero year and thereafter.

C19: Companies shall take responsibility for an increasing share of their projected scope 1 residual emissions until the net-zero year by undertaking supplementary mitigation actions.

R19.1: Companies should exceed the minimum requirements by taking responsibility for a larger share of residual emissions and/or a wider set of ongoing emissions through:

- Quantified ex-post mitigation outcomes that meet the quality criteria in Box 2 of this document, and/or
- Other high-quality climate contributions...

C20: Companies seeking full responsibility recognition shall take responsibility for 100% of their ongoing scope 1, scope 2 and scope 3 emissions that continue to be released into the atmosphere over the target timeframe.

C21: Companies shall publicly report actions to take responsibility for ongoing and residual emissions.

CNZS-C18.2 Quality criteria: Removal activities used by companies to address residual emissions at the net-zero year and thereafter shall adhere to the quality criteria specified in Box 2 of this document.

CNZS-C19.4 Quality criteria for all mitigation outcomes: Mitigation outcomes for the purpose of taking responsibility for residual emissions shall meet the interim quality criteria for mitigation impact contribution claims specified in Box 2 of this document.

CNZS-C20.4 Quality criteria: All contributions under C20.2 and C20.3 shall meet the minimum quality criteria as outlined in Box 2 of this document, including the activity-specific quality criteria.



Defining “quality criteria” | Rapid fire input from the floor

Question 1: What different substantiation mechanisms can you think of?

Question 2: Are there “quality criteria” that you think apply regardless of the substantiation mechanism?

Question 3: Are there “quality criteria” that you think are specific to a given substantiation? (Please name the mechanism and the criteria e.g. “carbon credits: additionality”?)

Question 4: Are there quality criteria that you think are specific not to the mechanism but to the use case? (Please name the use case and the criteria e.g., scope 2 direct mitigation: geo-matching”?)

Defining “quality criteria” | Optional exercise for EWG breakouts...

How important (and/or relevant) are different quality criteria depending on the use case...? *(answers shown are illustrative and debatable)*

		USE CASE							
		Scope 1		Scope 2		Scope 3		Ongoing & residual emissions	Neutralization at net-zero
		Direct mitigation	Indirect mitigation	Direct mitigation	Indirect mitigation	Direct mitigation	Indirect mitigation	N/A	N/A
Quality criteria	Robust quantification	High	High	High	High	High	High	High	High
	Additionality	Not relevant?	High	Not relevant?	High	Not relevant?	High	Medium	High
	Reversal risk	Not relevant?	Not relevant?	Not relevant?	Not relevant?	Not relevant?	Not relevant	Not relevant	High
	Geo-matching	High	Not relevant	High	Medium/ low?	High	Not relevant	Not relevant	Not relevant
	Time-matching	Medium	Medium/low?	Medium	Medium/low/	Medium	Medium?	Medium	Medium
	Integrity	...	...	...	...	...	...
	System boundary	...	...	...	...	...	...
	etc.	...	...	...	...	...	...

Defining “quality criteria” | Some of our outstanding questions

Scope 1

Direct mitigation: How should the quality criteria be consistent with minimum traceability requirements for direct mitigation

Indirect mitigation: Are the proposed quality criteria feasible for double claiming and counting?

Scope 2

DM: What quality criteria (e.g., deliverability, hourly matching) should apply for sourcing methods, including unbundled EACs?

IM geographic matching: Should contributions be restricted to in-market only, or also allow cross-border with safeguards?

IM substantiation mechanism: Should financial contributions (e.g., investment into transition funds) count and if so what would the substantiation mechanism be?

IM comparability: If tCO₂e-tCO₂e matching is allowed for indirect mitigation, what accounting methods can be used? How do we ensure comparability?

Scope 3

Direct mitigation: How should the quality criteria be consistent with minimum traceability requirements for direct mitigation

Indirect mitigation: Are the proposed quality criteria feasible for double claiming and counting?

Ongoing & Residual emissions

How best to integrate your latest feedback? E.g., how important is additionality/ avoiding double claiming under contribution claims? E.g., how to address diverging feedback on vintage requirements?

Third-party standards & certification schemes: What level of detail is needed for v2, in recognition that SBTi is likely to introduce a formal recognition framework in the future?

Research fellow topics e.g., What evidence/ assurance is needed to support recognition of actions beyond ex-post mitigation? Whether and how the mechanism of support (grants, concessional finance...) should also have specific quality

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Cross cutting: outstanding questions on claims (next session)



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

EWG DISCUSSION

45 mins discussion

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Designing an effective and fair claims framework

Emma Watson, Head of Corporate Standards
Erin Lasher, MRV Manager
Beatriz Garcia Navarro, Claims & Assurance Lead

Claims are the **public face** of the standard and share the story of a company's SBTi journey.

Good claims



Credibility
Comparability
Trust

Poorly designed claims

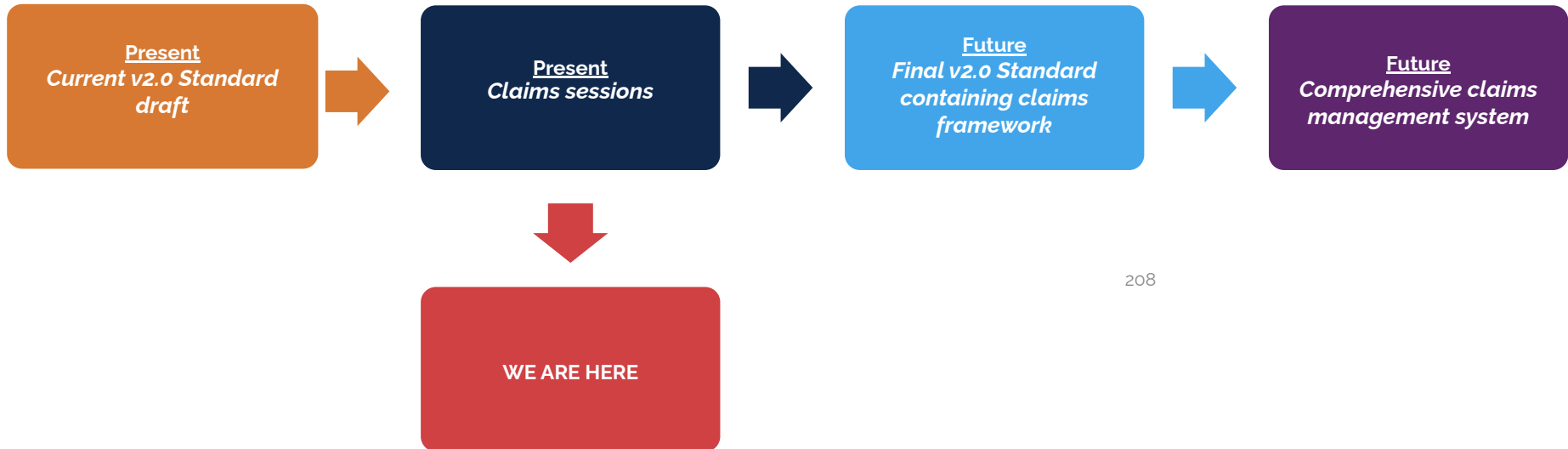


Greenwashing
Discouragement of ambition
Enablement of underachievement

Claims framework | Road map

SBTi aims to develop a comprehensive claims management system that:

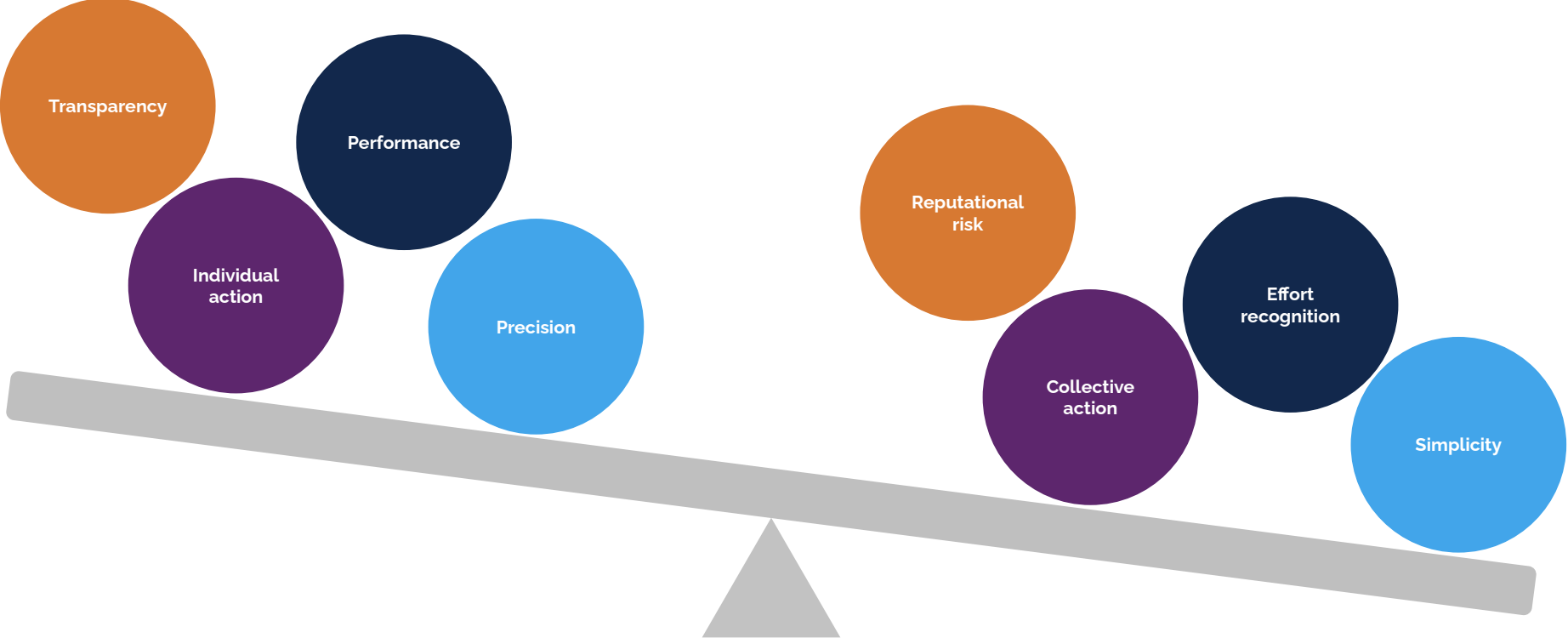
- Ensures consistency across different standards and initiatives
- Provides clear guardrails on what claims can/cannot be made
- Embeds verification and accountability
- Offers flexible but credible recognition (individual and collective contributions)



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Claims framework | Key design tensions

How to balance



SBTi confidential

NOTE: Scale is for illustrative purposes only and does not indicate a preference

CLAIMS FRAMEWORK DISCUSSION

1.5 hour discussion, 30 mins plenary feedback

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Claims framework

Guiding question for discussion

1.5 hour discussion, 30 mins plenary feedback

1. How can we encourage companies to make commitments in areas where individual influence is limited, but collective actions is essential (e.g., Scope 2 location-based targets)?
2. How can achievement claims recognize genuine ambition and effort, whilst safeguarding against incentives to underdeliver?
3. How can we use performance assessments to not only track delivery but also drive learning and stronger future action?

INDIVIDUAL COMMITMENT FOR COLLECTIVE ACTION

Tables 1 & 2

To drive systems change that enable global emissions reduction, individual commitments from companies participating in the SBTi are critical.

Task: Many companies hesitate to commit in areas where outcomes depend on collective action (e.g., Scope 2 location-based targets) because they feel they have little control. Within your group, propose practical ways SBTi could reduce this reluctance and encourage commitments in these areas.

Guiding Prompts for Groups:

- Barriers → What makes companies reluctant?
- Incentives & reassurances → What could motivate them to commit anyway?
- Safeguards → What protections are needed to keep commitments credible without punishing companies for factors outside their control?
- Examples/models → Are there existing initiatives (in energy, supply chains, or finance) that successfully encouraged commitments under limited control?

Report-Back Structure (3 mins)

- **Proposed Approach** → Provide a proposal for a structure that incentivizes participation in collective action, while transparently demonstrating their individual action is part of a larger global effort.

1.5 hour discussion, 30 mins plenary feedback

BALANCED ACHIEVEMENT CLAIMS

Tables 3-5

How can the SBTi claims and disclosure framework recognize genuine ambition and effort, whilst safeguarding against incentives to underdeliver?

Task: Design a model for how SBTi claims and disclosure framework could balance recognition of effort and outcome — ensuring credibility while still motivating companies to stay engaged and ambitious.

Guiding Prompts:

- Effort indicators → What inputs could demonstrate genuine effort?
- Outcome metrics → What minimum levels of delivery must be met for an achievement claim to remain credible?
- Distinguishing factors → How do we separate underdelivery due to controllable vs. uncontrollable factors?
- Recognition options → How could claims both reward ambition and avoid being perceived as punitive?
- Safeguards → What rules ensure recognition doesn't excuse weak performance, while still motivating companies to continue?

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Report-Back Structure (3 mins): Report back on your proposal across the five dimensions above.

1.5 hour discussion, 30 mins plenary feedback

Discussion | Breakout option 3

DRIVING CONTINUOUS LEARNING

Tables 6-8

Reducing global emissions requires system-wide progress. The SBTi framework should turn company shortfalls into opportunities for learning and collective improvement, rather than reputational collapse.

Task: Design ways the SBTi claims and performance framework can transform company shortfalls into opportunities for peer learning and future progress, while safeguarding credibility.

Guiding Prompts for Groups

- Disclosure of shortfalls → What should companies disclose when they miss targets (e.g., causes, barriers, corrective actions), and how can this be done constructively?
- Enabling peer learning → How could the SBTi framework turn shortfalls into lessons for others (e.g., anonymized case studies, peer forums, thematic reviews)?
- Using performance & communications → How can company disclosures (e.g., ESG reports) and SBTi tools (e.g., Target Dashboard) be leveraged to share insights, highlight systemic barriers, and stimulate collective action?

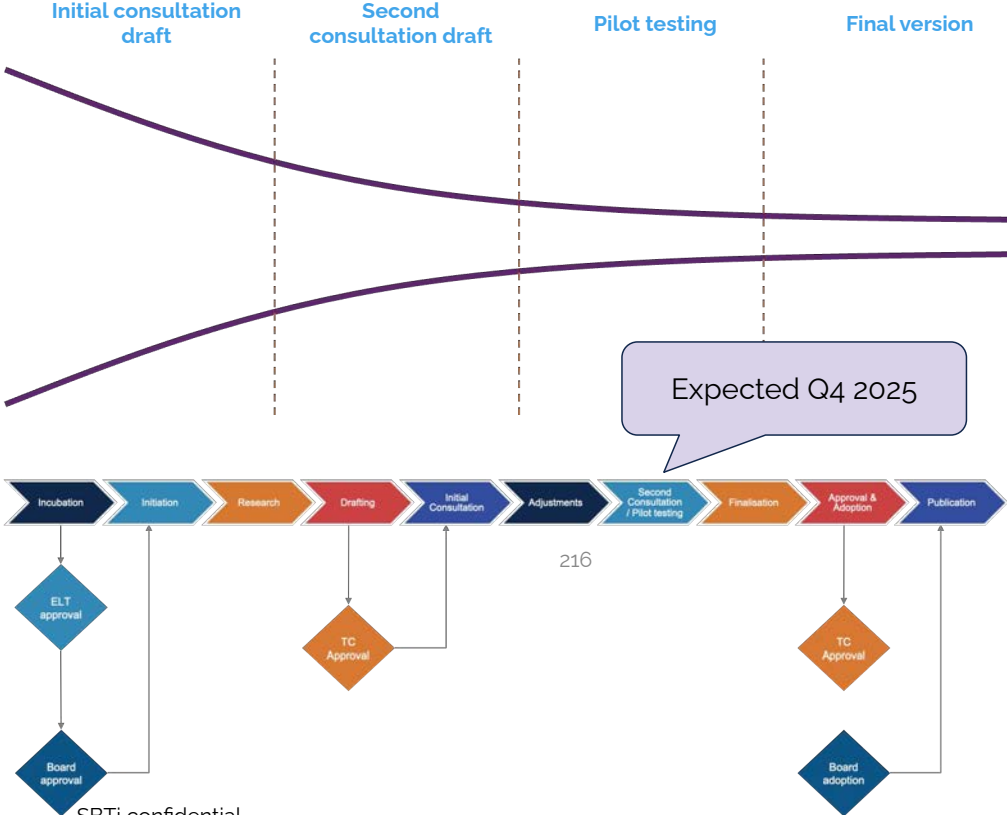
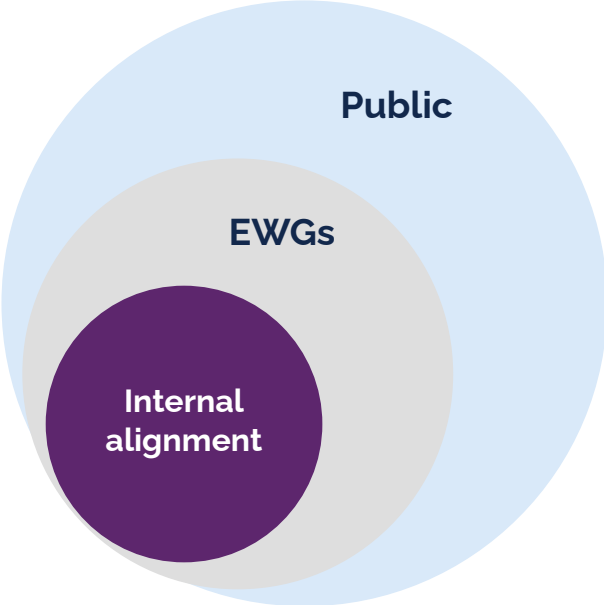
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Report-Back Structure (3 mins): Report back on your proposal across the five dimensions above.

1.5 hour discussion, 30 mins plenary feedback

Closing & next steps

Next steps | Overall revision process



Next steps | Pilot testing

CNZS v2 is being pilot tested over two phases

Phase 1: Survey

Phase 2: Company pilot

Date June - Mid-August

October - November

Participant no. 460+ company responses

50 companies

Description **Public survey** open to companies across **all sectors and regions** covering questions on scope 1, scope 2, scope 3, data availability, BVCM, and removals

Formal pilot-test where companies will be **onboarded to the standard** and **attempting to set targets** and test criteria understandability and applicability

Objective To **gather information** to **inform the redrafting** of the standard pre-pilot-testing

To **test implementability** and **gather feedback** on **specific elements of the standard**

Next steps | Workshop outputs and looking ahead

From the Workshop

- Feedback Log - provide feedback by **next Friday**
- Clarified positions on cross-cutting issues, direction on how to resolve outstanding issues within draft

For the draft

- Redrafting process will occur over the course of the next month
- Draft will be sent to our Technical Council in October (for information)

Looking ahead

- EWG Term extends until launch of the project, but meetings will slow down
- We may request informal / ad hoc meetings or offline reviews
- Cross-EWG meeting(s) to discuss public consultation and pilot testing feedback

Unique Comment ID	Date	EWG member	Expert Working Group	Topic	Comment type	Comment/question	Importance	Logged by (SBTi)
1	09/09/2025	robert@marginalcafe.com	BVCN	Scope 2	Risks & concerns	For long-term location based targets - concern that this will be impossible to meet for some companies in certain geographies. Relevant to many companies as many companies have global operations.		Alice / Giulia
2	09/09/2025	Paola Delgado Luna	Claims	Scope 2	Proposals	Suggestion to include S2 policy engagement target for policy engagement to influence grid development		Alice / Giulia
3	09/09/2025	John Dulac	CDR	Scope 2	Clarification	For near-term, how does the 100% no exclusion relate to exclusions from s1 and s2 targets. Concern that SBTi is dictating that companies have to reduce all of s2, what does this mean for s1? s2 decarbonization might be more expensive		Alice / Giulia
4	09/09/2025	Mai Bui	CDR	Scope 2	Clarification	What's meant by zero-carbon electricity? Is life cycle included? The term 'zero' has implications.		Alice / Giulia
5	09/09/2025	Sangwoong Su - Watershed	Claims	Scope 3	Divergences	Concern that supplier engagement is now optional, diverges from GHGP which requires companies to distinguish supplier specific emissions vs all the rest.		Alice / Giulia
6	09/09/2025	Sangwoong Su - Watershed	Claims	Scope 3	Divergences	Concern over the handling of attributional accounting within S3 framework. Would like this included further within the framework - considers it impossible to discuss reductions without project or consequential accounting.		Alice / Giulia
7	09/09/2025	hannah.hunt@heinenusa.com	CDR	Scope 3	Clarification	Clarification if the intention is to align the quality criteria for IM in S3 with the quality criteria within S2, e.g. hourly matching.		Alice / Giulia
8	09/09/2025	Aldrias Lefevre	Scope 2	Residuals	Clarification	Clarification if SBTi has considered about sector differentiation based on the ability to pay for s1 removal targets?		Alice / Giulia
9	09/09/2025	Skye Lie	Scope 2	General	Clarification	Has SBTi considered applying different tiers of recognition or ambition across the entire standard (not just ongoing emissions), noting that a common theme across the EWG seems to be ambition vs feasibility, and given that 1.5degrees is becoming more challenging.		Alice / Giulia
10	09/09/2025	Martha Stevenson	Claims	Ongoing	Proposals	Suggests to organize the incentive model in a sector based way to drive competition within sectors		Alice / Giulia
11	09/09/2025	Martha Stevenson	Claims	Residuals	Proposals	Carbon pricing - match science-based carbon-price proposals with implementation cost		Alice / Giulia
12	09/09/2025	Dan McGrath	Claims	Residuals	Proposals	In Gold Standard BVCN guidance, the guidance allows for both MIT and TIT. Suggests SBTi follows this approach rather than distinguishing between the two.		Alice / Giulia
13	09/09/2025	Noel Gurwicz			Clarification	Why a quantifiable impact is more real than one we are aware it exists but is not measurable		Alice / Giulia
14	09/09/2025	Tim	CDR	Claims	Clarification	For ongoing emissions, are claims only allowed only under the full responsibility tier?		Alice / Giulia

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Thank you!

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