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DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SBTi Corporate Net-Zero Standard Expert Working Group Meeting Minutes

Scope 2 Expert Working Group – 1st Session

15 & 19 May 2025 – 08:00-10:30 CEST / 17:00–19:30
CEST

Virtual

PUBLIC

DISCLAIMER

The meeting notes provided herein are intended to capture the discussions, decisions, and actions taken during the meeting to the best of the note-taker's ability. While efforts have been made to accurately represent the proceedings, it is essential to acknowledge that these minutes are a summary and may not capture every detail or nuance of the discussions held.

While every effort has been made to respect the confidentiality of sensitive information, please be aware that the meeting minutes may contain references to discussions or materials considered confidential or privileged. The unauthorized disclosure, distribution, or use of such information is strictly prohibited. If you believe any sensitive information has been improperly disclosed, please contact the SBTi.

Meeting minutes are subject to revision and amendment. The content may be updated or modified based on corrections, additions, or clarifications deemed necessary by the SBTi.

Session decisions which are deemed interim, unresolved items or confidential will not be shared publicly to protect the confidentiality of the Standard before publication and to prevent sending premature signals to the market.

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

“Science Based Targets initiative” and “SBTi” refer to the Science Based Targets initiative, a private company registered in England number 14960097 and registered as a UK Charity number 1205768.

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Meeting participants

Expert Working Group (EWG) Members present:

Two sessions were held to accommodate time zones (Option A and Option B).

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

Option A:

- | | |
|--|---|
| 1. Drew Beyer, RMI | 8. Aindrias Lefèvre, EDF Group |
| 2. Lucile Bourguet, Fortescue | 9. Skye Lei, ServiceNow |
| 3. Matthew Brander, University of Edinburgh | 10. Doug Miller, Energy Peace Partners |
| 4. Elliott Engelmann, World Resources Institute / GHG Protocol | 11. Alex Piper, EnergyTag |
| 5. Peggy Kellen, Center for Resource Solutions (CRS) | 12. Rachel Swiatek, Climate Group |
| 6. Rachel Kitchin, Stand.earth | 13. Mohanad Salah, Sidi Kerir For Petrochemicals Company (SIDPEC) |
| 7. Matt Konieczny, Watershed | |

Option B:

- | | |
|---|---|
| 1. Nicholas Fedson, CDP | 5. Roble Velasco-Rosenheim, The I-TRACK Standard Foundation |
| 2. Emma Saraff, Asia Clean Energy Coalition | 6. Erik Landry, GRESB |
| 3. Chris St John Cox, Energy Systems Catapult | 7. Molly Walton, We Mean Business Coalition |
| 4. Kae Takase, Renewable Energy Institute | |

Guest speaker

Option A:

1. Elcin Akcura, World Bank

SBTi

Option A:

- | | |
|---|--|
| 1. Ayla Dincay, Buildings Lead | 5. Abhilash Desu, Senior Target Analyst - Observer |
| 2. Scarlett Benson, EWG Lead | 6. Caroline Ponce, Project Manager - Observer |
| 3. Emma Borjigin-Wang, SME Research | |
| 4. Emma Watson, Head of Corporate Standards | |

Option B:

- | | |
|---|--|
| 1. Ayla Dincay, Buildings Lead | 4. Abhilash Desu, Senior Target Analyst - Observer |
| 2. Scarlett Benson, EWG Lead | |
| 3. Emma Watson, Head of Corporate Standards | 5. Marco Swan, FI Engagement Manager - Observer |

Meeting Agenda

Welcome and Introductions	20 min
Orientation	20 min
Elcin Akcura, World Bank: Overview of Global Electricity Market Structures	15 min
Q&A	10 min
Break	5 min
Briefing: GHG Protocol scope 2 revision process	5 min
The SBTi's proposed direction for scope 2 under CNZS 2.0	40 min
Discussion: aligning on vision and principles for scope 2	30 min
Wrap-up & next steps	5 min

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

1. Welcome & Introductions

The session began with a welcome by the SBTi team. EWG members introduced themselves, highlighting their roles, organizations, and regional focus.

2. Meeting Objectives

The purpose of this meeting was to establish a shared vision and baseline level of understanding of scope 2 target-setting by:

- Orientating the EWG to the scope 2 revision process, its objectives, and the conceptual framework for scope 2 in the Corporate Net-Zero Standard (CNZS) v2.0
- Present current and proposed criteria for scope 2 in the SBTi CNZS v2.0
- Share global insights on electricity market structures
- Gauge and, where possible, align understanding across EWG participants
- Gather early reflections on proposed changes and key questions

3. Agenda Overview

- Welcome & introductions

- Orientation
 - Scope 2 EWG objectives and overview of the sessions
 - Existing scope 2 rules in CNZS v1.2
 - Scope 2 proposals in CNZS v2.0
- Presentation by Elcin Akcura, World Bank: Global Overview of Power Market Structures
- Overview of the GHG Protocol scope 2 revision process
- The SBTi's proposed direction for scope 2 under CNZS 2.0
- Discussion: aligning on vision and principles for scope 2

4. Orientation

The session marked the kickoff of the Scope 2 EWG process.

The SBTi presented the session schedule, which includes five online sessions and an in-person meeting in September. Session topics include:

- Procurement instruments and matching requirements
- Indirect mitigation (zero-carbon electricity in other grids)
- Claims, reporting, and assurance

Additionally a separate session with the GHG Protocol will be organized, likely in July.

Existing scope 2 criteria in CNZS v1.2

The SBTi presented the currently applied primary scope 2 criteria (C3 and C9) as well as the related criteria (C19, C20, C21, C27) in the CNZS v1.2. These include:

- Companies may use either location-based or market-based accounting for scope 2, but it must be used consistently throughout the target timeframe (C9).
- A target to actively source renewable electricity can substitute for scope 2 targets (C27).

Proposed changes to scope 2 in the CNZS v2.0 draft

The SBTi presented the proposed requirements in criterion C15 in the initial draft of CNZS v2.0. These include:

- Companies are required to set two separate scope 2 targets (C15.1):
 1. A mandatory location-based emission reduction target
 2. A market-based emission reduction target or a zero-carbon electricity sourcing alignment target*
- Where possible, companies are required to procure contractual instruments that match their operational electricity use both in time and geographic location (C15.4).
- Where sourcing zero-carbon electricity within the grids in which the company operates is not possible, companies are required to contribute to zero-carbon electricity in other grids as an interim measure (C15.5).

The zero-carbon target focuses on the share of electricity sourced, rather than tonnes of CO₂e, and may include nuclear and other low-carbon sources.

These changes aim to:

- Align with GHG Protocol developments
- Reflect real-world electricity market diversity
- Address concerns over the effectiveness of unbundled Energy Attribute Certificates (EACs)
- Incentivize time- and geographically-matched sourcing to support grid decarbonization

6. Presentation: Global Electricity Market Structures

- **Elchin Akcura (World Bank)** delivered a global overview of electricity markets.
- Elcin presented four key models:
 - **Vertically Integrated Utility (VIU)** – common in smaller or island nations
 - **Single Buyer Model (SBM)** – the most common structure globally
 - **Wholesale Competition** – allows bilateral and spot market trading
 - **Retail Competition** – consumers can choose electricity providers
- Key insights:
 - Electricity systems vary significantly in design and maturity.
 - Market transitions are often driven by private investment and IPPs, particularly solar.
 - Grid development often lags due to financing constraints and technical challenges with integrating renewables.
 - These variations imply that **differentiated requirements** may be needed in the scope 2 criteria.
- The presentation helped establish a **shared understanding** of how market context affects feasibility and impact of scope 2 strategies.

7. Briefing: GHG Protocol Scope 2 Revision Process

The GHG Protocol is also reviewing its Scope 2 Guidance, with over 400 stakeholder inputs gathered through their 2022/2023 Scope 2 Guidance Survey.

They have two relevant Technical Working Groups (TWGs):

- Main TWG: General scope 2 reporting guidance
- Sub-TWG: Consequential accounting (e.g. avoided and induced emissions)

The process is divided into two phases:

- **Phase 1** focuses on clarifying the objectives of location-based and market-based accounting methods, refining technical aspects of both approaches, and addressing their relationship to project-based methodologies.
- **Phase 2** will expand the scope to include the interface between Scope 2 and Scope 3 emissions, improved guidance for steam, heat, and cooling, transmission and distribution losses, and methodology standards for data providers.

The SBTi and GHG Protocol teams are coordinating regularly, although their timelines and governance processes are distinct.

8. The SBTi's Proposed Direction for Scope 2 under CNZS V2.0

The SBTi presented the principles that are used when designing standards and the selecting the technical foundations that underpin them: **ambition, transparency, rigor, robustness, actionability, and responsibility**. These principles support decisions on metrics, feasibility thresholds, and equity across market contexts.

The SBTi presented an “intervention hierarchy” conceptual framework:

- **Direct mitigation** (where the company's emission source is addressed at the activity and/or entity level - i.e. abating the emission source itself).
- **Activity pool** (where the company's emission source is addressed at the activity pool - i.e., abating an equivalent amount of emissions that are geographically linked and comparable to the emission source).
- **Indirect mitigation** (where the company's emission source is addressed through indirect mitigation - i.e., abating an equivalent amount of emissions that are comparable to the emission source).

The SBTi presented its scope 2 conceptual frameworks including:

- **Activities:** e.g., research, standard-setting, consultation, validation, etc.
- **Outputs:** e.g., near-term and long-term criteria, recommendations etc.
- **Intermediate Outcomes:** e.g., reduced electricity use, increased clean electricity sourcing, policy engagement, etc.
- **Impacts:** e.g., reduced emissions, grid transformation, increased zero-carbon generation.

Group discussion: The group was invited to help refine open questions around feasibility, market differentiation, and effectiveness of sourcing mechanisms.

9. Summary of Discussion & Next Steps

Feasibility and Integrity

- Broad agreement on the need to strike a balance between high-integrity scope 2 targets and feasibility for diverse companies and markets.
- Threshold-based approaches were discussed to enable differentiated requirements based on company size or capabilities.

Geographic and Temporal Matching

- Mixed views on feasibility and appropriateness of mandating hourly and/or geographic matching.
- One suggestion was to use national regulation as a proxy in some contexts, acknowledging effectiveness depends on government capacity.
- Considering tiered or phased implementation was also suggested.

Market Instruments

- Complexity of defining “bundled” vs. “unbundled” EACs noted.
- One participant highlighted the need for more research on the real-world impact of market-based accounting across different power market structures.

Location-Based and Market-Based Accounting

- Concerns raised over the perception that the SBTi is prioritizing location-based and downgrading market-based accounting. The SBTi team clarified that this is not the case.

Role of the SBTi and GHG Protocol

- Alignment between the GHG Protocol and the SBTi is seen as critical to avoid confusion and duplication.
- Participants highlighted that the SBTi has a role in driving ambition and integrity, but noted that it is reliant on GHG Protocol for foundational accounting rules.
- Avoiding alternative definitions is important to preserve harmonization and credibility.

Next Steps:

- A post-meeting survey will be circulated to gather additional feedback.
- The next session will focus on **procurement instruments and matching requirements** with presentations from external speakers (scheduled for 11 and 12 June 2025).
- The SBTi will consider slight agenda revisions to revisit the location-based and market-based target setting options topic in more depth.
- Slides and recordings will be shared via the EWG shared folder.

Parking lot questions:

Parking lot questions raised in the first meeting (Option A):

- How do current clean energy procurement processes work in practice - including contract structures and data availability - and what are the key barriers and opportunities for scaling the use of granular certificates (GCs) given current levels of market availability and data infrastructure?

Parking lot questions raised in the second meeting (Option B):

- What should trigger the end of indirect mitigation being eligible?
- Does this work with vector change?

Mentimeter Word Cloud in response to the question “Why does the SBTi require scope 2 targets?” - Session 1, Option A



Mentimeter Word Cloud in response to the question “Why does the SBTi require scope 2 targets?” - Session 1, Option B



