

Corporate Net-Zero Standard V2.0 revision

Scope 2 Expert Working Group

Session 6: Scope 2 in the 2nd public consultation.

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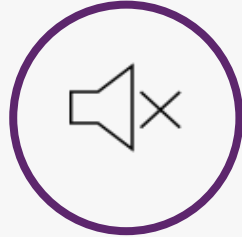
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ARE THERE ANY COI THAT THE SBTi SHOULD BE AWARE OF?

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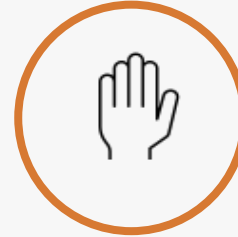
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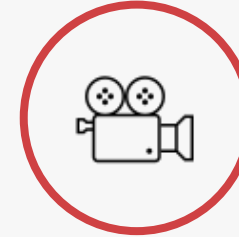
Mute during presentations



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Notes from us



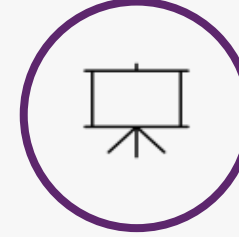
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Meeting is being recorded



We will follow up with minutes...



..And we will follow up with slides!

Welcome | Scope 2 EWG

SBTi Team



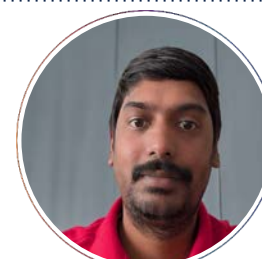
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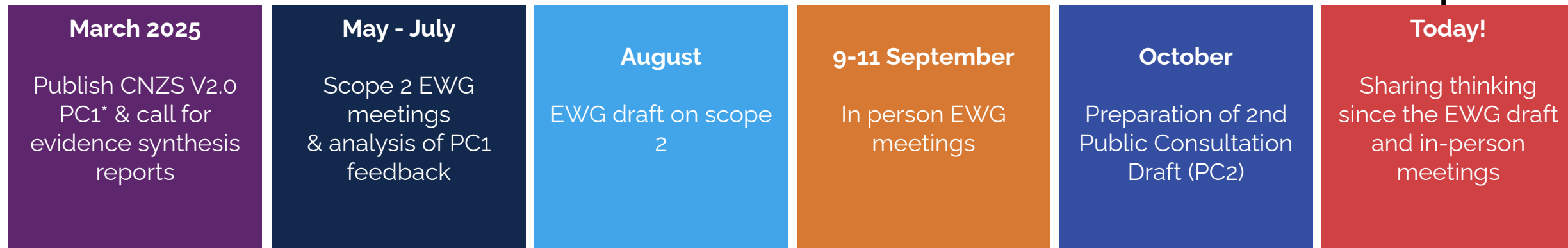
Skye Lei



Chris St John Cox

Process | Where are we and what is next?

Key steps to date...



Next steps...



AGENDA

Welcome & introducing the focus for today	10 min
Presentation & discussion:	
Key changes since the EWG draft	5 min
Near-term targets	10 min
Long-term targets	5 min
Low-carbon electricity definition & procurement criteria	30 min
Indirect mitigation	5 min
Scope 3	5 min
Recommendations	5 min
Closing & next steps	5 min

Key changes since the EWG draft

- **Near term target coverage, ambition and metrics**
 - LCE purchasing target required
 - Coverage refines allowable exemptions intended to reflect lack of a market, not a lack of LCE
 - Coverage allows HSC exclusions when immaterial
- **Long-term target coverage, ambition and metrics**
 - Emissions metrics: location or market-based
 - Location-based: absolute reduction
 - Market-based: intensity metric consistent with SBTi Power Sector Pathway
- **Criteria for LCE purchasing**
 - Shift from zero to low-carbon electricity
 - Requirement for EACs (bundled with or unbundled from electricity)
 - Purchase types no longer defined
 - Commissioning/re-powering date limit
 - Physical deliverability requirement
 - Hourly matching requirement phased in for large sites starting in 2030
- **Taking responsibility for ongoing scope 2 emissions**
 - Now addressed in Chapter 4 of the Standard

Near-term target coverage and metrics

Electricity

- Required: alignment metric: % low-carbon electricity purchasing
- Exclusions allowed:
 - In markets without an EAC system, or
 - In markets without a low-carbon electricity, or product available from any electricity supplier
 - Up to 5% of electricity purchasing
- Optional: location or market-based emissions metric

Heat, steam and cooling

- Emissions metric: location or market-based
- Target required when they account for more than 5% of the location-based scope 2 total

Recommendation: companies address excluded emissions as part of Ongoing Emissions Responsibility

Rationale for changes since the EWG draft

- Less optionality in the near term is preferred
- Exclusions for electricity purchasing are easier to evaluate and better capture lack of a market

To consult on

- Which near-term exclusion mechanisms should be adopted?

Long-term target coverage, ambition and metrics

Electricity

- 100% of electricity purchasing included in long-term target
- Choice of % low-carbon electricity purchasing or location or market-based emissions metric
- Pathways:
 - 100% LCE purchasing in 2040
 - 99.8% reduction in LB scope 2 from base year by 2040
 - MB intensity reaches 0.001 kg CO₂/kWh by 2040

Heat, steam and cooling

- 100% of heat, steam and cooling purchasing included in long-term target
- Choice of location or market-based emissions metric
- Pathways:
 - 100% reduction in emissions by 2040

Rationale for changes since the EWG draft

- Separation of metrics and pathways between electricity and heat/steam/cooling gives clarity
- LCE and MB approaches on electricity are essentially equivalent
- LB approach on electricity includes a component of demand reduction/energy efficiency beyond grid decarbonization in the reduction
- SBTi Power Sector pathway used for electricity and IEA 2023 Net Zero Roadmap used for heat, steam and cooling

To consult on

- Are the net zero benchmarks for each metric appropriate?

Criteria for LCE purchasing

Definition of LCE

- Direct GHG emissions of 0.024 kg CO₂/kWh or under
 - Note: long-term aligned intensity is 0.001 kg CO₂/kWh, reflecting a mix of low-carbon sources. Additional criteria apply for users of biogenic products.
- Baseline credibility of instruments for LCE: 2015 Scope 2 Guidance
- Instruments shall convey EACs (bundled with or unbundled from electricity)
 - Indicative annex referred to for EAC quality criteria

Rationale for changes since the EWG draft

- Needed to reflect limited role of CCS in decarbonized electricity
- Needed to define a generator-level emissions threshold for LCE
- Defining LCE instruments as conveying EACs allows reference to SBTi indicative Annex on integrity principles for attributional accounting EACs (also referenced in scope 1 & scope 3 chapters)

To consult on

- Is this a credible definition of LCE?

Criteria for LCE purchasing

Commissioning or re-powering date limit

- LCE shall be purchased from facilities commissioned or re-powered less than ten years ago
- Progressive tightening of the rule to five years by 2035

Phase-in, exemptions & legacy clauses

- RE100 & 24/7 Carbon-Free Coalition frameworks referred to

Rationale for changes since the EWG draft

- Aligns with other voluntary LCE purchasing initiatives, certifications, and some legislation
- For many companies, this will be the only element of CNZS V2 that is more ambitious on scope 2 than before

To monitor

- 'Standard supply service' in GHG Protocol

To consult on

- Whether ten years, tightening to five, is appropriate

Criteria for LCE purchasing

Physical deliverability criterion

- 24/7 Carbon-Free Coalition Technical Criteria used as definition

Rationale for changes since the EWG draft

- Supports more credible claims by companies
- Aligns with direction of travel in scope 2

To monitor

- Physical deliverability criterion in GHG Protocol

Criteria for LCE purchasing

Hourly matching

- Phased in starting in 2030
- Only for the following sites
 - In physical deliverability regions where total purchasing exceeds 10 GWh annually
 - Site consumes above 100 MWh annually
- Company identifies impacted LCE purchasing and phases in hourly matching on following schedule:
 - By 2030: 50% of impacted LCE purchasing portfolio is hourly matched
 - By 2034: 75% of impacted LCE purchasing portfolio is hourly matched
 - By 2040: 90% of impacted LCE purchasing portfolio is hourly matched

Phase-in, exemptions & legacy clauses

- RE100 & 24/7 Carbon-Free Coalition frameworks referred to

Rationale for changes since the EWG draft

- Phase in is clarified
- Needed to apply criterion to all LCE purchasing (not only unbundled EAC purchasing)

To monitor

- 'Standard supply service' in GHG Protocol
- Phase in & legacy clauses in GHG Protocol

To consult on

- How else could the phase in be defined?

Exclusions from the scope 2 boundary

Now addressed in Chapter 4 in the Standard (Ongoing Emissions Responsibility - OER)

Rationale for changes since the EWG draft

- Mechanisms to contribute to electricity sector decarbonization need to be consistent with other contribution mechanisms/claims
- 'Indirect mitigation' rationale appears unsuitable for scope 2

To monitor

- Actions & Market Instruments in GHG Protocol

To consult on

- Should OER action be required instead of recommended for scope 2?

Scope 3

Pathways for procuring EACs for electricity consumption occurring in the upstream/downstream value chain

- Claims relating to suppliers and customers
- Purchase LCE based on 'best available estimates' of electricity consumption
- Same LCE matching criteria as in scope 2, except for hourly matching
- i.e.
 - Company establishes regions of physical deliverability where suppliers/customers purchase electricity
 - Company estimates load
 - Company matches EACs from LCE generators commissioned in past ten years to load annually

Rationale for changes since the EWG draft

- Actionability & consistency with approach in scope 2

To monitor

- Scope 2 Phase II topics in GHG Protocol (work starts in Q2/3 2026)

To consult on

- Which exact Scope 3 categories are appropriate to define LCE purchasing targets for (cat 1, 5, 8, 10 & 14 currently considered)
- What is an appropriate pathway/level of ambition



Reflection & close