

CNZS v2 EWG meeting: Target Implementation

2 April 2026

Scope 2, Scope 3 and Claims EWGs

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Purpose of today's meeting



- ▶ Bring together members from the Scope 2, Scope 3 and Claims EWG to walk you through the **Target Implementation** chapter and explain the **rationale** behind it.
- ▶ Today is to create space for open exchange and provide an opportunity to raise any **high-level reflections** or major **concerns** rather than detailed content deliberation.
- ▶ **Goal:** Keep you **updated**, ensure **transparency** and provide **visibility** before approvals.

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

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- 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?

Video-conference guidelines

Participant guidelines



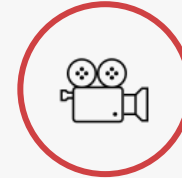
Mute during presentations



Use the chat box



Use the raise hand function



If you can, please keep your camera on

Notes from us



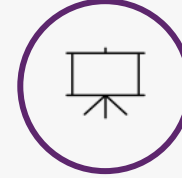
Treat info as confidential



Meeting is being recorded



We will follow up with minutes...



..And we will follow up with slides!

Where we are with CNZS V2

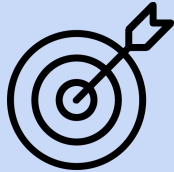


Today's meeting

- Implementation hierarchy presentation & Q&A (30 minutes)
- Implementation hierarchy applied to electricity consumption and Q&A (20 minutes)
- Next steps

The new implementation chapter was developed in response to pilot and consultation feedback

Implementation criteria were **distributed** across S1, S2, S3 sections, with integrity principles in Annex E. Pilot/PC2 indicated need for clarity on implementation across scopes



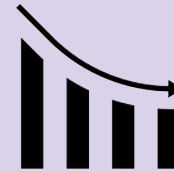
One dedicated chapter to describe **one approach** applicable across all scopes, including **minimum integrity criteria**

Request for **alignment** with GHG Protocol and recognition for market-based instruments ⁽¹⁾ across scopes



Targets may be set on the **physical** or **market-based** inventory

Need for clarity across all scopes on how to take different types of mitigation actions with appropriate **guardrails**



Implementation hierarchy to prioritize direct action in operations and value chain to drive long-term decarbonization

⁽¹⁾ Eligible market-based instruments will be defined by the GHG Protocol Action and Market Instruments workstream

Implementation chapter objectives

Defining what credible target delivery looks like so that companies prioritize actions to decarbonize their operations and value chains over time.



From ambition to performance

- The CNZS V2.0 moves beyond target-setting to define what **credible target delivery** looks like
- Introduces **implementation criteria**, evaluated at the end of the target timeframe.
- Requires **transparent reporting** of how performance is achieved, as well as reporting of interim **progress**

Prioritizing the right actions

- **Three-tier hierarchy** (activity → activity pool → sector) applies across all scopes, prioritizing action close to the emissions source
- Sector-level actions permitted **only where structural constraints** prevent mitigation at more direct levels
- Where constraints remain, **enabling actions**, such as investing in technology or infrastructure, bridge the gap to future reductions

Long-term decarbonization

- Drives **direct decarbonization** of the activities and systems generating companies' emissions
- Company action at pool and sector-level to **scale low-carbon alternatives**, making direct action progressively more feasible
- Integrity criteria ensure only **genuine mitigation outcomes** count toward performance

Near-term targets can be set on the physical or market-based inventory in alignment with ongoing on GHGP AMI developments



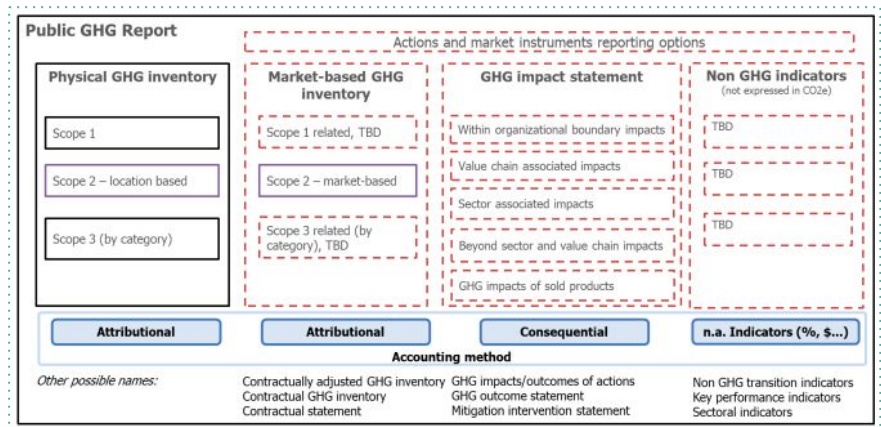
CNZS-C9. Companies shall set targets to decarbonize emissions from their operations and value chain that are consistent with science-based net-zero pathways.

*Company segment: All companies
Assessment stage: Target Validation*

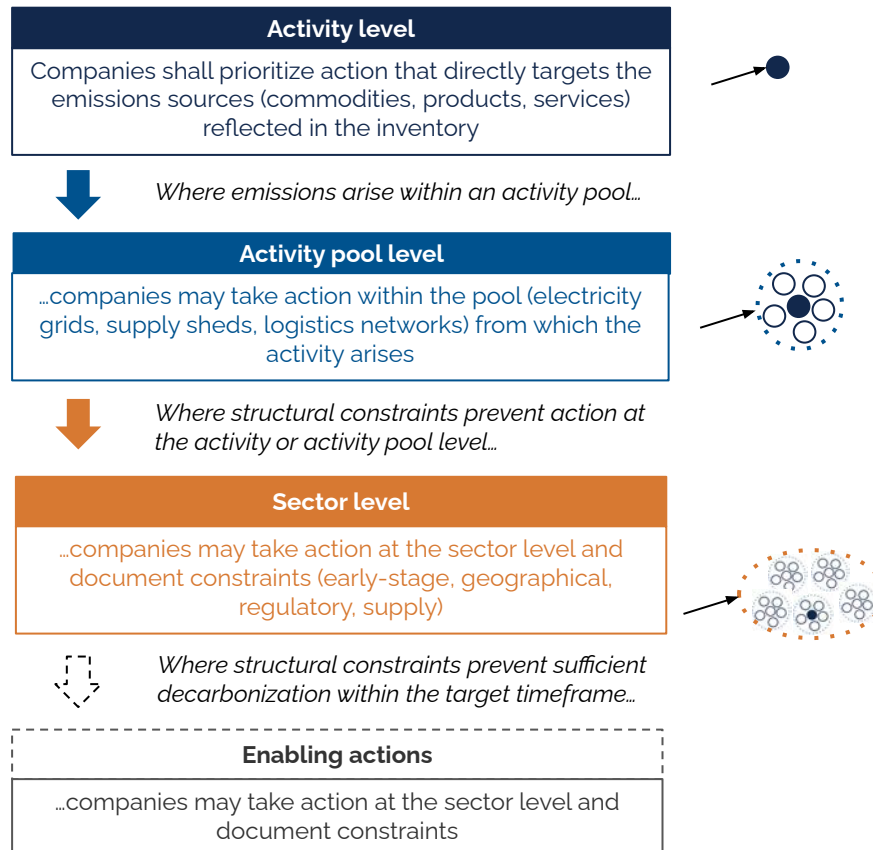
C9.4. Accounting approach: Companies shall select and apply an eligible accounting approach for each target, either based on the physical (location-based) or market-based inventory, and shall apply the selected approach consistently throughout the target timeframe.¹⁴



Targets on the physical or market-based inventory are introduced to **allow flexibility** to companies to progress against their target while keeping **alignment with the GHG Protocol's Actions & Market Instruments** Technical Working Group, which clarified that a market-based inventory across all scopes would be part of its multi-ledger reporting framework.



The implementation hierarchy recognizes action at different levels



The implementation hierarchy recognizes action at different levels



Companies shall document and demonstrate that activity-level mitigation actions have been assessed and implemented, before relying on activity pool or sector-level actions.

Examples of actions:

Scope 1

- Electrifying on-site combustion (e.g. heat pumps) or switching to low-carbon fuels (e.g. hydrogen)
- Improving process efficiency or retrofitting emissions-intensive assets

Scope 2

- Reducing electricity consumption through efficiency or demand management
- Installing on-site renewables or direct-line supply from off-site low-carbon generation

Scope 3

- Switching to lower-emissions materials (e.g. green steel) or selecting lower-emissions suppliers
- Redesigning products to reduce material, energy intensity, or use-phase emissions

The implementation hierarchy recognizes action at different levels



Where emissions arise within an activity pool...

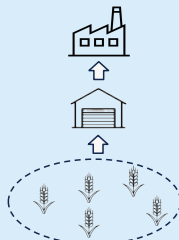
Activity pool level

...companies may take action within the pool (electricity grids, supply sheds, logistics networks) from which the activity arises

Sourcing region

(e.g. agricultural products)

Group of suppliers providing functionally equivalent goods within a fixed and spatially defined area.

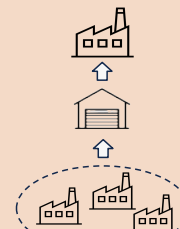


e.g. coffee suppliers from Minas Gerais (Brazil)

Factory shed

(e.g. textile manufacturing)

A group of factories producing functionally equivalent goods within a fixed and spatially defined area.

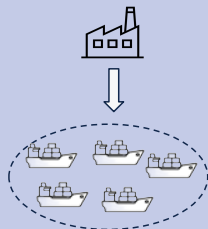


e.g. ginneries in Indore (India) for cotton yarn

Transport shed

(e.g. logistics services)

A group of transport operations that share similar characteristics (i.e. Transport Operation Categories as per ISO 14083).

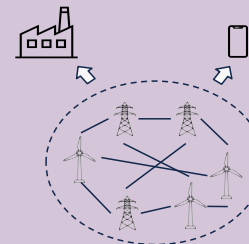


e.g. Transport operation from Northern EU to South China Sea

Energy shed

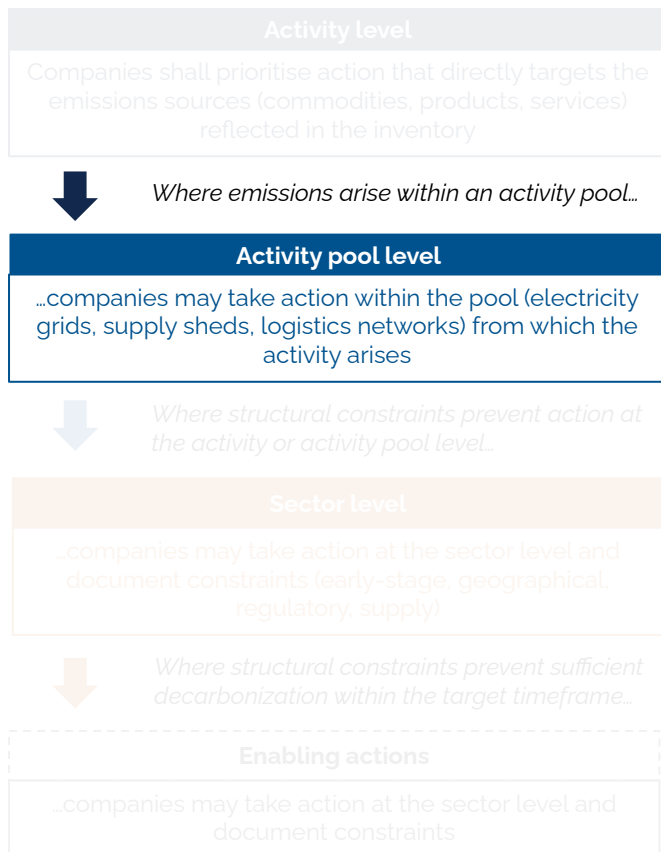
(e.g. electricity)

A geographically or jurisdictionally defined electricity (sub)grid area in which renewable energy interventions can be credibly linked to the electricity consumed in value chain processes.



e.g. US East grid

The implementation hierarchy recognizes action at different levels



Examples of actions:

Scope 1

- Purchasing biomethane or renewable gas certificates injected into the same gas grid
- Procuring low-carbon fuels for a particular logistic route (e.g. certified sustainable fuels)

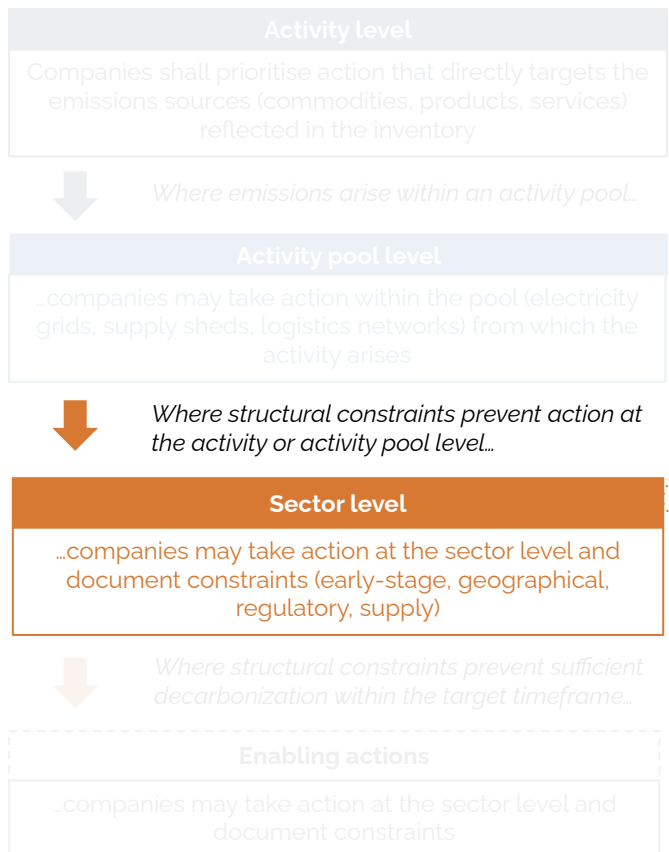
Scope 2

- PPAs or supplier contracts with grid-connected low-carbon generators
- Purchasing eligible energy certificates or procuring from high low-carbon share grids

Scope 3

- Certificates or contracts for the same fuel system / logistic route (e.g. SAF, biomethane, shipping fuels)
- Sourcing from certified low-carbon supply sheds

The implementation hierarchy recognizes action at different levels

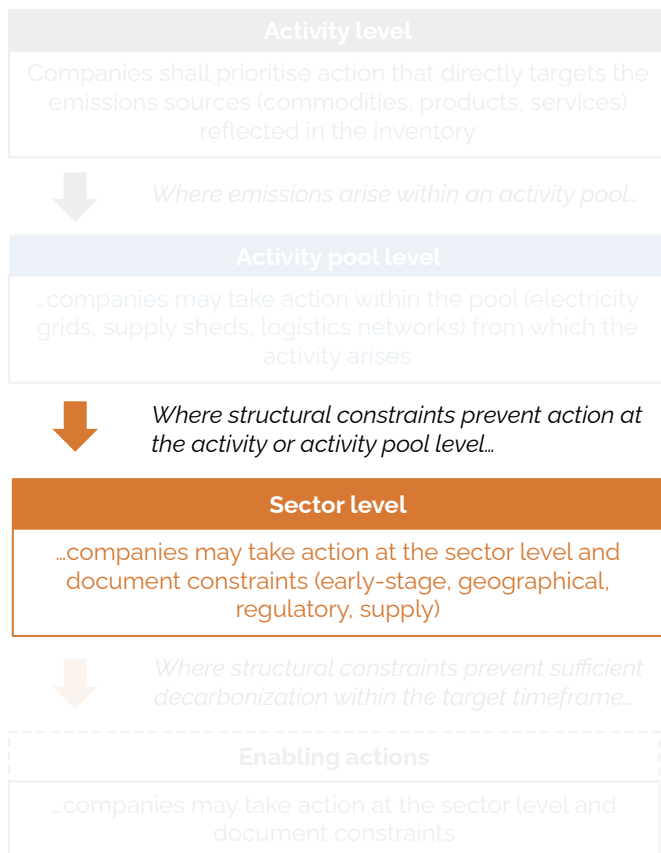


Structural constraints:

- External conditions that materially limit activity-level or activity pool mitigation within the target time frame:
 - Technological readiness:
 - Early-stage mitigation solutions that are not yet commercially available at scale for the relevant activity
 - Other constraints:
 - Region- or site-specific infrastructure
 - Regulatory
 - Market structure
 - Supply constraints
- Reporting: Companies report the structural constraints identified, the evidence supporting them, and the specific activity or activity pool for which sufficient mitigation could not be achieved.
- Cost considerations, internal preferences, and procurement choices alone do not qualify.

Note: The SBTi is developing guidance where we will make reference to external frameworks, e.g. AIM Approved Core Sectoral Decarbonization Technologies List and IEA ETP Clean Energy Technology Guide

The implementation hierarchy recognizes action at different levels



Examples of actions:

Scope 1

- Supporting low-carbon fuel production (e.g. biomethane, hydrogen) where unavailable in the local supply system
- Participating in certified sector-wide mechanisms enabling fossil fuel displacement across a shared fuel system (e.g. aviation, industrial)
- Contributing to abatement technology deployment (e.g. CCS) where on-site application is not yet feasible

Scope 2

- Supporting renewable deployment outside the local grid where local supply is constrained
- Contributing to grid decarbonisation initiatives beyond the activity pool

Scope 3

- Investing in sector transition (e.g. steel, cement, aviation fuels) where supply is not yet available
- Purchasing sector-level instruments aligned with the same emissions source

The implementation hierarchy recognizes action at different levels



Enabling actions:

- Address structural constraints that limit emissions reductions within the target timeframe.
- They support future decarbonization by contributing to the conditions necessary for mitigation — but do not count toward quantitative target performance.

Examples:

- Funding development of early-stage or pre-commercial technologies (e.g. green hydrogen, sustainable fuels, CCS)
- Policy advocacy and engagement to support enabling regulatory or market frameworks
- General infrastructure investment (e.g. charging networks, grid interconnection)
- Supplier capacity building to develop low-carbon supply chains not yet available at scale

May be considered qualitatively in performance assessment but do not count towards targets

Guardrails: How do we support transparency, accountability and quality mitigation outcomes

Transparent reporting serves as an accountability guardrail alongside minimum integrity criteria.

Reporting requirements (CNZS-C24):

- Description of the activity undertaken
- Portion of target performance met through activity, activity pool or sector-level actions
- Explanation of complementarity of actions over substitution of actions in the operation or value chain
- Description of the contribution to emission mitigation within relevant activity pool or sector

Integrity criteria (CNZS-C25-27):

- Criteria are relevant to qualify what actions can substantiate target performance (CNZS-C25), what are the characteristics of market-based instruments (CNZS-C26) and how these shall be purchased (CNZS-C27)
- These criteria are self-assessed by the company when submitting targets for validation
- Eligibility and transaction criteria represent the **minimum quality requirements** to be used until the *Third-party Interoperability and Recognition Framework* is established

Integrity criteria ensure only genuine mitigation count toward target performance

Use (CNZS-C25):

- Conservative quantification
- Activity matching
- System association
- Verifiability
- Unique attribution
- Temporal alignment (vintage limitations)

Eligibility (CNZS-C26)

- Convey emissions or physical attributes
- Attributional accounting
- Proportional allocation

Transaction (CNZS-C27)

- Registry transparency
- Third-party assurance
- No double counting

Third-party Interoperability Framework

A system for recognition of net-zero-aligned systems and tools



To meet many CNZS requirements, companies will rely on different types of 3rd party inputs:

- Databases
- Standards
- Certificates
- Etc.

The SBTi Interoperability and Recognition framework will define **principles** and **criteria** for **net-zero aligned actions and instruments**, required for use in SBTi standards.

Criteria will specify *qualitative* and *quantitative* thresholds for eligibility, so that 3rd party inputs can be recognized for target performance - Including:

Standards: e.g. entity transition plan standards

Specific energy and commodity certificates

Third-party issuers of energy and commodity certificate

Tools: e.g. emission factor databases, green taxonomies

The framework will provide a list of 'recognised' 3rd party systems and tools.

Updated on an ongoing basis.

CNZS-C26. Companies shall ensure that any market instruments used to demonstrate performance against targets meet recognized third-party integrity criteria, where applicable, and SBTi minimum integrity criteria.²⁵

*Company category: All companies
Assessment stage: Performance Assessment*

C26.1. Representative instruments: Market instruments shall accurately and conservatively convey the emissions or physical attributes of the underlying activity.

C26.2. Accounting basis: Market instruments conveying emissions factors shall apply [attribitional accounting](#) principles based on a [homogeneous functional unit](#) and be consistent with applicable GHG Protocol requirements for the appropriate physical or market-based inventory.

C26.3. Attribute preservation: Emissions attributes shall be allocated in proportion to physical flows across processing stages and not redistributed through non-proportional allocation (e.g., "carbon bank" models).

Concept and categories still under development



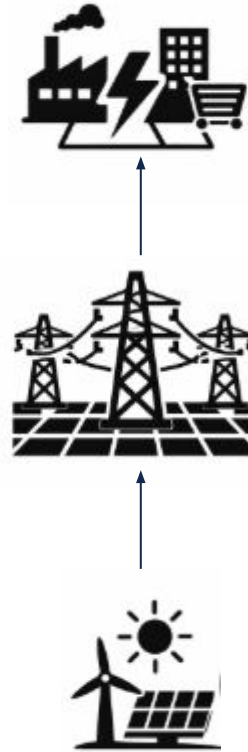
**Discussion time
(15 minutes)**



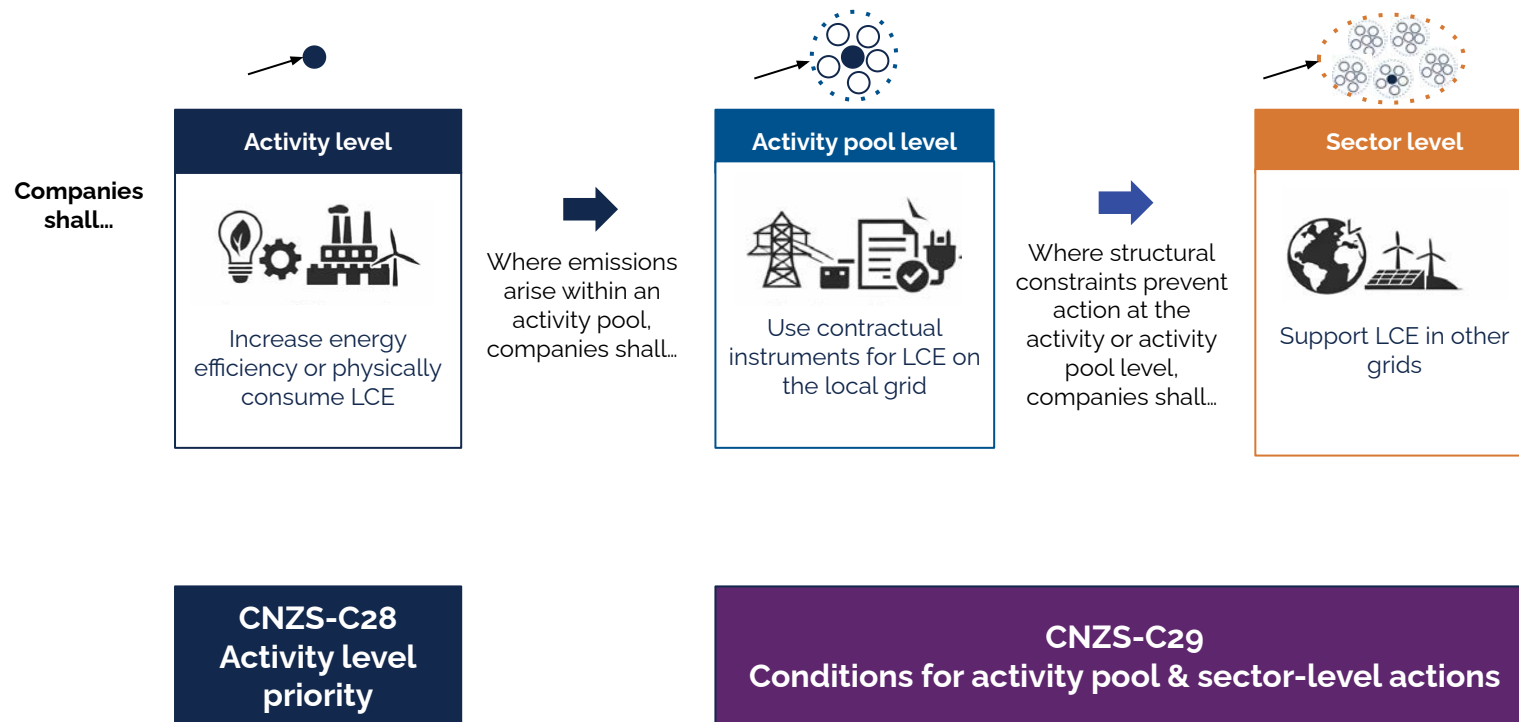
Implementation hierarchy applied to electricity consumption

Why does electricity receive specific criteria?

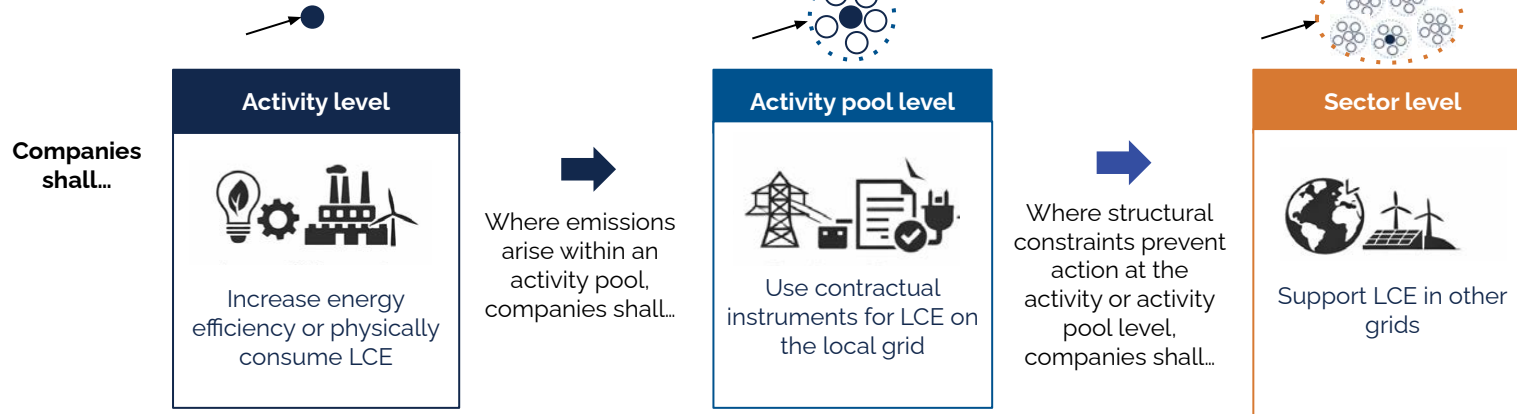
- **Electricity is a universal input across operations and value chains**
- **It is delivered through well-defined activity pools (grids)**
- Decarbonization of the power grid is advancing rapidly, there is a mature voluntary market for low-carbon electricity (LCE), related contractual instruments, and well-established market-based emissions accounting guidance for electricity
- Market-based approaches are foundational to CNZS V2's required LCE alignment targets in scope 2 and can contribute to some scope 3 targets



Hierarchy for actions to decarbonize electricity consumption



Hierarchy for actions to decarbonize electricity consumption

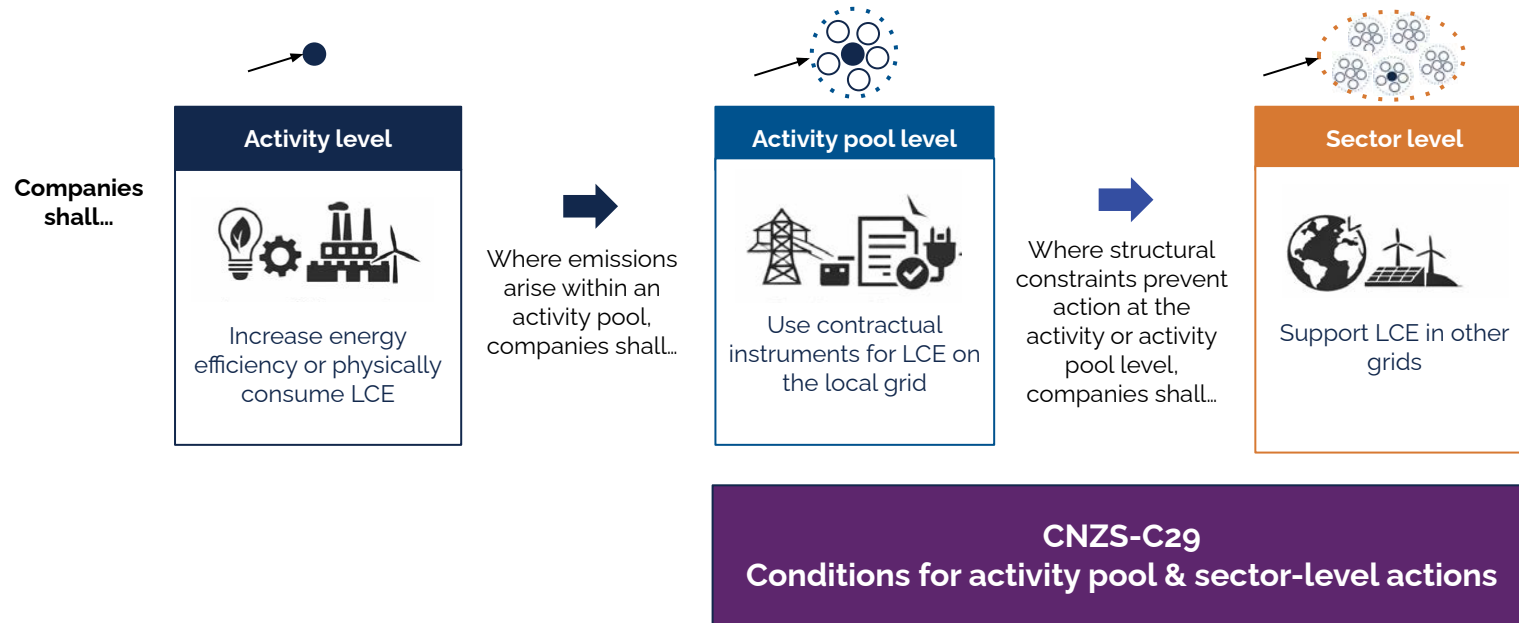


CNZS-C28
Activity level
priority

When do emissions related to electricity arise within an activity pool?

- **Electricity grids** are activity pools for electricity
- Electricity consumed from non-grid sources (i.e. on-site generation, private wire) is **not** part of an activity pool and therefore **is only** decarbonized through activity-level action (non-grid LCE/reductions in energy use).

Hierarchy for actions to decarbonize electricity consumption



CNZS-C29. Companies shall define activity pool boundaries for electricity consumption based on deliverability regions.

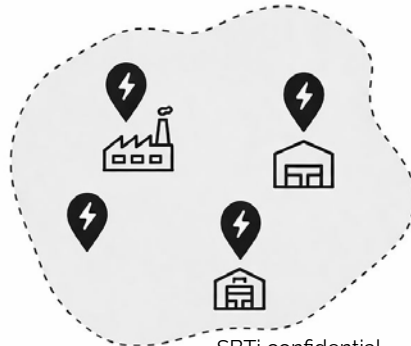
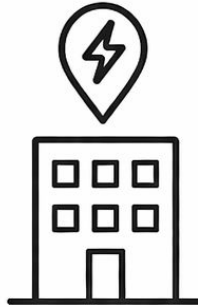
Activity pool boundaries (deliverability)

CNZS-C29

Conditions for activity pool & sector-level actions

Activity pool boundaries determine where a company can act to decarbonize electricity consumption.

- **Scope 2:** Deliverability regions are used (company has control).
- **Scope 3:** Boundaries are drawn with precision commensurate with level of detail to which scope 3 electricity consumption is known (i.e; deliverability region where possible).



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Deliverability regions

Extent of grid boundaries serving company's loads (scope 2) that reflect:

- **Synchronous grid operations**
- **Transmission congestion**
- **Regional connectivity**

Broader (e.g. national) boundaries

To address electricity consumption outside the company's control (scope 3) and to which traceability is limited.

Activity pool actions and eligibility

CNZS-C30. Companies shall ensure that any market instruments used to decarbonize electricity consumption from an activity pool meet eligibility criteria.

Market instruments for LCE include the following:

- Physical & virtual (financial) power purchase agreements with grid-connected LCE generators
- Contracts with electricity suppliers for LCE attributes
- Unbundled certificate purchases
- Passive claims from default delivered LCE supported by energy certificate retirement (e.g. U.S. RPS RECs or Standard Supply Service), or in deliverability regions with >95% LCE in the generation mix and no certificate registry for LCE

Market instruments for LCE are also subject to a 15-year generator age limit, with exemptions:

- Long-term, project-specific instruments where the company is the original off-taker (e.g. 20-year PPA with a new wind project)
- Choice of one of the following in each deliverability region:
 - Percentage-based exemption determined by grid average share of firm LCE
 - Legacy instruments
 - Passive claims in deliverability regions with >95% LCE in the generation mix and no certificate registry for LCE
- Global volume equivalent to 15% of the company's electricity purchasing

CNZS-C29

Conditions for activity pool & sector-level actions

Sector-level action for electricity must be carefully designed:

- Electricity is a highly regulated and constrained commodity; it is not globally traded or fungible. Actions in other grids do not contribute to decarbonization in the grid in which the company consumes electricity.
- Without safeguards, sector-level actions undermine action at the activity-pool level and remove pressure from the grids in which companies operate.

CNZS takes the following approach for sector-level action for electricity:

- Structural constraints mean **no deliverable LCE can be contracted with.**
- Sector-level action is always taken with **complementary enabling actions.**
- Possible examples of enabling actions:
 - Signing a long-term PPA (pre-commissioning; no LCE yet generated)
 - Policy engagement for local LCE or equivalent investments to support decarbonization of the grid

Questions for the EWGs

- Do you see other risks for sector-level actions?
- Should the 15-year rule exist for sector-level actions?
- What other criteria should be applied to sector-level actions?



**Discussion time
(15 minutes)**



Next steps

Next steps

1. Your Feedback

You can provide additional feedback to the CNZS V2.0 through the consultation form until Monday 6th.

2. TC Approval

Approval of CNZS V2.0 is expected mid-year

3. EWG overview

EWG overview meeting before CNZS V2.0 launch

4. MMPs

Metric, methods and pathway spec-sheets approval and publication alongside the standard. Additional spec-sheets to be published after the standard to increase the number of pathways available, with additional public consultation.

5. Recognition Framework

Launching recognition framework to assess and recognise 3rd party inputs. Concept note will be published around the time of launch.

6. Engagement with EWGs

A plan for further engagement is been developed for focused contributions, e.g. data quality, data assurance and claims Workstream to be invited to contribute in the development of SBTi assurance and claim policy

SBTi Assurance & Claims systems update

Direction of travel

MVP Assurance Framework

MVP SBTi Claims Policy

Publicly available

Valid for CNZS V2.0

Draft content of the final SBTi Claims Policy and SBTi Assurance Framework, focusing on CNZS V2.0 only.

Includes part of the elements of the final documents for which we have certainty and/or that are low-risk.

Available by the end of July

SBTi Assurance Framework

SBTi Claims Policy

Publicly available

SBTi Claims Policy: requirements related to claims and how companies can use them, including language and trademarks. Claims management and surveillance mechanisms.

SBTi Assurance Framework: sets requirements for the validation process, validation bodies, and for companies with validated targets that are not covered in any SBTi standards. Complies with the ISEAL Code of Good Practice.

Available by the end of December

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Stakeholder engagement activities:

- EWG involvement expected in May and August/September
- Consultation (public or targeted) in planning for claims




THANK YOU

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