

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

EWG Scope 2 - Session 4: 'Indirect mitigation' for scope 2

31/07/2025

Option A: 9:00-11:00 BST

Option B: 15:30-17:30 BST

Virtual

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.

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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.

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Meeting participants

Option A:

Expert Working Group Members present:

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| 1. Matthew Brander, University of Edinburgh | 6. Kae Takase, Renewable Energy Institute |
| 2. Nick Fedson, CDP | 7. Roble Velasco-Rosenheim, The I-TRACK Standard Foundation |
| 3. Matt Konieczny, Watershed | 8. Erik Landry, GRESB |
| 4. Emma Saraff, Asia Clean Energy Coalition | 9. Rachel Swiatek, Climate Group |
| 5. Christine St John Cox, Energy Systems Catapult | |

SBTi

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| 1. Scarlett Benson, Scope 2 EWG Lead | 3. Abhilash Desu, Senior Target Analyst |
| 2. Ayla Dincay, Buildings Lead | |

Option B:

Expert Working Group Members present:

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| 1. Elliott Engelmann, WRI (GHG Protocol) | 7. Mohand Salah, Sidi Kerier For Petrochemicals Company (SIDPEC) |
| 2. Rachel Kitchin, Stand.earth | 8. Brad Schallert, Winrock International |
| 3. Aindrias Lefèvre-Laoide, EDF Group | 9. Claire McCarthy, We Mean Business Coalition |
| 4. Skye Le, ServiceNo | 10. Lucile Bourguet, Fortescue |
| 5. Doug Miller, Energy Peace Partners | |
| 6. Alex Piper, EnergyTag | |

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|---|---|
| 1. Scarlett Benson, Scope 2 EWG Lead | 4. Sophie FitzGerald, Research Partnership Lead |
| 2. Ayla Dincay, Buildings Lead | |
| 3. Abhilash Desu, Senior Target Analyst | |

Note on the format of these minutes: This meeting was held twice to accommodate the time zones of the Expert Working Group (EWG) members. The content presented by the SBTi team was consistent across both sessions, and participants in each meeting engaged with the same interactive exercises. To avoid duplication, these meeting minutes present the shared content (presentations and framing) and include summaries of participant discussions from the Option A and Option B meetings.

Meeting agenda

Welcome & introducing the focus for the meeting	10 min
Presentation & discussion: Part 1: When can companies resort to indirect mitigation?	40 min
Break	5 min
Presentation & discussion: Part 2: Defining actions where there is a lack of choice	40 min
Other questions for high level reflection	20 min
Closing & next steps	5 min

Meeting objectives

The session aimed to:

- Clarify the circumstances when companies would not be able to source ZCE within the grids in which they power their operations and therefore could contribute to ZCE outside their grids.
- Discuss potential definitions for the actions that would be counted as contributions to ZCE.

1. Welcome & logistics

The session began with a welcome from the SBTi team, followed by reminders on confidentiality and antitrust guidance, and housekeeping. No new conflicts of interest were raised.

2. Part 1: When can companies resort to indirect mitigation?

Presentation

The SBTi presented an update on its evolving thinking around scope 2 criteria, emphasizing that language and terminology are still being refined, and welcomed suggestions for clarity and consistency. Four key questions were presented: how to identify markets where companies lack procurement choice, what actions should be taken in such cases, whether those actions should be required or recommended, and what information is needed to assess eligibility for indirect mitigation.

The discussion for the session was contextualized by:

- A review of global power market structures to better understand where procurement constraints may exist,
- On “deliverability”, recaps from previous presentations on deliverability, highlighting this as a key element in ensuring credible claims for zero-carbon electricity sourcing. Challenges in defining deliverability boundaries due to subjectivity and regional complexity were acknowledged. A comparison of deliverability definitions across frameworks such as RE100 and 24/7 Carbon-Free Energy was also presented.
- A summary of external input, including EWG feedback and external presentations, emphasized the need for flexible, context-sensitive approaches - balancing credibility, market participation, and inclusivity for smaller actors.
- SBTi presented reworked CNZS V2.0 draft criteria with clearly defined eligible sourcing methods and zero-carbon sources, with quality criteria that could apply to instruments like unbundled EACs or virtual PPAs.

Discussion

Option A meeting:

- An EWG member proposed a three-category framework for considering cross-border electricity transactions: subnational, single markets, and cross-border. They suggested that within subnational and single-market contexts, transactions meeting quality criteria should be accepted, while stricter criteria should apply for cross-border transactions.
- One EWG member raised concerns about the focus on deliverability, stating that it is necessary but not sufficient to ensure credible value chain claims or real-world decarbonization impact. They suggested clarifying the distinction between power sourcing (financial contracts for electricity) and attribute purchasing (zero-carbon claims), emphasizing their differing impacts. They highlighted that deliverability doesn’t guarantee meaningful procurement options and that purchasing attributes and contracting PPAs have different levels of impact.
- One EWG member emphasized that even vertically integrated utilities should be influenced to adopt complete carbon-free electricity generation.
- Another EWG member suggested alignment with existing GHG Protocol Scope 2 requirements. They proposed that the existence of an attribute market could justify requiring in-market zero-carbon sourcing. They referenced CDP data to identify countries lacking functioning attribute markets.
- Another EWG member agreed that market structure may not be a useful criterion and suggested GHG Protocol alignment with additional quality filters as used by RE100. They also noted challenges in demonstrating compliance and additionality. The participant stated that while registry data like project age, fuel type, and vintage can support impact assessments, proving additionality remains complex and unsolved.
- One EWG member agreed that additionality is essential for credible claims and noted that existing approaches - such as positive procurement lists or project attributes - can help demonstrate impact. The participant referred to SBTi draft CNZS 2.0 criterion 15.5.3, which requires “real abatement” for indirect mitigation from non-deliverable grids, implying the need for additionality.

- Another contribution highlighted that some frameworks are adopting requirements for project age, e.g., 15 years, to support higher-impact resource procurement, and that such limits could be considered by SBTi.
- One member noted the declining financial importance of EACs for project viability, arguing that while traceability remains an important reason for requiring an EAC, additionality is needed to ensure investment drives new renewable development.
- One EWG member synthesized three emerging theories of impact: (1) constrained supply (e.g., 24/7), (2) additionality-driven (e.g., PPAs), and (3) emissions-focused (e.g., maximizing abatement regardless of source). They suggested that SBTi could define claims eligibility based on which of these approaches companies adopt. While deliverability aligns more clearly with market-based methods, additionality could be used to raise the bar and improve impact credibility.
- One EWG member expressed agreement on including additionality/impact criteria.
- Another EWG member stressed that any quality criteria related to impact must be demonstrable on EAC redemption statements.

Option B meeting:

- An EWG member asked about the definition of ZCE, as the inclusion of batteries in a prior draft as a zero-carbon technology was contrasting it with a later slide that emphasized generation sources. The SBTi team responded that these definitions are still work in progress.
- An EWG member emphasized that the ZCE definition should rely on lifecycle assessments and scientific data to determine which technologies qualify.
- A concern was raised about the inconsistent use of “market” and “grid,” particularly in regions like Australia, where one market encompasses multiple isolated grids. The recommendation was to prioritize the term “market” for clarity and practicality.
- A EWG member proposed two criteria for defining constrained grids: First, the existence of a certificate market (e.g., RECs, GOs, I-RECs). Second, the availability of credible supply, which was noted to be harder to assess and may depend on data showing whether supply has been exhausted.
- This view was supported by another EWG member, who emphasized companies’ tendency to follow established market rules and warned against conflicting standards.
- One of the EWG members asked whether the absence of a certificate market means companies cannot procure clean electricity. It was noted that procurement may still be possible but less verifiable and more burdensome.
- An EWG member emphasized the importance of offering a scalable and inclusive standard that reflects practical realities. They suggested tiered pathways based on operational control and market maturity, and allowing limited high-impact out-of-market procurement.
- Another EWG member pushed back, stating that accountability and decarbonization are not mutually exclusive, as these goals are interconnected. They noted that peer-reviewed research shows granular electricity matching can drive broader decarbonization than offset-based or consequential emissions approaches.

They also highlighted the importance of accepting complexity in pursuit of full grid decarbonization, cautioning that overly simple compliance measures risk reducing the level of change achieved.

- One EWG member noted that large companies are not aligned on the solution for scope 2, and while the issue is complex, simplicity should not be pursued just for the sake of it. They emphasized that high integrity should remain the ultimate goal, particularly in mature markets, and suggested the SBTi to design a range of solutions that ensures the credibility of claims to help investors evaluate what it means for a company to be aligned with the SBTi.
- One EWG member expressed disagreement with the idea of making deliverability a foundational criterion, citing difficulties in verification, and noted that EAC markets are the most reliable way to validate deliverability. They also noted that energy managers and government relations staff operate separately with different budgets, and that companies are limited to available market offerings.
- One EWG member raised concerns about including biomass as a zero-carbon source due to environmental and human rights issues and unreliable certifications.

3. Part 2: Defining actions where there is a lack of choice

Presentation

The SBTi presented a framework for determining what actions companies could take when they operate in power markets where zero-carbon electricity procurement is not possible. They outlined four categories of potential actions:

1. direct enablement within constrained grids (e.g., investments in local renewables, storage, or grid infrastructure),
2. system-level interventions (e.g., policy advocacy or regulatory reform),
3. mitigation actions outside the constrained grid (e.g., purchasing market-based instruments or supporting early fossil fuel retirement), and
4. broader climate and societal contributions (e.g., just transition, adaptation, or loss and damage finance).

SBTi also clarified the distinction between criteria (mandatory and validated) and recommendations (voluntary and non-binding), presenting two alternative formulations for how to treat indirect mitigation. In one, contributions to zero-carbon electricity outside constrained grids would be recommended and claimed separately from scope 2 emissions. In the other, such contributions would be required, still reported separately, but permitted to be communicated as part of a broader scope 2 strategy. The importance of making required actions measurable for validation was emphasized.

Finally, SBTi stressed the need for clear claims frameworks to distinguish between emissions reductions within a company's inventory and external contributions, especially for stakeholders like investors.

Discussion

Option A meeting:

- One participant suggested that requirements for procurement from “other grids” should be reframed to avoid confusion. They proposed using the term “another market in which credible cross-border electricity trade is not possible” to better capture acceptable scenarios, including subnational, single-market, and cross-border contexts.
- One member highlighted a fundamental issue in value chain inventories: companies can report emissions reductions without achieving system-wide mitigation. They stressed the need to distinguish clearly between mitigation actions within a company inventory and indirect actions, suggesting that while actions outside the value chain can be rewarded, they should not count toward value chain targets. They emphasized that for indirect mitigation to be recognized, it must be impactful, and proposed using indicators like contract type or asset vintage to assess additionality.
- Another member noted that companies may act outside their market not because they can’t act within it, but because they perceive in-market actions as ineffective. They argued that for emission reduction claims, additionality remains essential, while contribution claims may allow more flexibility.
- One EWG member followed up stating that additionality tests must balance stringency: too strict discourages financing; too lenient allows ineffective actions. The participant noted that policy decisions must weigh false positives against false negatives and should aim to be feasible and adjustable.
- One participant cautioned against using the term “additionality” directly in criteria, suggesting instead that SBTi define high-quality procurement principles without naming them as additionality. They warned that using the term would invite industry scrutiny. They proposed basing procurement criteria on demonstrable features - such as sourcing from a physical asset or financial structure - and comparing these with existing frameworks like RE100 and the 24/7 Carbon-Free Coalition to ensure alignment and clarity.
- The SBTi asked whether these sourcing actions should be required or recommended. They noted that:
 - If required, the scope must be narrow and clearly defined, focusing on additionality, renewables, or emissions reductions.
 - If recommended, a broader set of actions (e.g., policy advocacy or just transition support) could be included but would not be validated.
- One EWG member suggested that when companies use actions similar to offsets - like purchasing unbundled RECs from another country - the bar must be high, with clear evidence of no in-market alternatives. They stressed that once activities move away from direct, like-for-like matching (e.g., megawatt-hour for megawatt-hour), they should be strongly discouraged.
- One EWG member proposed that if a company cannot meet its target through inventory-based actions, it should be required - not simply encouraged - to take additional action. These actions wouldn’t count in inventory-based accounting but could be equivalent in GHG terms.
- Another EWG member seconded the comment that indirect mitigation should be clearly separated in reporting and claims, to avoid companies meeting targets via unrelated measures (e.g., loss and damage funds) and ceasing further action. They also supported phasing out indirect mitigation over time and suggested that eligibility for such measures should decrease as markets improve, potentially through regular standard updates or tracking mechanisms.

Option B meeting:

- An EWG member asked whether the existing hierarchy in the GHG Protocol - placing EAC-backed mechanisms at the top - would remain. It was confirmed that any procurement mechanism with EACs (e.g., PPAs, utility programs) remains the preferred option.
- An EWG member asked whether consumption should be mitigated by purchasing the same volume elsewhere in MWh or in equivalent emissions metric. The SBTi advised that the question is currently being explored.
- One EWG member emphasized that 'indirect mitigation' actions for scope 2 should be quantifiable, relate to the electricity value chain, and not include unrelated offsets (e.g., forestry credits). They voiced support for separate consequential/impact electricity targets distinct from inventory-based targets, requiring additionality and causality similar to offset market rules.
- One EWG member highlighted policy advocacy as a difficult-to-measure but important area in driving the change. Investment to enable future procurement was also supported.
- Two EWG members voiced a need for balancing credibility, impact, and practicality in developing the requirements, acknowledging there is no one-size-fits-all approach.
- One participant agreed with having more granular targets tailored to market circumstances.
- An EWG member asked how companies would need to report purchases that are not tied to a company's grid or scope 2 inventory - whether in MWh, tonnes CO₂, or through attributional/consequential accounting methods. This yielded different views within the group:
 - One EWG member argued that CO₂-based accounting could simplify rules and align with SBTi's emissions-based targets.
 - Another EWG member argued MWh-based accounting to be simpler for transactions, with added rules to ensure purchases come from grids with higher carbon intensity.
 - A third EWG member raised concerns about complexity in calculating CO₂ volumes and potential mismatches between MWh and emissions reductions.
- An EWG member suggested defining eligible out-of-market purchases as those from grids more carbon-intensive than the local grid to ensure higher impact, using grid-average emissions factors initially.
- Another EWG member proposed that outside-region procurement should achieve higher CO₂e reductions than the company's own consumption to drive net positive impact, with proof of ownership and certification required.

4. Other questions for high level reflection

Presentation

The SBTi presented key considerations regarding how companies' actions in constrained grids should be documented, assessed, and phased within the updated standard. The SBTi emphasized the need to establish clear documentation and assessment indicators not only for target ambition but also for target performance, which will be evaluated at five-year intervals as proposed in the draft Corporate Net-Zero Standard v2.0. The discussion

highlighted ongoing work to clarify how actions outside a company's value chain should be accounted for, how claims should be framed, and the importance of not conflating scope 2 emissions with non-value-chain mitigation efforts.

The SBTi noted that the phrasing of contributions to zero-carbon electricity in other grids in the Consultation Draft may cause confusion, as it suggests these actions could count toward scope 2 targets while being excluded from scope 2 emissions inventories. The importance of aligning with attributional accounting principles was emphasized. In terms of claims, the draft introduces four types - application, ambition, conformance, and renewal - and ongoing work is exploring refined definitions, including distinguishing between financial and impact contribution claims.

Finally, the SBTi is exploring if, when, and how to phase out these indirect mitigation options as electricity markets liberalize globally, recognizing the need to balance company demand for clarity and certainty with uncertainty around policy developments and infrastructure readiness. These open questions will be addressed through ongoing research, stakeholder input via surveys, and future EWG discussions.

Discussion

The Option A meeting did not cover these additional questions due to time constraints.

Option B meeting:

- An EWG member raised concerns about conflating contribution and compensation claims. If actions outside the grid count toward targets but not inventories, this may confuse users. Clearer framing as "contribution" is preferred.
- One EWG member discussed a dual-ledger reporting approach, where one ledger reflects emissions inventory and another tracks contributions.
- Other participants cautioned against creating a "sub-ledger" within scope 2 and recommended a separate, clearly delineated reporting mechanism for contributions.
- Two EWG members advised against deciding on a phase-out timeline now, as most grids remain carbon-intensive. Any phase-out should depend on broader system progress, not individual inventories.
- As a counterpoint, one EWG argued for a clearly defined timeline to drive local reform and prevent companies from avoiding responsibility in their own markets. A follow-up discussion was suggested.

5. Actions & Next Steps

The SBTi shared the next steps as follows:

- A pre-read draft of the revised scope 2 chapter will be circulated, accompanied by a survey.
- A fully revised version of the entire Standard will be provided for the upcoming in-person meeting and to submit it shortly afterward to the Technical Council, ahead of the piloting phase.

- Given the timeline, the focus is now on translating discussions into concrete criteria and recommendations.