SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Corporate Net-Zero Standard V2.0 revision

Scope 2 Expert Working Group

Session 4: Contributing to ZCE: “Indirect Mitigation” for scope 2, July 31

Scarlett Benson, EWG Lead
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Housekeeping | **Disclaimer and antitrust**

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- **Disclaimer -** Please note, this document is for information purposes only in order to inform discussions and for no other purpose.
  - The information provided by SBTi (including information supplied by third-parties) in this document is furnished on a confidential basis and must be treated as confidential.
  - No such information may be divulged to any third party without the prior written approval of SBTi.
  - This information shall not be used for any other purpose. SBTi reserves all rights in this document.

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.

Housekeeping | **Conflict of interest declaration**

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- 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

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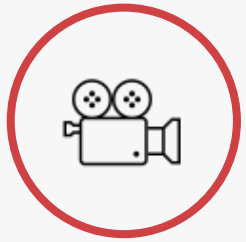
Participant guidelines

Mute during presentations

Use the chat box

Use the raise hand function



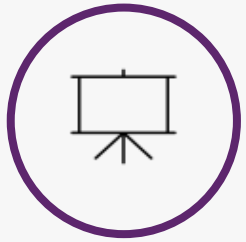
If you can, please keep your camera on

Notes from us

Treat info as confidential

Meeting is being recorded

We will follow up with minutes…



..And we will follow up with slides!

AGENDA

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Welcome & introducing the focus for today	10 min
Presentation & discussion:	
Part 1: When can companies resort to indirect mitigation?	40 min
Break	5 mins
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Closing & next steps	5 min

Welcome | Scope 2 EWG

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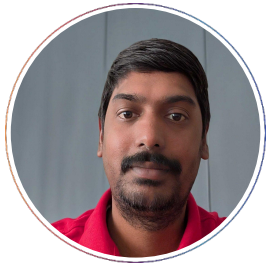
SBTi Team

Scarlett Benson
EWG Lead

Ayla Dinçay
Buildings Lead



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Rachel Swiatek

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Skye Lei

Chris St John Cox

Scope 2 EWG virtual sessions | **Schedule**

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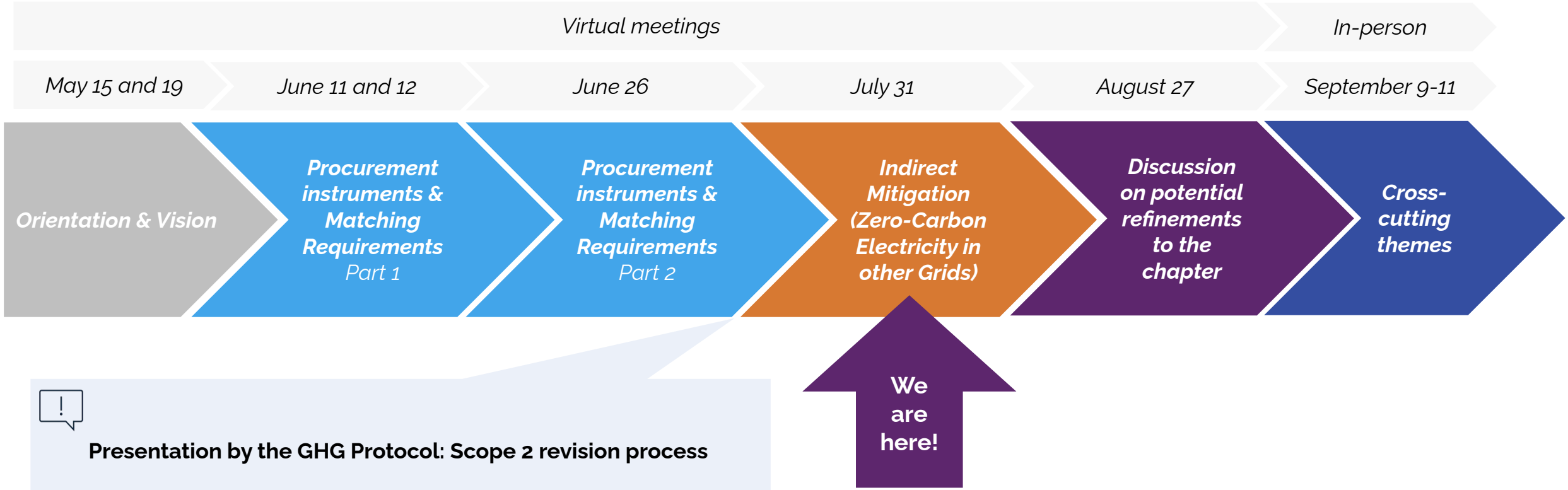

Presentation by the GHG Protocol: Scope 2 revision process

- **Thursday, 17 July at 14:00 - 15:00 BST / 9:00 - 10:00 EDT**

A dedicated session with the GHG Protocol in July to receive an update on the ongoing revision of the Scope 2 Guidance. A recording and minutes are available for those who were unable to attend.

Scope 2 in CNZS v2 | **Focus today**

SCIENCE BASED TARGETS
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	Substantiating progress and performance
C15.3	The use of zero- or lower-carbon energy to achieve emissions reductions or zero-carbon electricity targets shall be substantiated through the sourcing of the respective energy carrier and its delivery to the point of use, either with: • Physical traceability (e.g. on-site generation or direct line), or • Via the grid from which the site sources its energy. Energy delivered via the grid used to achieve emissions reductions or zero-carbon electricity targets shall be accompanied by contractual instruments that meet, at a minimum, the GHGP Scope 2 Guidance Quality Criteria.

	When sourcing of ZCE is not possible
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. • Contributions to zero-carbon electricity in other grids shall count towards scope 2 targets as an interim measure. • Companies shall report their contributions to zero-carbon electricity in other grids separately from their own scope 2 emissions. • Companies shall ensure that zero-carbon electricity sourcing in other grids results from real abatement measures, such as grid decarbonization efforts. • Companies shall provide a justification for not sourcing zero-carbon electricity in the grids from which companies are powering their operations.

Scope 2 in CNZS v2 | **Focus today**

SCIENCE BASED TARGETS
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1. How to define the boundary of physical deliverability?

1. **How to identify the specific power markets where companies do not have procurement choice, and to track this over time?**

1. **What actions should a company be incentivized to take where they do not have procurement choice in a given power market?**

1. **Whether these actions should be recommended or required?**

1. **What information SBTi would need to assess eligibility and conformance?**

1. How should these actions be accounted for?

1. What can be claimed regarding these actions?

1. Whether and when to phase out this option within the Standard?

Reminder | ZCE definition in the v2.0 draft

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In text reference (Table E.1): Zero carbon sources include any technology that does not generate any GHGs during the production of electricity (e.g. wind, solar, hydro, nuclear, batteries)

Glossary definition (adapted from Climate Group):

- Electricity that is characterized by total GHG emissions per unit of generation that are less than or equal to zero, accounting for both direct and fuel-cycle emissions.

- This definition excludes embodied emissions related to the construction of electricity infrastructure.

- Fossil-fired electricity with carbon capture and sequestration (CCS) and certain renewable resources, such as sustainably sourced biomass, are not classified as zero-carbon due to potential emissions associated with their lifecycle and operational practices.

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“Where sourcing zero-carbon electricity within the grids in which the company powers its operations is not possible”...

SCIENCE BASED TARGETS
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When sourcing of ZCE is not possible	
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. ● Contributions to zero-carbon electricity in other grids shall count towards scope 2 targets as an interim measure. ● Companies shall report their contributions to zero-carbon electricity in other grids separately from their own scope 2 emissions. ● Companies shall ensure that zero-carbon electricity sourcing in other grids results from real abatement measures, such as grid decarbonization efforts. ● Companies shall provide a justification for not sourcing zero-carbon electricity in the grids from which companies are powering their operations.

When can companies resort to indirect mitigation?

We will give a short contextual presentation on what we have heard so far on global power market structures and deliverability, and then pause to discuss these overarching questions:

1. How should the SBTi define the thresholds/rules for when in-grid ZCE procurement is considered “not possible”?

2. What mechanism should the SBTi use to operationalize and maintain a list of “ineligible” grids for in-grid ZCE procurement?

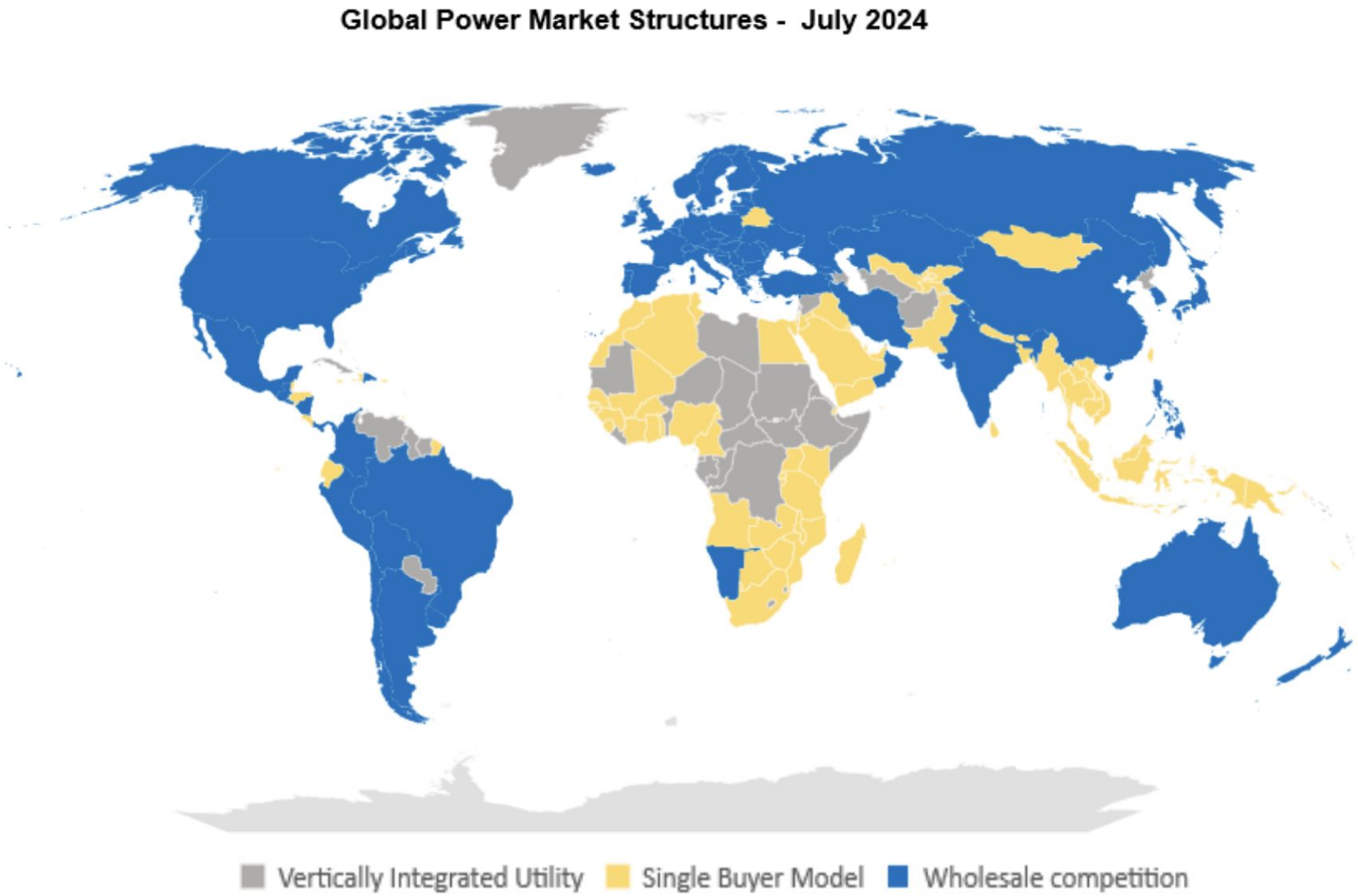
Reminder | Global power market structures

Adapted from Elcin Akcura's presentation from the first session and Akcura, A. 2024. Global Power Market Structures Database.

	Vertically Integrated Utility (VIU)	Single Buyer Model (SBM)	Wholesale Competition	Retail Competition
Model description	A single state-owned or regulated utility performs all electricity sector functions: generation, transmission, distribution, and retail supply.	Private producers (IPPs) generate electricity and sell it to a single authorized buyer - typically a national utility or wholesale aggregator with exclusive purchasing rights.	Public and private generators, distributors, and large consumers participate in a wholesale market. Various competitive designs are used, such as bilateral contracts and power pools.	End-users can choose among multiple retail suppliers and related services. Retail competition may be full (all consumers) or partial (only large consumers).
Utilization	Adopted in 72 countries, covering 7% of the global population. Common in small states, island nations, and parts of Sub-Saharan Africa.	Used in 87 countries and territories, covering 29% of the global population. Predominantly in Sub-Saharan Africa and parts of Asia.	Implemented in 69 countries, representing 63% of the global population.	Present in 66 countries (overlaps with countries wit a wholesale competition structure).
Choice of supplier	Customers cannot choose their electricity supplier. All supply comes from the integrated utility.	End-users do not choose suppliers. IPPs sign PPAs with the authorized buyer.	Supplier choice is limited to certain companies (e.g., large industrial users), depending on market design. End-users typically do not have full choice.	In *partial competition*, only large consumers can choose suppliers (definitions depend on market design). In *full competition*, all end-users have supplier choice.

Reminder | **Global power market structures**

Source: Akcura, E. 2024. [Global Power Market Structures Database](#).



What we have heard from you already on deliverability (C15.3)

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	Substantiating progress and performance
C15.3	The use of zero- or lower-carbon energy to achieve emissions reductions or zero-carbon electricity targets shall be substantiated through the sourcing of the respective energy carrier and its delivery to the point of use, either with: ● Physical traceability (e.g. on-site generation or direct line), or ● Via the grid from which the site sources its energy. Energy delivered via the grid used to achieve emissions reductions or zero-carbon electricity targets shall be accompanied by contractual instruments that meet, at a minimum, the GHGP Scope 2 Guidance Quality Criteria.

What we have heard from you so far on C15.3:

- Deliverability is a building block for more credible claims on ZCE sourcing.
- Electricity is a fungible resource: You can't track if “clean electrons” reach a specific consumer.
- Defining deliverability boundaries can be arbitrary and includes a level of subjectivity.
- There is a risk that overly strict requirements restrict market participation or investment.
- Need for flexibility to avoid excluding small buyers or regions with weak infrastructure.
- Proposals to introduce carve-outs or tiered thresholds.

We've been working to refine C15.3 based on your input and our ongoing research…

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Substantiating progress and performance

Revised C15.3

Companies shall substantiate progress over time by demonstrating reduced energy consumption and/or increased use of zero-carbon energy, as appropriate, provided it is sourced from eligible sources using any of the established sourcing methods.

1.Eligible sourcing methods:

- 1.1. Self-generation from facilities owned by the company
- 1.2. Physical power purchase agreement
- 1.3. Project-specific supply contract with electricity supplier
- 1.4. Retail supply contract with electricity supplier
- 1.5. Default delivered renewable electricity from the grid, supported by EACs
- 1.6. Default delivered renewable electricity from the grid in a market with at least a 95% renewable generation mix and where there is no mechanism for specifically allocating renewable electricity
- 1.7. Unbundled procurement of energy attribute certificates (including virtual power purchase agreements)

We are working to define physical deliverability requirements

We are working to establish quality criteria for unbundled EACs, e.g.,: physical deliverability requirement, project vintage requirement, no double claiming requirement, time matching (TBC on whether a recommendation/ requirement for users over certain threshold).

2. Eligible zero-carbon sources:

- 2.1. Wind
- 2.2. Solar
- 2.3. Zero-emissions geothermal
- 2.4. Marine (wave and tidal)
- 2.5. Sustainably sourced biomass (including biogas)
- 2.6. Nuclear (fission and fusion)

Reminder | **Wilson Ricks' presentation from our second session**

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Always:

- "deliverable regions"

Sometimes:

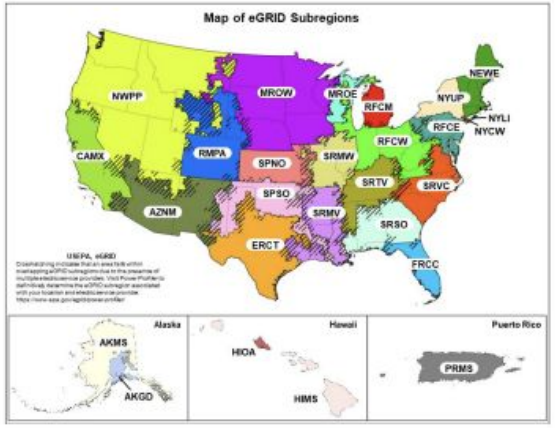
- Contracts for delivery (all except EU RFNBO)
- Congestion measurement (all except US 45V)

Market Bidding Zones

(universally accepted)

Other Regional Definitions

(some subiectivity)



Deliverability requirements

What other frameworks say about deliverability

	RE100	CFE 24/7
Interconnection of grids	Electricity grids are substantially interconnected, indicating a level of systemwide coordination.	A single well-interconnected electric grid enables high levels of physical deliverability of power between internal points.

Market boundaries	• International single markets recognized:
	  ○ The single market between the US and Canada
	  ○ Single market in Europe (conditions for the countries included)
	• Except for the single markets above, individual countries are distinct markets for renewable electricity.
	
	See RE100 Technical Criteria Appendix B for further details.
		• Bidding zones in electricity markets that employ a zonal pricing structure,
		• Government-defined grid regions used for electricity sector regulation or emissions reporting in large countries that do not employ zonal electricity pricing,
		• For all other countries and territories, country-level boundaries apply.
		
		See CFE 24/7 Technical Criteria Appendix B for further details.

The GHG Protocol and AIM platform currently revising their approaches and have not recently released any positions.

Contributing to ZCE in other grids:

When can companies resort to indirect mitigation?

For discussion…

1. How should the SBTi define the threshold for when in-grid ZCE procurement is considered “not possible”?

Should this be based solely on power market structure (e.g. no supplier choice in VIU/SBM models), or should eligibility also require that suppliers offer ZCE products that meet deliverability and other quality criteria?

2. What mechanism should the SBTi use to operationalize and maintain a list of “ineligible” grids for in-grid ZCE procurement?

Should the standard include a predefined list of grids where in-grid ZCE procurement is considered “not possible”, or should companies be responsible for justifying exclusion on a case-by-case basis, supported by verifiable criteria?

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Contributing to ZCE in other grids:

Defining actions where there is a lack of choice

We will give a short contextual presentation and then pause to discuss these three questions:

1. What actions should a company be incentivized to take where they do not have procurement choice in a given power market?

1. How might we deal with potential overlap in terms of actions that are also eligible under “responsibility for ongoing emissions”?

1. Whether these actions should be recommended or required?

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What actions should a company be incentivized to take where they do not have procurement choice in a given power market?

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Possible range of actions that the SBTi could look to incentivize…
(note, not all meet the definition as per the current criterion of "contributing to ZCE in other grids")

1. Directly enabling future ZCE procurement in the constrained grid I.e., actions that create new physical or contractual pathways for the company (or market) to directly procure ZCE in the specific grid where electricity is consumed.	**2. System-level interventions to remove structural barriers to ZCE procurement** I.e. actions that change the regulatory, institutional, or market conditions that prevent companies from accessing eligible ZCE in a given grid.	**3. Contributing to emissions mitigation outside the constrained grid** I.e., actions that deliver credible emissions reductions or avoided emissions elsewhere, when ZCE procurement is not currently possible and systemic or local fixes are not yet viable.	**4. Supporting broader climate and societal outcomes beyond Scope 2 mitigation** I.e., actions that do not enable future ZCE procurement or result in mitigation outcomes, but which support wider climate, equity, and resilience goals.
Investment in renewable energy generation in the constrained grid (e.g., direct project finance, equity stakes)	Policy advocacy to introduce supplier choice or remove regulatory barriers to ZCE access	Market-based instruments from the constrained grid that do not meet scope 2 quality thresholds	Just transition support (e.g., job retraining, community development, equity initiatives linked to energy system shifts)
Support for energy storage infrastructure that enables integration of renewables locally	Participation in market design reform (e.g., enabling competition, unlocking third-party access, restructuring tariffs)	Market-based instruments from grids other than the constrained grid (ideally driving new generation and displacing fossil fuels)	Adaptation investments (e.g., grid resilience, climate-proofing infrastructure in vulnerable areas)
Targeted investment in transmission and distribution infrastructure to expand local grid access and deliverability	Support for innovative grid technologies such as dynamic line rating, or smart transformers	Funding early retirement of fossil fuel infrastructure that would otherwise remain in operation (i.e., avoided emissions)	Loss and damage finance (e.g., funding for communities facing unavoidable climate impacts)
Participation in local procurement mechanisms (e.g., aggregation platforms, utility green power programs) with a view to making them compliant with SBTi rules over time	Engagement in regulatory modernization, including reforms to enable storage and demand-side flexibility	Investment in ZCE projects in other grids that displace fossil generation (i.e., emissions reductions)	

Note: We will likely need to specify that they should still focus on improving energy efficiency in all operations, regardless of ZCE choice.
Note: Where actions are validated by SBTi, they need to be quantified and evidenced.

The SBTi can either RECOMMEND these actions…

Criteria are mandatory requirements that an entity must meet to be in conformity with the standard. They are assessed during validation or verification, and must be stated clearly and precisely.

Example of a criterion: Companies shall cover total (i.e. 100%) scope 2 emissions within their targets.

Recommendations are non-binding guidance that indicate best practice, encourage ambition, or offer interpretive support. They are not assessed for conformity, but can influence implementation quality.

Example of a recommendation: Companies should strive to achieve the highest possible standards of energy efficiency in their operations.

Option A for consideration:

Target structure criterion:

- Cat A companies shall set both, near-term and-long term scope 2 value chain targets.
- Cat B companies may set near-term scope 2 value chain targets only.

Coverage criterion: At a minimum…

1) Near-term scope 2 value chain targets shall cover 100% of the electricity purchased and consumed in locations where companies are permitted to choose their electricity source *[or however we choose to define lack of ZCE access]*.
2) Long-term scope 2 value chain targets shall cover 100% of purchased and consumed electricity, heat, steam and cooling *[i.e., regardless of ZCE access]*.

Indirect mitigation recommendation: Where purchased and consumed electricity is excluded from the boundary of the near-term scope 2 value chain target because sourcing ZCE in the corresponding grids is not possible, companies **should** contribute to ZCE in other grids *[or however we define the eligible actions]* as an interim measure to address the corresponding portion of scope 2 emissions:

- Companies shall report their contributions to ZCE in other grids separately from their own scope 2 emissions.
- These actions shall claimed as "contributions", and separately from the scope 2 target.

Category A includes (i) large companies in all countries, and (ii) medium companies located in high- and upper-middle-income countries.
Category B includes (i) medium companies located in lower-middle- and low-income countries, and (ii) small and micro companies in all countries.

The SBTi can either RECOMMEND these actions…

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Example of a criterion: Companies shall cover total (i.e. 100%) scope 2 emissions

guidance that indicate best practice, encourage ambition, or offer interpretive support. They are not assessed for conformity, but can influence implementation quality.

Example of a recommendation: Companies should strive to achieve the highest possible standards of energy efficiency in their operations.

Option A for consideration:

Target structure criterion:

- Cat A companies shall set both, near-term and-long term scope 2 value chain targets.
- Cat B companies may set near-term scope 2 value chain targets only.

Coverage criterion: At a minimum…

1) Near-term scope 2 value chain targets shall cover 100% of the electricity purchased and

Note: The way we've articulated this below means that we're proposing something different to what is stated in the CNZS V2.0 draft under C15.5 where we say "contributions to zero-carbon electricity in other grids shall count towards scope 2 targets as an interim measure."

Indirect mitigation recommendation: Where purchased and consumed electricity is excluded from the boundary of the near-term scope 2 value chain target because sourcing ZCE in the corresponding grids is not possible, companies **should** contribute to ZCE in other grids *[or however we define the eligible actions]* as an interim measure to address the corresponding portion of scope 2 emissions:

- Companies shall report their contributions to ZCE in other grids separately from their own scope 2 emissions.
- These actions shall claimed as "contributions", and separately from the scope 2 target.

Category A includes (i) large companies in all countries, and (ii) medium companies located in high- and upper-middle-income countries.
Category B includes (i) medium companies located in lower-middle- and low-income countries, and (ii) small and micro companies in all countries.

… or REQUIRE them

Criteria are mandatory requirements that an entity must meet to be in conformity with the standard. They are assessed during validation or verification, and must be stated clearly and precisely.

Example of a criterion: Companies shall cover total (i.e. 100%) scope 2 emissions within their targets.

Recommendations are non-binding guidance that indicate best practice, encourage ambition, or offer interpretive support. They are not assessed for conformity, but can influence implementation quality.

Example of a recommendation: Companies should strive to achieve the highest possible standards of energy efficiency in their operations.

Option B for consideration:

Target structure criterion:

- Cat A companies shall set both, near-term and-long term scope 2 value chain targets.
- Cat B companies may set near-term scope 2 value chain targets only.

Coverage criterion: At a minimum…

1) Near-term scope 2 value chain targets shall cover 100% of the electricity purchased and consumed in locations where companies are permitted to choose their electricity source *[or however we choose to define lack of ZCE access]*.
2) Long-term scope 2 value chain targets shall cover 100% of purchased and consumed electricity, heat, steam and cooling *[i.e., regardless of ZCE access]*.

Indirect mitigation criterion: Where purchased and consumed electricity is excluded from the boundary of the near-term scope 2 value chain target because sourcing ZCE in the corresponding grids is not possible, companies **shall** contribute to ZCE in other grids *[or however we define the eligible actions]* as an interim measure to address the corresponding portion of scope 2 emissions:

- Companies shall report their contributions to ZCE in other grids separately from their own scope 2 emissions.
- These actions shall be claimed as "contributions" but can be communicated as part of a company's holistic scope 2 target.

Category A includes (i) large companies in all countries, and (ii) medium companies located in high- and upper-middle-income countries.
Category B includes (i) medium companies located in lower-middle- and low-income countries, and (ii) small and micro companies in all countries.

Contributing to ZCE in other grids:

Defining actions where there is a lack of choice

1. **What actions should a company be incentivized to take where they do not have procurement choice in a given power market?**
   a. **Directly enabling future ZCE procurement in the constrained grid**, i.e., actions that create new physical or contractual pathways for the company (or market) to directly procure ZCE in the specific grid where electricity is consumed.
   b. **System-level interventions to remove structural barriers to ZCE procurement** i.e., actions that change the regulatory, institutional, or market conditions that prevent companies from accessing eligible ZCE in a given grid.
   c. **Contributing to emissions mitigation outside the constrained grid**, i.e. actions that deliver credible emissions reductions or avoided emissions elsewhere, when ZCE procurement is not currently possible and systemic or local fixes are not yet viable.
   d. **Supporting broader climate and societal outcomes beyond Scope 2 mitigation** i.e., actions that do not enable future ZCE procurement or result in mitigation outcomes, but which support wider climate, equity, and resilience goals.

1. **How might we deal with potential overlap in terms of actions that are also eligible under "responsibility for ongoing emissions"?**

1. **Whether these actions should be recommended or required?**
   b. If required, should we limit eligible actions to those with quantifiable emission reductions (i.e., c above)?
   c. Should there be differentiation in recommendation v requirement by sector and/or Cat A versus Cat B companies?

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Contributing to ZCE in other grids:

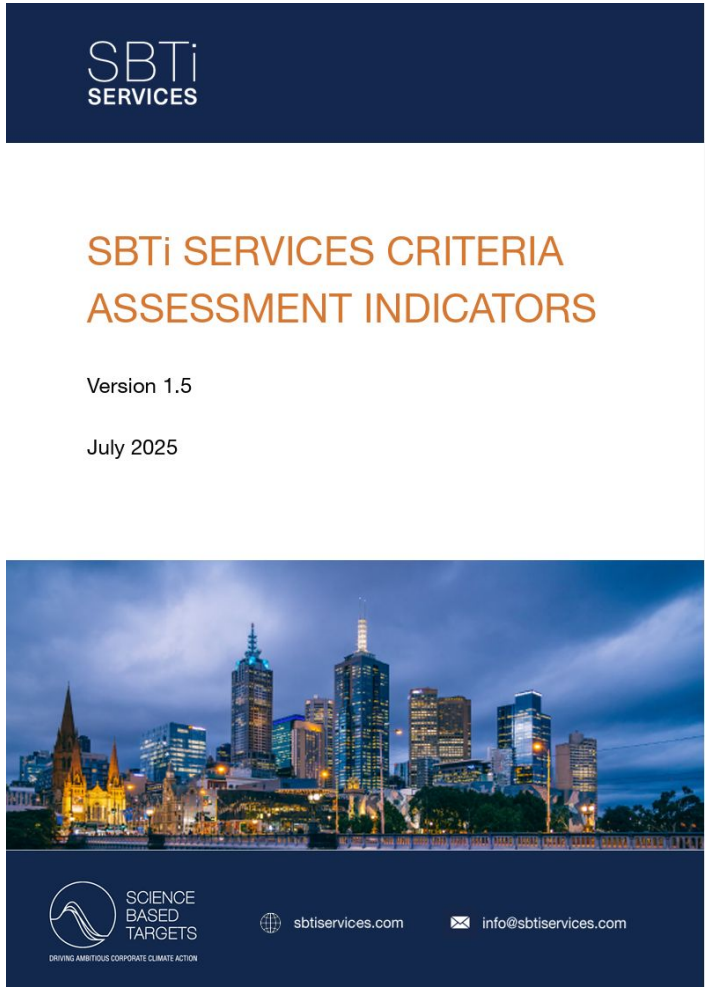
Other questions for high level reflection

We will give a short contextual presentation on the questions below but we will likely not have the time to open the floor for a lengthy discussion. If we are doing OK on time then we will invite high level reflections. If we run out of time, we will seek input through a survey.

1. What information would need to be submitted to the SBTi for it to assess conformance with the standard?
2. How should these actions be accounted for?
3. What can be claimed regarding these actions?
4. Whether and when to phase out this option within the standard?

What information would need to be submitted to the SBTi for it to assess conformance with the standard?

Criteria assessment indicators



https://docs.sbtiservices.com/resources/CriteriaAssessmentIndicators.pdf

Table 1. Near-Term Criteria Assessment Table

Criteria Assessment Indicator	Applicability	Description	Minimum Documentation Required
NT C1 - Organizational boundary: Companies should submit targets only at the parent- or group level, not the subsidiary level. Parent companies shall include the emissions of all subsidiaries in their target submission, in accordance with the boundary criteria.* In cases where both parent companies and subsidiaries submit targets, the parent company's target must also include the emissions of the subsidiary if it falls within the parent company's emissions boundary given the chosen inventory consolidation approach.**, *** ** As outlined in NT C2 to NT C6, and NZ C2 to NZ C7.* *** Brands, licensees, and/or specific regions or business divisions of a company will not be accepted as separate targets unless they fall outside of a parent company's chosen consolidation approach.* **** Companies must integrate emissions from their structural changes into their GHG inventory within a reasonable timeframe.*			
1.1 Disclosure of organizational boundary	GHG Accounting	Companies must disclose the organizational boundary approach chosen, and justify the appropriateness of the approach used. Any deviations from the consolidation approach must be indicated and highlighted in the supporting evidence.	Written selection of consolidation approach in Question 2.2.1 and explanation of choice (e.g., choice aligns with financial reporting and the company provides a link to the financial report) in Question 2.2.2 of the submission form.
1.2 Disclosure of organizational structure	GHG Accounting	Companies must submit a diagram or visual representation of the company structure to clearly	Provision of an organogram or documentation displaying percentage

Note: While the current Standard and the target validation model assesses target ambition, with the CNZS v2.0, the SBTi is expanding to focus on performance by introducing a new validation model.

What information would need to be submitted to the SBTi for it to assess conformance with the standard?

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New updated validation cycle:

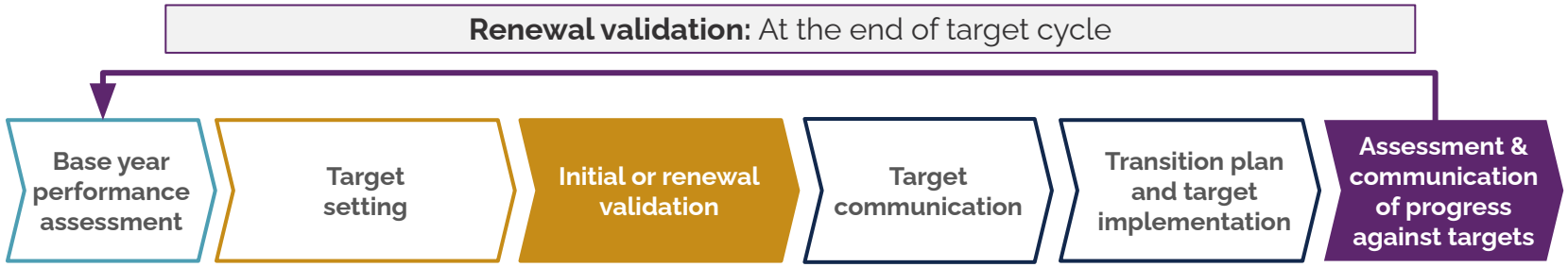
Renewal validation stage

Takes place at the end of the proposed standardized 5-year target cycle

- Progress is assessed **against targets from the previous cycle**, and
- **New targets are set** covering areas that require further transformation.

To be eligible for renewal validation, companies are required to provide **evidence that demonstrates that they conformed with all requirements of the standard** across the previous target cycle.

Companies are not validated against recommendations either at initial or renewal validation stages. thus recommendations arguably do not represent a significant incentive for companies.



How should these actions be accounted for?

Key considerations

- **Current draft CNZS V2.0 says:**
  - Contributions to zero-carbon electricity in other grids shall count towards scope 2 targets as an interim measure.
  - Companies shall report their contributions to zero-carbon electricity in other grids separately from their own scope 2 emissions.

- **Reminder of accounting definitions from GHGP:**
  - Inventory (attributional) accounting: Tracks GHG emissions and removals within a defined inventory boundary over time. This is the main accounting method used by corporations, organizations, cities, and governments to quantify and report emissions. The rules and procedures are outlined in the GHGP Corporate Standard, Scope 2 Guidance, Corporate Value Chain (Scope 3) Standard, and upcoming Land Sector Guidance.
  - Project (consequential) accounting: Estimates the emissions effects from projects, actions, or interventions relative to a counterfactual baseline, This approach is used to evaluate the emissions impact of projects. The rules and procedures are outlined in the GHGP for Project Accounting.

- GHGP is proposing a **refined definition of scope 2 emissions**, emphasizing their role within an "attributional value chain GHG inventory." They propose that scope 2 must only include emissions from electricity generation processes that are physically connected to the reporter's value chain, excluding any unrelated generation emissions.

- In our last call, the GHGP team present a nascent potential "**marginal impact method**" which quantifies emissions from consumption activities and procurement activities using marginal emission rates.

What can be claimed regarding these actions?

Types of claims proposed in the draft CNZS V2.0

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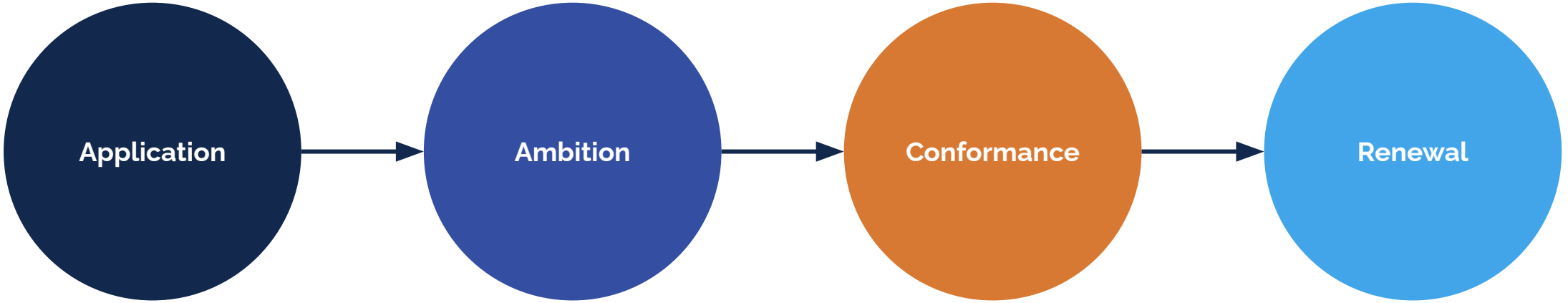

- Available after the entry check
- Expresses intention to set targets and commitment to reach net-zero

- Available after the initial validation or renewal validation
- Expresses that targets have been set in conformance with SBTi Standards

- Available after progress assessment is completed
- Expresses that the progress assessment was conducted in conformance with SBTi Standards

- Available after renewal validation
- Expresses that previous target cycle was conformant, and that new target have been set

What can be claimed regarding these actions?

Contribution and compensation claims

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Climate **compensation claims** are those which convey to audiences that avoiding, reducing or removing GHG emissions beyond the value chain of a company counterbalances or "nets out" emissions released within the operations or value chain of a company. An example of a compensation claim is the carbon neutrality claim.

Compensatory claims are increasingly the subject of public scrutiny and regulation in different jurisdictions.

Climate contribution claims are those which convey to audiences that the organization has provided support or finance to actions beyond the company's value chain (including through collective action) with an expected climate mitigation outcome (where the actions are relevant to the expected performance outcome).

Unlike compensation claims, the contribution claim does not imply that the BVCM outcomes are netting out or counterbalancing the claimants' remaining value chain emissions, but instead are communicated as a contribution to global climate mitigation efforts or even the efforts of a country.

Whether and when to phase out this option within the standard?

Key considerations

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Will there be a point in time when companies can procure ZCE in alignment with our proposed rules in all markets?

SBTi research question: How likely is it that companies will be able to choose their electricity supplier in all markets by 2040, and what does this imply for the feasibility of meeting long-term scope 2 decarbonization targets?

1. What are the current global trends in electricity market liberalization, and what is the expected trajectory toward 2040?
2. Which major economies or regions are least likely to liberalize their electricity markets by 2040 (e.g. based on policy direction, political economy, state ownership)?
3. How quickly have markets that liberalized in the past transitioned from limited to full supplier choice?
4. What role could policy interventions, regional power pools, or distributed generation play in expanding practical choice even in partially regulated markets?
5. Could new indirect or system-level procurement options (e.g. jurisdictional instruments, virtual aggregation) emerge to provide alternatives in constrained markets?

Operationally, how do we phase out this option within the standard?

- Earlier we shared a proposal where this is only allowed for near-term targets.
- Near-term targets follow a 5 year cycle.
- SBTi will revise the CNZS at a minimum every 5 years.
- Do we need to specify in CNZS 2.0 when this option will be phased out? Or can we leave it to be defined in future revisions?

AGENDA

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Welcome & introducing the focus for today	10 min
Presentation & discussion:	
Part 1: When can companies resort to indirect mitigation?	40 min
Break	5 mins
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

What to expect between now and our next meeting on 27th August

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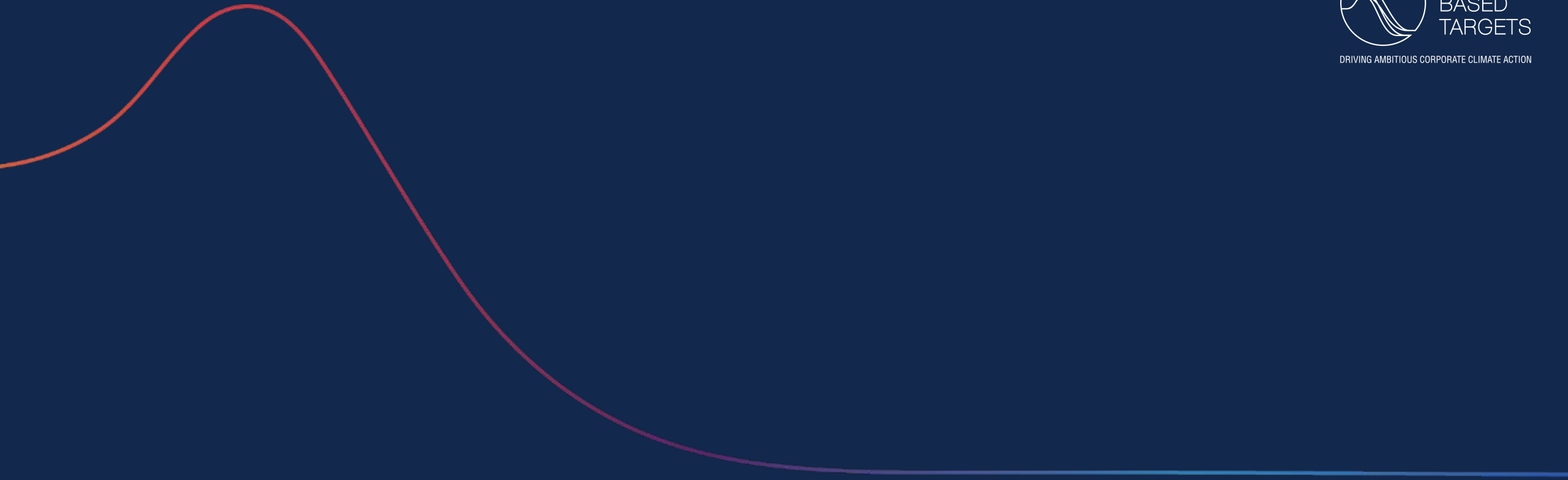
A post-session survey will be shared.

Today's **slides and minutes** will be uploaded to our shared folder.

Pre-reads for our next meeting will be shared 5 days in advance.

Any questions?
You can reach us at scarlettbenson@sciencebasedtargets.org and ayladincay@sciencebasedtargets.org

August 27	***September 8-10***
Discussion on potential refinements to the chapter	***Cross-cutting themes in in-person meetings in London***



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