

Corporate Net-Zero Standard V2.0 revision

Scope 2 Expert Working Group

Session 8: PC2 feedback and next steps

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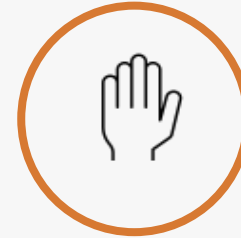
Participant guidelines



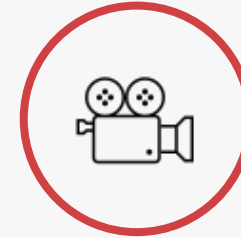
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Use the raise hand function



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Notes from us



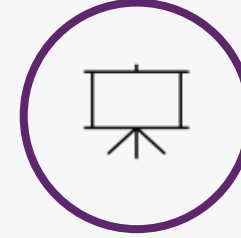
Treat info as confidential



Meeting is being recorded



We will follow up with minutes...



..And we will follow up with slides!

AGENDA

Welcome & introducing the focus for today	5 min
Presentation & discussion:	
PC2 feedback	5 min
Sense check: procurement types	5 min
Sense check: deliverability	10 min
Sense check: 15-year rule	10 min
Sense check: legacy clauses	20 min
Hourly matching approach	30 min
Closing & next steps	15 min

Welcome | Scope 2 EWG

SBTi Team



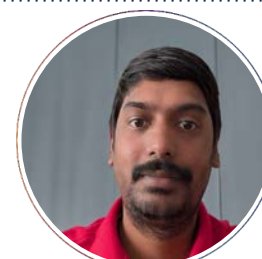
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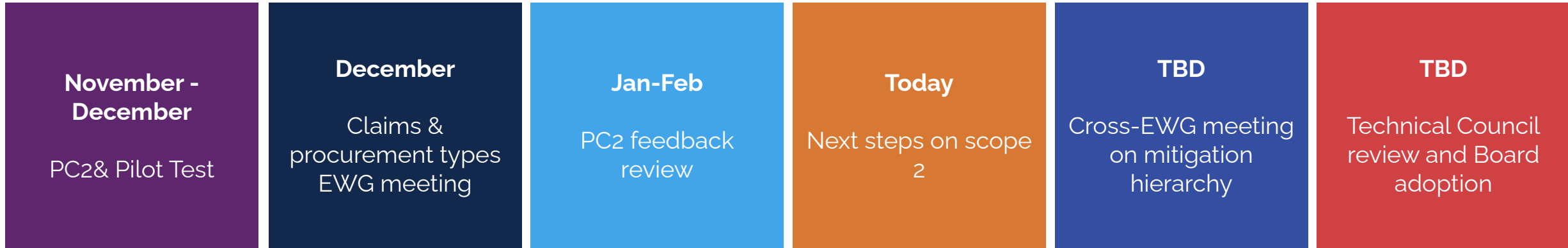
Skye Lei



Chris St John Cox

Process | Where are we and what is next?

Key steps to date...



Summary of PC2 feedback and proposed amendments

Key points of feedback

- 1. LCE emissions threshold:** Stakeholders indicate 95% capture rate (0.024 kg CO₂/kWh) on CCS is uninvestable today, but 90% capture rate is investable
- 2. Generator age limit:** Many stakeholders requested more information on exemptions and raised interoperability concerns with 15-year equivalent in RE100 and 24/7 frameworks
- 3. Hourly matching:** Strong opposition to hourly matching seen.
- 4. Target boundary exclusion mechanisms:** Current approach to exempt certain loads entirely from scope 2 targets is misaligned with approaches in other scopes.



Proposed amendments

- 1. LCE emissions threshold:** Raise direct emissions threshold for LCE to 0.048 kg CO₂/kWh; lower to 0.024 kg CO₂/kWh in 2035.
- 2. Generator age limit:** Change 10-year limit to 15-year limit and define exemptions (non-grid LCE, off-takes from new projects, passive LCE, region-by-region exemption depending on grid average, existing contracts).
- 3. Hourly matching:** Replace hourly matching requirement for large users with a recognition framework.
- 4. Target boundary exclusion mechanism:** Remove exemptions from scope 2 targets and introduce a 'mitigation hierarchy' in alignment with scope 3. Permit alternative actions, with differentiated claims, if LCE does not exist locally or LCE alignment criteria cannot be met with sufficient volumes.

Procurement types and action type

Procurement type	Action type	Explainer
On-site/private wire LCE	Activity level	Decarbonizes emissions that are not embedded in an activity pool
Physical PPA	Activity pool level	Decarbonizes emissions that are embedded in an activity pool
Financial (virtual) PPA		
Contract with supplier		
Unbundled certificate purchase		
Default delivered LCE, supported by certificates (e.g. U.S. RPS REC retirements by utilities, potentially Standard Supply Service)		
Default delivered LCE in activity pools with >95% LCE in generation mix and no certificate registry (e.g. Paraguay)		

Activity pool boundaries: Deliverability

- **Updated proposal:** Include only 'deliverability principle' in criteria for activity pool boundaries, given ongoing debate about deliverability in e.g. United States and Japan.
 - ▶ How should SBTi manage the risk created by not having strict boundary definitions?
- **Deliverability between pools:** Alternate method using contracted transmission allowed.
- **Legacy clause** for existing market instruments.
- **Behind-the-meter consumption:** Criterion that electricity consumed from behind-the-meter generation (on-site/private wire generation) is not part of an activity pool, therefore is not decarbonized through activity pool action.

Fifteen-year generator age limit exemptions

Exemption	What counts	What does not count
On-site/private wire LCE		
Long-term, project-specific market instruments where the company is the original off-taker	PPA with new project	PPA with existing project, unless re-powering thresholds are met
Default delivered LCE, supported by EACs	U.S. RPS REC retirements or Standard Supply Service LCE	
Default delivered LCE in grids with >95% LCE [...]	Grid consumption in e.g. Paraguay	

Fifteen-year generator age limit exemptions (continued)

Exemption	What counts	What does not count
A region-by-region variable exemption determined by the average share of non-variable LCE generation (i.e., excluding wind, solar, and marine resources)	Norway has 90% hydro generation, so 90% of local LCE matching can ignore 15-year rule	
Legacy clause: Market instruments for LCE applied to electricity consumption periods occurring before the effective date of CNZS V2.0 until their expiry.	Existing PPA with older generator	Unbundled EAC purchases from older projects that are repeated annually
15% volume determined by company's annual electricity purchasing from the grid	Company consumes 1,000 MWh from the grid globally and can freely match up to 150 MWh of LCE to its electricity consumption ignoring the 15-year rule	

Legacy clauses: Deliverability & 15-year rule

- **Deliverability:** Market instruments applied to electricity consumption periods occurring before the effective date of CNZS V2.0 may be considered deliverable throughout the 'market boundary' under which the instruments were initially applied until their expiry. Renewal of such instruments shall not continue to extend their deliverability.
 - ▶ Is further minimum detail necessary? Consider the following example:

Instrument	Market boundary at time of signing	Claims before CNZS V2.0 effective date	Legacy clause claims
PPA with solar farm in Spain	RE100 rules	Spain, Portugal, France	Spain, Portugal, France, Germany?

- **15-year rule:** Contractual instruments for LCE applied to electricity consumption periods occurring before the effective date of CNZS V2.0 are exempt from the age limit.
 - ▶ Is further minimum detail necessary?

Hourly matching approach

- **100% claim/residual emissions benchmark requirement:** Met through hourly matching (i.e. 100% LCE claim/zero market-based scope 2)
 - ▶ How should SBTi manage a potential hourly matching requirement introduced by GHG Protocol?
 - ▶ What other options exist given the benefit of hourly matching at lower overall levels?

Changes to LCE criteria for hourly matching:

- **Deliverability between pools:** Additional alternate method when hourly price convergence is demonstrated (does not require contracting for transmission)
- **Modification to 15-year rule exemption:** Region-by-region exemption may be determined by percentage of **all** LCE generation (firm and variable) in the hourly grid mix.

Hourly matching recognition framework design

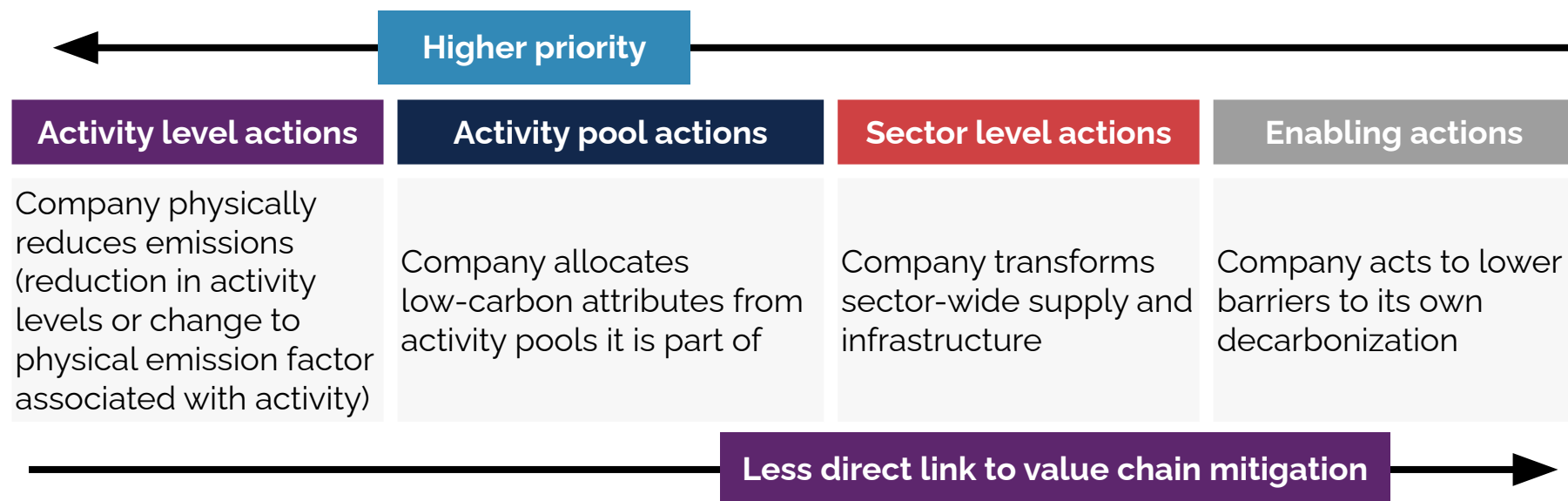
- **Intent:** Encourage companies to measure, report and increase their percentage of LCE matched to consumption using hourly accounting intervals
- **Mechanism:**
 - ▶ Company selects **at least one** activity pool in which it purchases grid electricity and assigns hourly accounting intervals to the pool(s). Company **shall not** combine annual and hourly accounting in the same pool.
- **Reporting:**
 - ▶ Companies annually report in which activity pools they use hourly matching, total grid purchasing in those pools, and total LCE matched to all grid purchasing on hourly basis
 - ▶ **Should additional reporting metrics be considered?**
- **Recognition:** Companies receive recognition on the SBTi Dashboard for each reporting metric.

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Next EWG meeting to discuss target implementation and mitigation

- A new mitigation hierarchy clarifies CNZS's approach to implementing scope 1, scope 2 & scope 3 targets and the role of market instruments



- Structural constraints** affecting activity level or activity pool level action are needed before sector level actions can be taken

THANK YOU

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