

# Meeting 4: target boundary

25 / 26 June 2025


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*If **everything** is a priority, then **nothing** is. Today, our challenge is to draw the **right boundary** — one that separates **noise** from **impact***

# Introduction | Our goal today is to review, challenge and refine the scope 3 target boundary approach for prioritising emissions

Today's questions

... and outcomes

**1. What did we learn from the previous session?**

Share key takeaways on revenue alignment to address in the standard

**2. What is the expected coverage, advantages and limitations of the draft boundary approach?**

Understand and discuss advantages / limitations of the proposed approach


**5 min break**



**3. What could be a refined and effective target-boundary definition for scope 3 emissions?**

Land on 2 to 3 possible refined approaches to target boundary definition

# Agenda

1. **Session intro and welcome**
2. Recap: what did we learn from the previous session
3. Target-boundary definition
  - Introduction to the current approach
  - Watershed findings
  - CDP findings + PC1 consultation feedback *Break (5 mins)*
4. Develop refined proposals
5. Next steps

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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.



# CONFLICT OF INTEREST DECLARATION

- 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 Conflict of Interest 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

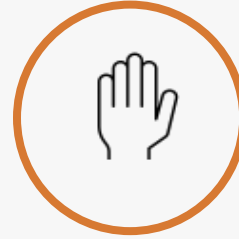
## Participant guidelines



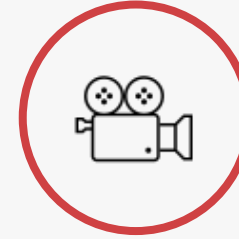
Mute during  
presentations



Use the chat  
box



Use the raise hand  
function



If you can, please keep  
your camera on

## Notes from us



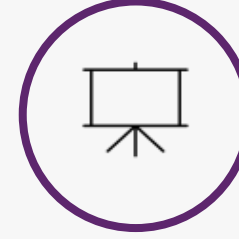
Treat info as  
confidential



Meeting is being  
recorded



We will follow up with  
minutes

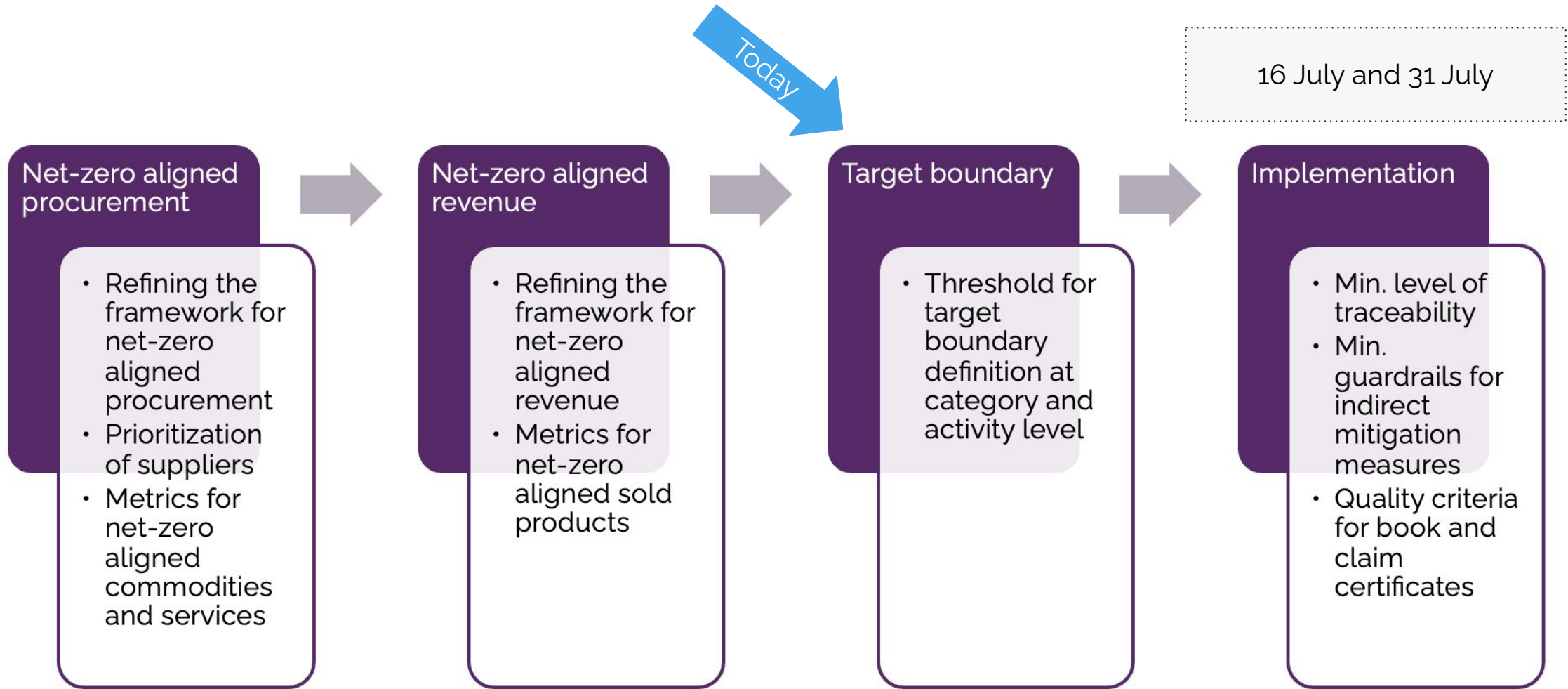


*..And we will follow up  
with slides!*

Finally, please have your  
devices ready to use...




# Reminder of the EWG meeting schedule





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 *Break (5 mins)*
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# Draft takeaways | Refining the approach and metrics for net-zero aligned revenue



## Support

- **Signal of business model transformation**
- **Policy alignment** (GFANZ, TPT, NZTP, and CSRD)
- **Accessibility:** intuitive and trackable for civil society and investors
- **Metrics:** physical emissions intensity per functional unit and circularity



## Concerns

- **Revenue ≠ emissions:** high-emitting products may generate low rev.
- **Burden of scope:** potentially resource-intensive to implement
- **Incentive distortions:** could incentivise changes in pricing or bundling
- **Definition clarity:** non-emitting "NZ use phase product" vs. NZ lifecycle



## Against

- **Unsuitable for fossil fuels** and obscure need for reductions/phase out
- **Actionability across products/sectors**
- **Scientific basis of linear increase** and sectoral decarbonisation needs
- **Inclusion of non-emitting products** could inflate alignment claims



## Alternatives

- **Unit-based metrics** e.g., "% of vehicles sold that are EVs"
- **Set milestone targets** e.g., "phase out combustion engine by 2040"
- **Consider product innovation KPIs and capex targets**

# Agenda

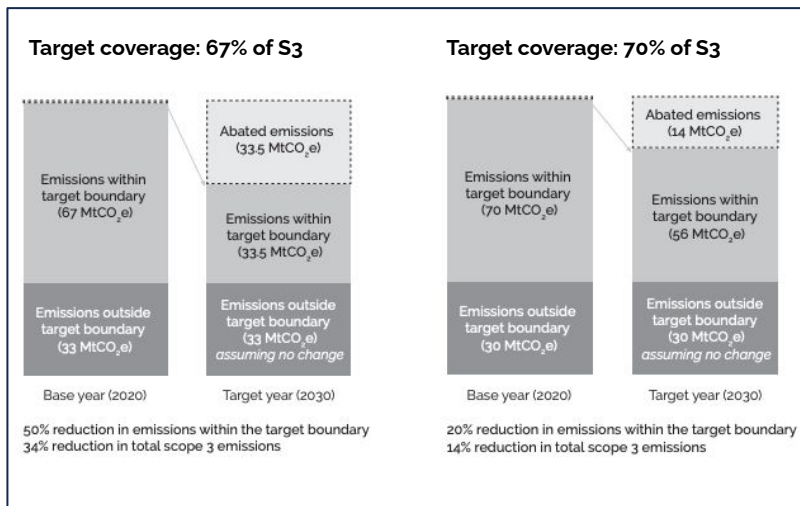
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# Challenges | The Scope 3 Discussion paper identified three key limitations with the current S3 target-setting boundary approach

The current SBTi approach to target-setting boundaries requires companies to include a minimum of **67%** of their scope 3 emissions within the scope 3 target boundary for **near-term** targets and a minimum of **90%** for **long-term** targets. This may result in unintended consequences:

1

## Potentially misleading target formulation



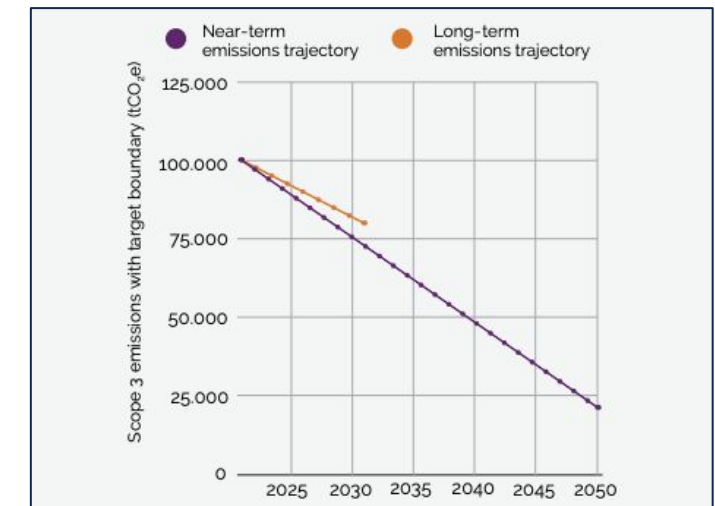
2

## Exclusion of high-climate-impact activities

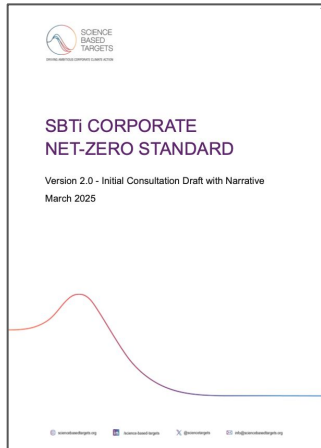


3

## Lack of clarity on how to increase the target boundary over time



# Solutions | To help address these challenges, the draft proposes thresholds at the category and emissions-intensive activity levels



**CNZS-C7. Companies shall identify relevant scope 3 emissions sources in the value chain, including significant scope 3 categories and emissions-intensive activities**

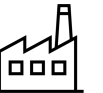
**Company categorization: This criterion includes adjustments to accommodate Category B companies**

*Company category: Category A (mandatory), Category B (optional)*  
*Assessment stage: Initial Validation, Renewal Validation*

- C7.1. Companies shall identify significant scope 3 categories. Scope 3 categories are considered significant when the category represents 5% or more of total annual scope 3 emissions.
- C7.2. Companies shall assess their exposure to emissions-intensive activities across the value chain, both upstream and downstream, as outlined in Tables D.4 and D.5 in [Annex D: Relevant Scope 3 Emissions Sources](#).
- C7.3. Emissions-intensive activities are considered significant when they meet either of the following thresholds:
- 7.3.1. The activity accounts for more than 1% of the company's total annual scope 3 emissions; or
  - 7.3.2. The activity generates more than 10,000 tCO<sub>2</sub>e per year.

**Proposed significance thresholds** to determine relevant emissions sources for target-setting:

**Categories:** ≥5% total annual S3

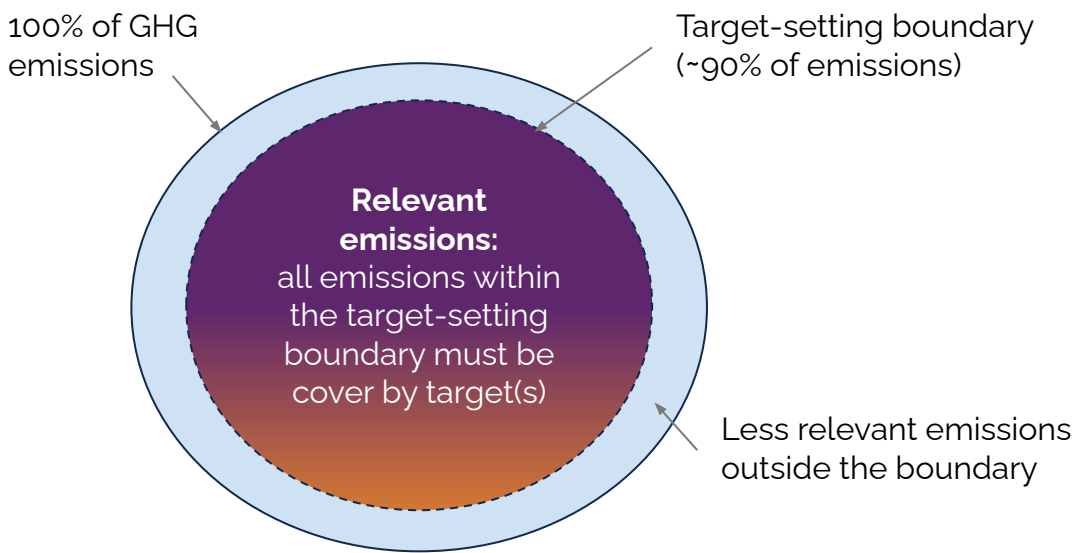


**Emissions intensive activities:**

- either ≥1% total annual S3
- or ≥10,000 tCO<sub>2</sub>e



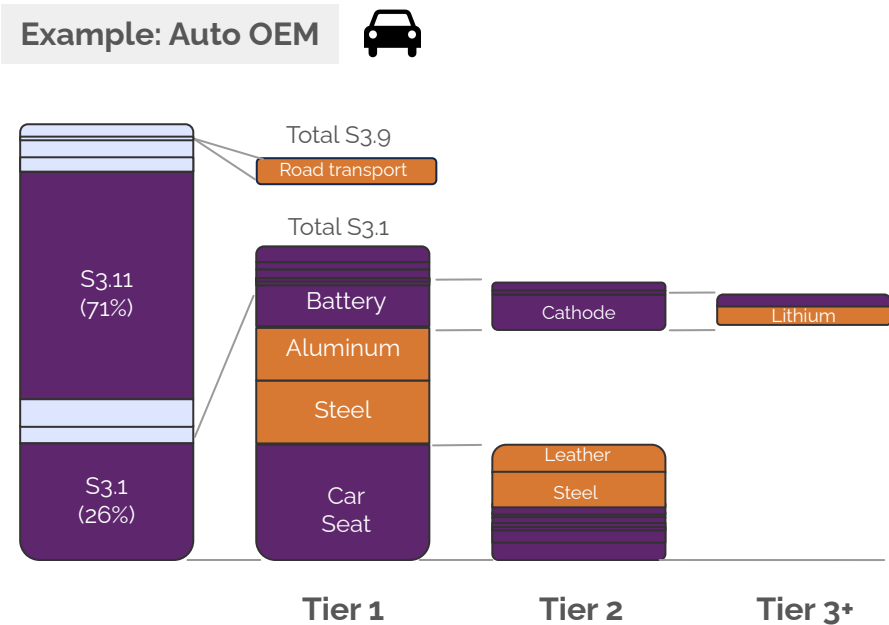
# Solutions | ...to prioritise relevant emissions sources to be covered by targets and filter out less impactful sources



**Step 1: Establish target boundary.** Only categories that represent >5% of total scope 3 emissions and emissions-intensive activities need to be covered. These are considered “relevant” emission sources.

**Step 2: Target coverage.** The target boundary is always 100% of relevant emission sources.

**Step 3: Set targets.** Establish either emissions or alignment targets to address 100% of relevant emissions.



**A Significant categories**

Significant if ≥5% of total S3

**B Emission-intensive activities (EIAs)<sup>1</sup>**

If ≥1% of total s3, or ≥10,000 tCO<sub>2</sub>e, and in SBTi list of EIAs, in any tier of the value chain



# Solutions | Target-setting boundary solution components for further refinement within Expert Working Group



Component  
and draft threshold

## Prioritisation based on category magnitude

**Category-level significance**  
*≥5% total scope 3 emissions*

## Prioritisation based on emissions-intensive activities

**Emissions-intensive activities**  
*≥1% total S3 OR ≥10,000 tCO<sub>2</sub>e*

## Maximum cumulative exclusion threshold *(new)*

**Not in current draft CNZS.**  
*e.g. 10% max. exclusions*

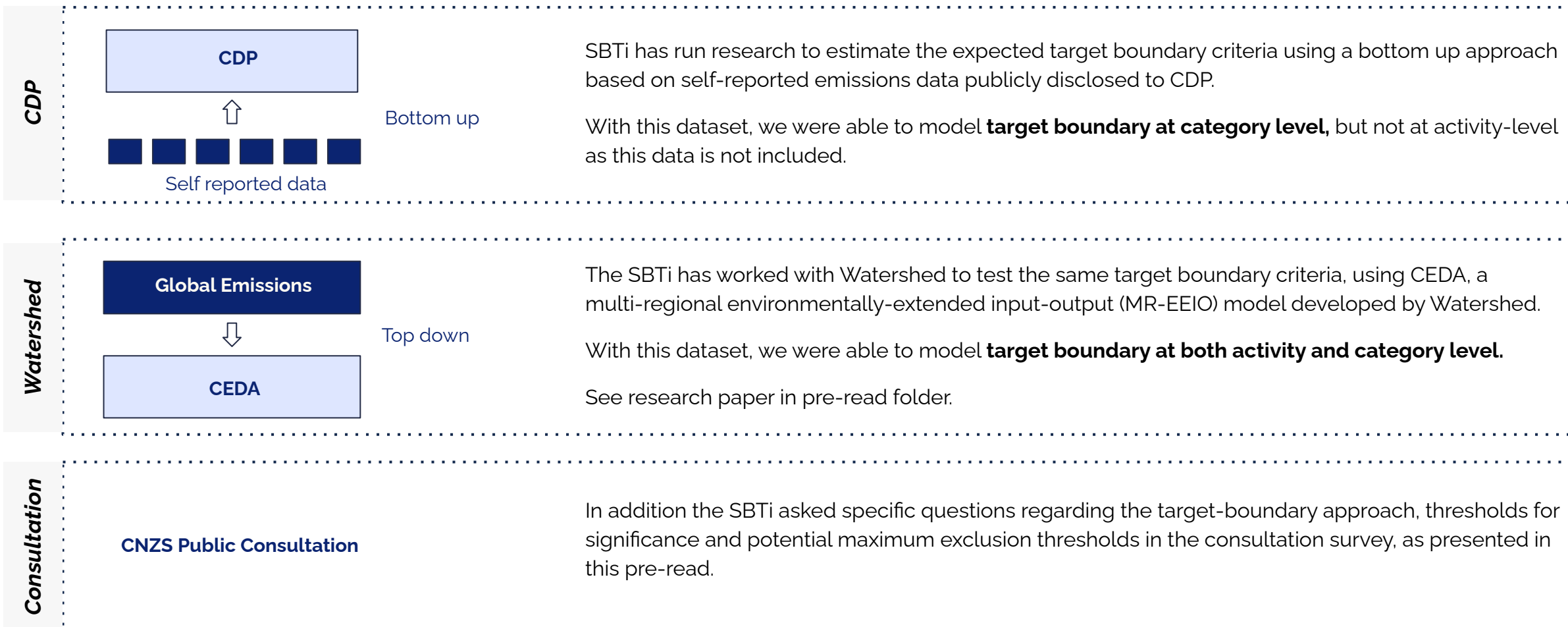
Rationale

- Majority of emissions included in the target boundary (>90% coverage)
- Simple to assess
- Aligned with common threshold for materiality

- Targets most relevant emissions sources at global level ([IEA, 2023](#))
- 1% excludes negligible emissions in relative terms
- 10k CO<sub>2</sub>e captures sources that are significant in absolute terms (aligned with [Gold Standard definition of micro scale](#) projects and [SBTi SME definition](#))

- A cumulative limit for exclusions from the target boundary could be an additional safeguard to ensure a minimum level of coverage

# Research | The results of three research inputs are summarised in this presentation: CDP data, Multi-Regional Input-Output data and public consultation feedback

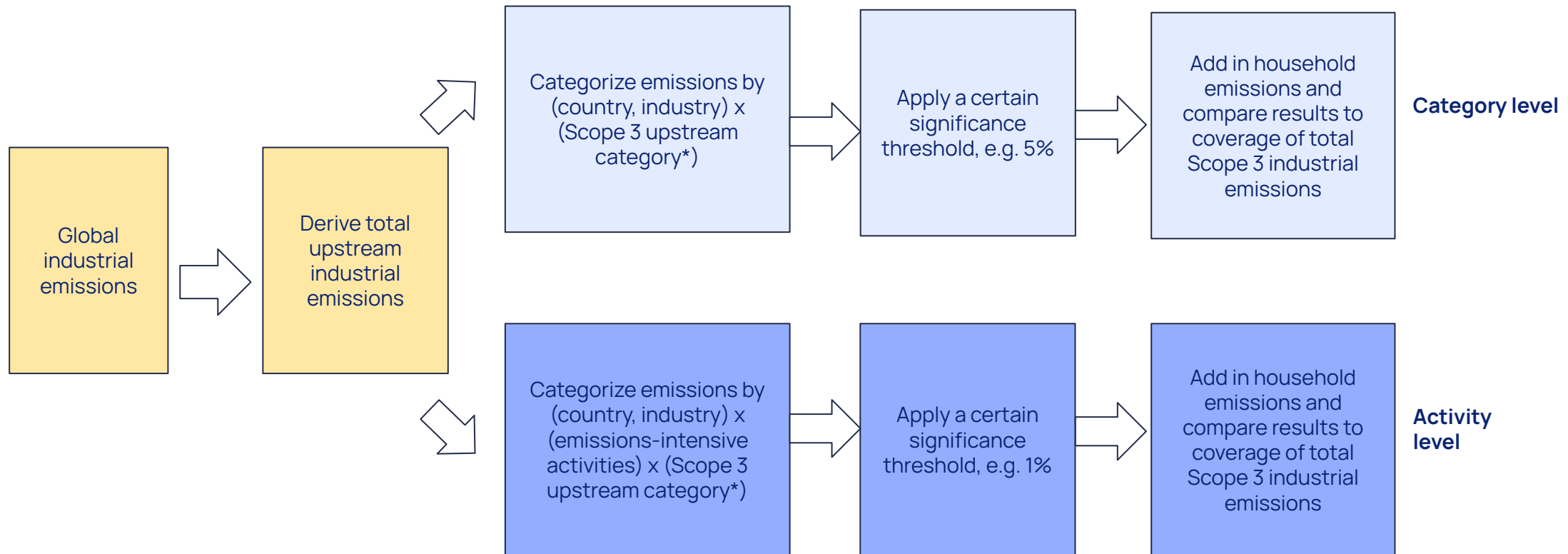


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1. Session intro and welcome
2. Recap: what did we learn from the previous session
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  - **Watershed findings**
  - CDP findings + PC1 consultation feedback
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# Watershed research | Using the comprehensive nature of CEDA to measure coverage of global emissions

CEDA is a multi-regional environmentally-extended input-output (EEIO) model developed by Watershed that covers industrial emissions across 148 countries and 95% of global GDP.



\*Category 1, 2, 3, 4, 5, 6, and 8

# Category level | Significance threshold could be relaxed to up to ~29% and still cover 90% of global scope 3 emissions



## Significance threshold

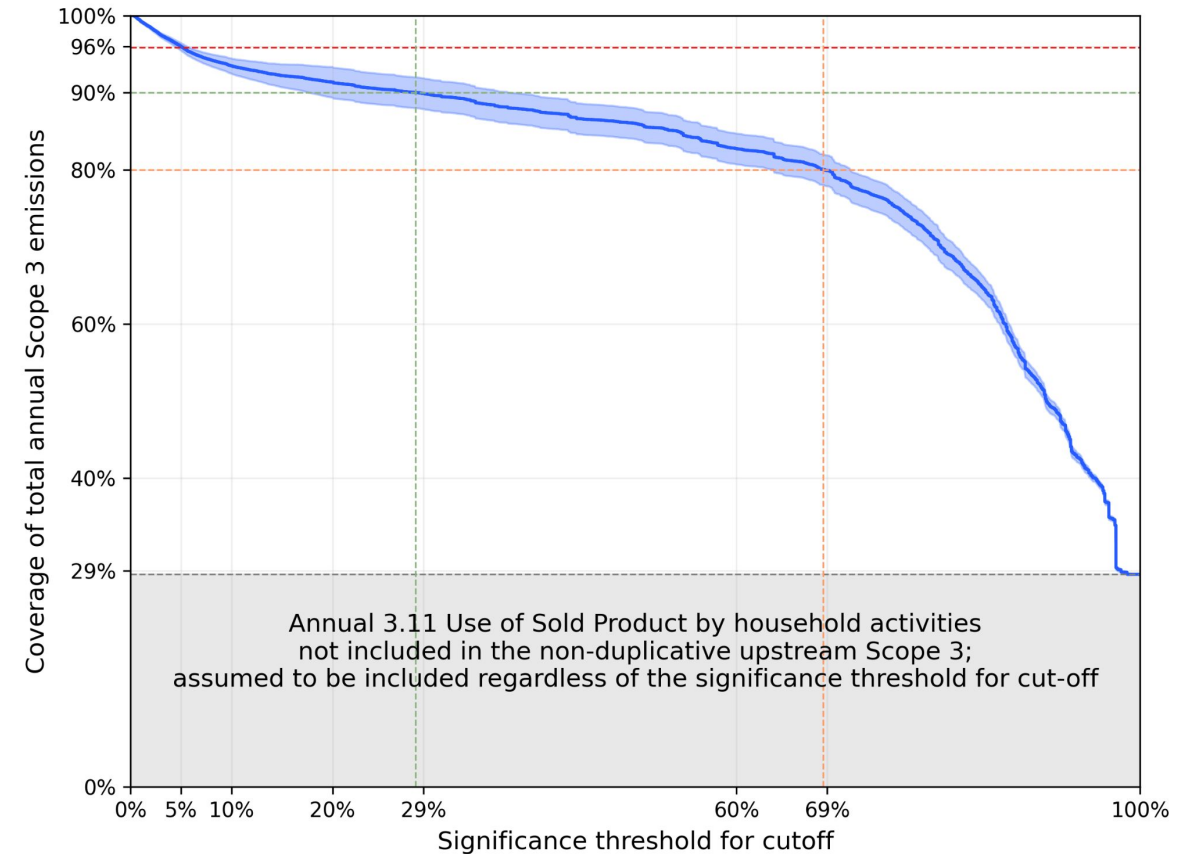
- 5% -> covers 96% of emissions
- 29% (range 18 - 35%) -> covers 90% of emissions
- 69% (range 63 - 72%) -> covers 80% of emissions

## High and upper-middle-income country\* representation

- 92% of global emissions
- 5% -> covers 88% of emissions

\*As defined by the World Bank

**Note:** Downstream emissions are only approximated based on the estimated share of total energy consumption by households and included as part of total scope 3 emissions, rather than being assigned to individual industries.

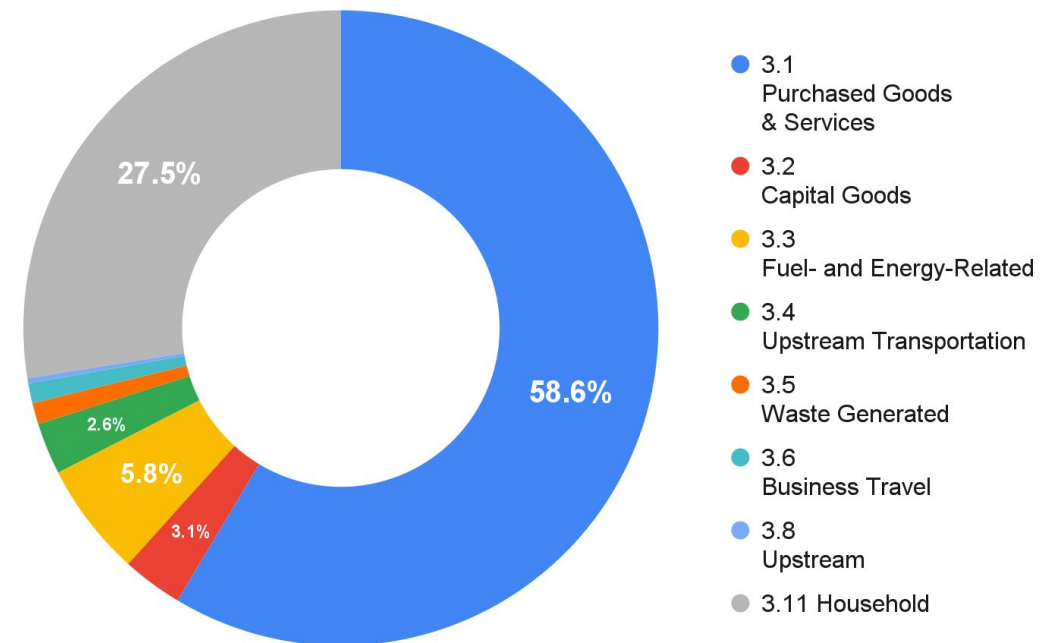


# Category level | High concentration of scope 3 categories enables focused action for corporates and high coverage of global emissions



- Scopes 3.1 and 3.11 cover 86% of global Scope 3 emissions
- This explains why significance thresholds can be relaxed substantially and still achieve a high global coverage of emissions.
- Companies can focus action plans on those categories, while having the most impact for their sector and still meeting global coverage targets.

Distribution of Scope 3 categories across Global Scope 3 emissions



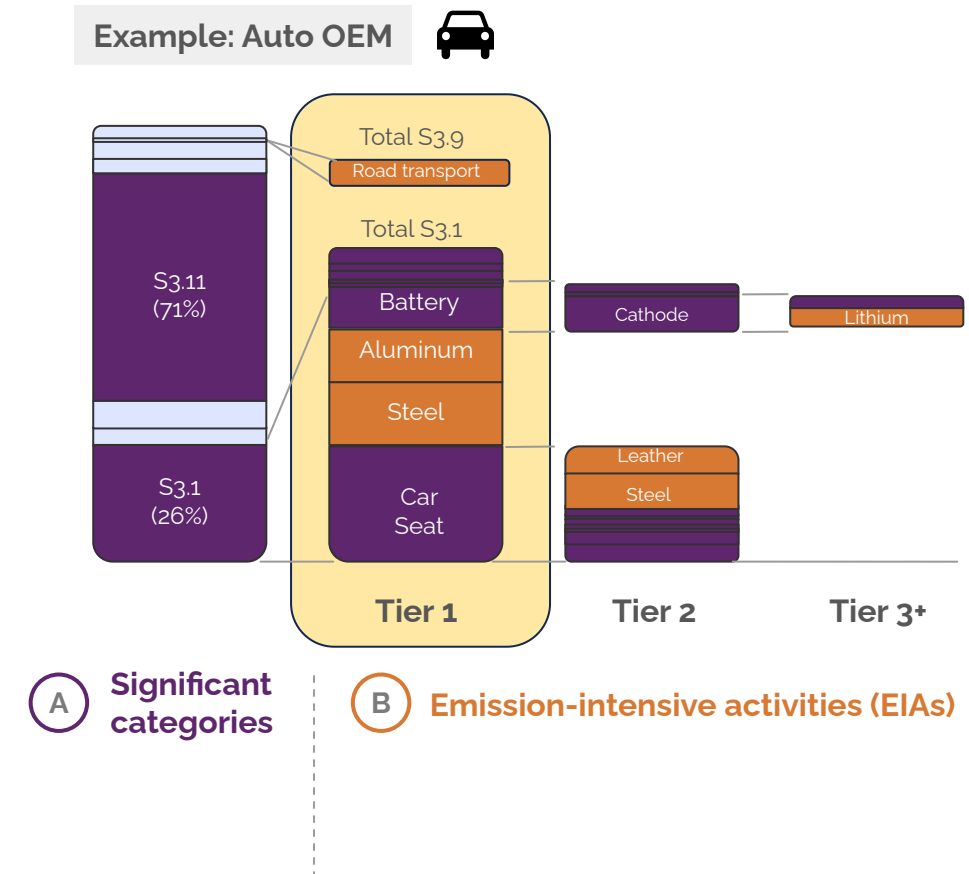


# Activity level | Emissions intensive activities are analyzed at the Tier 1 level of the supply chain



## The methodology and our findings

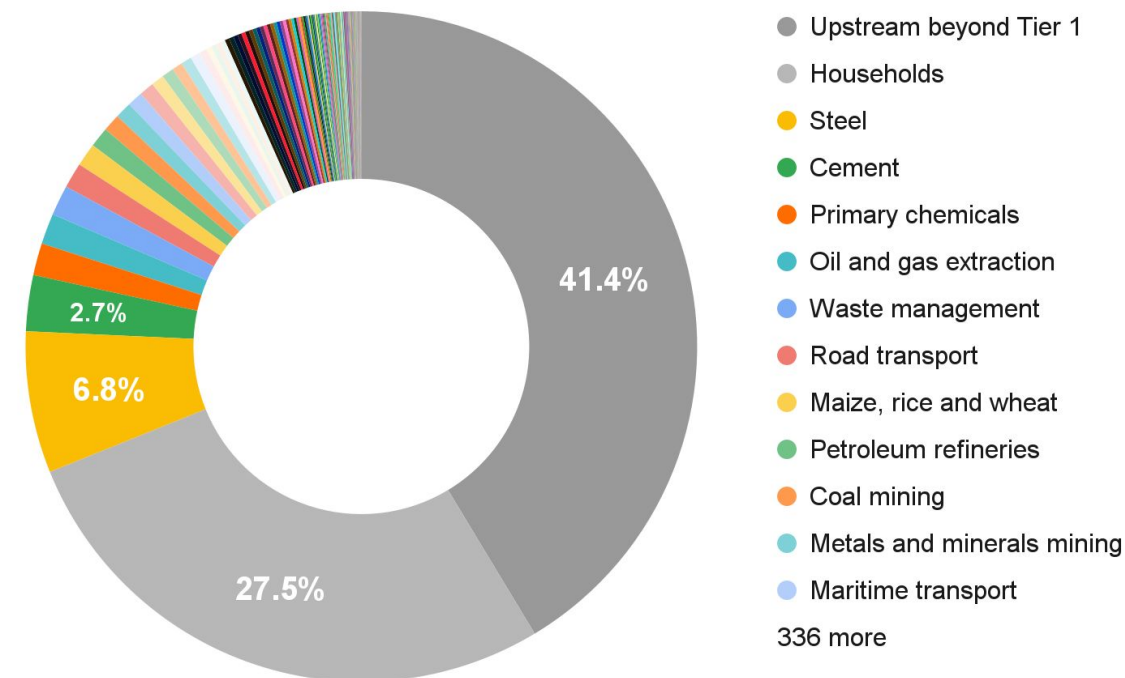
- Research focused on Tier 1 suppliers (most actionable and possible from a scientific perspective)
- Tier 1 represents ~30% of global Scope 3 emissions
- Emission intensive activities represent ~60% of Tier 1 emissions (18% of total global Scope 3 emissions)
- Increasing the significance threshold coverage from 1% to 5% has minimal impact on coverage of emissions




# Activity level | Including emissions intensive activities is not expected to yield significant value in terms of coverage of emissions



- **Key sectors could be considered to add 7% of global emissions:** oil and gas extraction, waste management, petroleum refineries, coal mining, lime and gypsum production, concrete pipe and block production, all other chemicals, and natural gas distribution.
- **Identifying and mapping emissions-intensive activities** to commonly used sector classifications **is extremely challenging** and proved to be highly technical and time consuming
- Increasing complexity and impracticality of adding a threshold for emissions intensive activity is not expected to add significant coverage of global emissions



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# CDP research | CDP data indicates that a 5% category-level threshold would cover 97% of total reported emissions and 93% at the company level

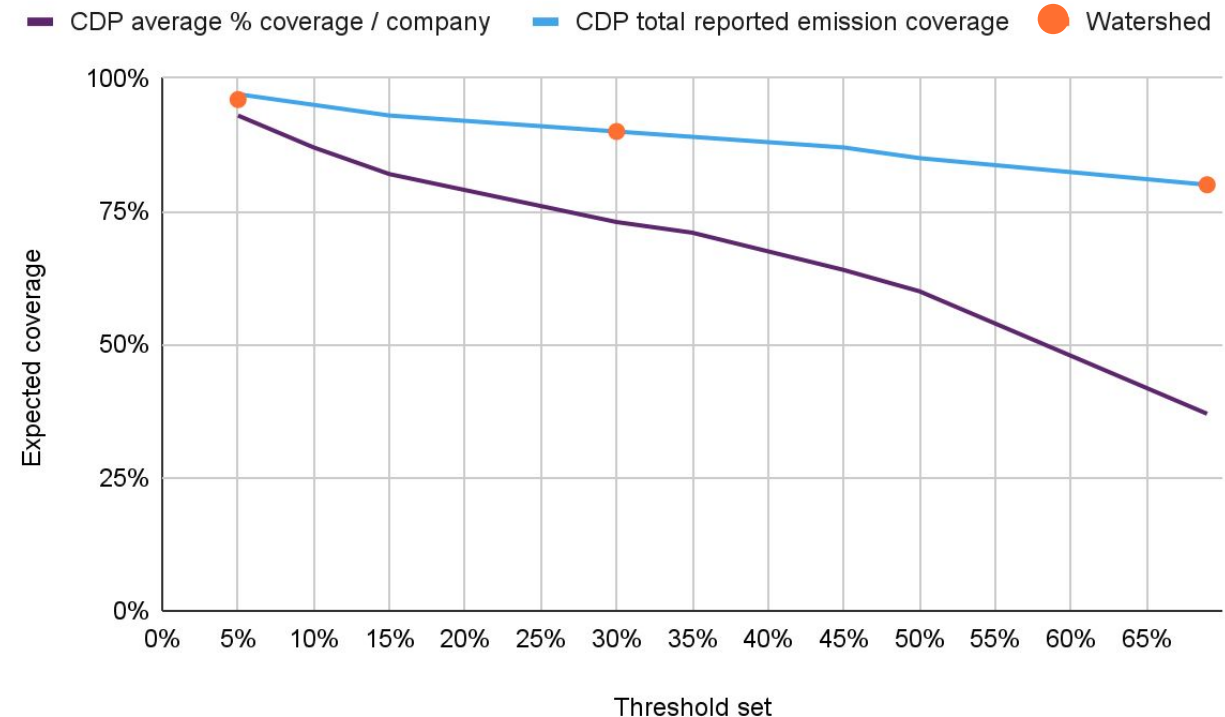


## Total scope 3 coverage

- Total emissions coverage closely aligns with Watershed research
- 5% → covers 97% of total reported emissions
- 30% → covers 90% of total reported emissions

## Company-level coverage

- Company-level coverage is lower than total reported scope 3 emissions coverage
- 5% → 93% of company-level emissions on average
- 30% → 73% of company-level emissions on average

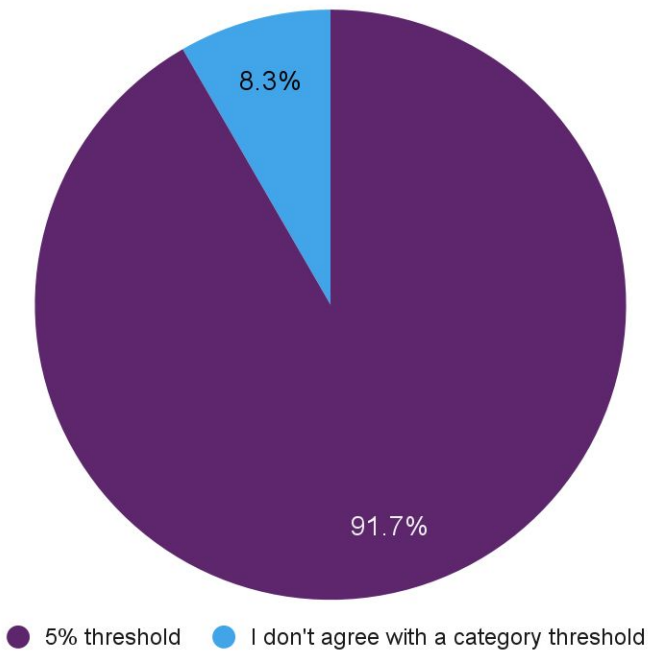


# RESULTS OF SURVEY

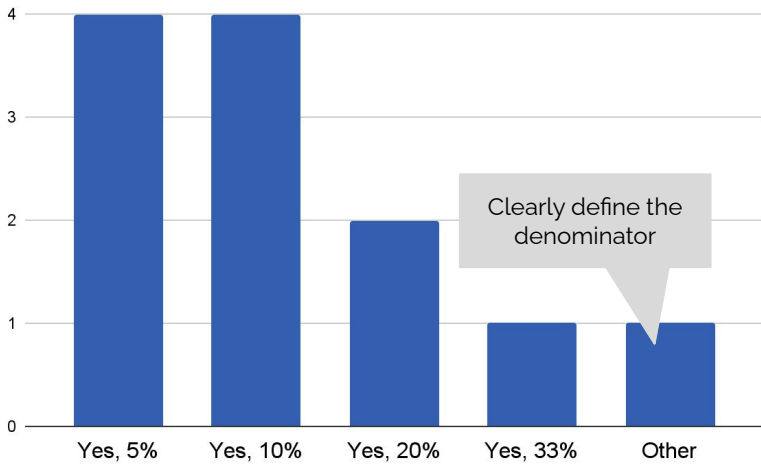
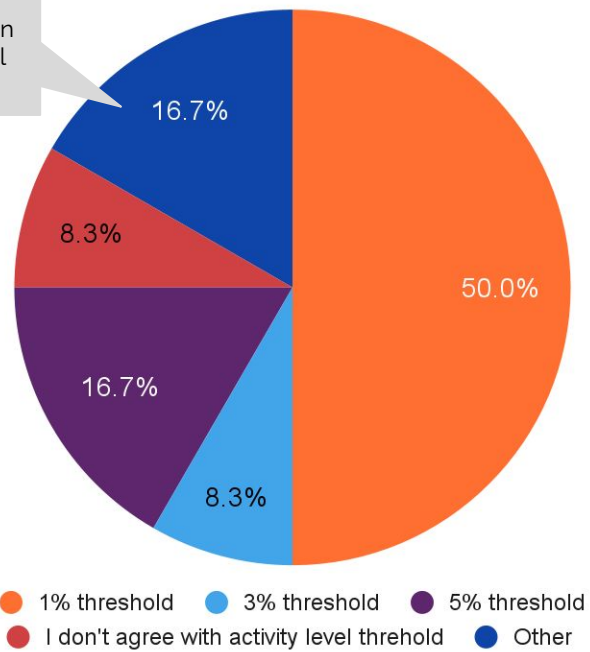
92% agreement with the 5% category-level threshold

Spread views on the activity level threshold




All respondents agree to **set** a maximum exclusion threshold, with **spread views** on the appropriate level



Pressure test it  
Below 5% include in the category-level target




# Questions? | Summary of key findings from the three research inputs summarised in this pre-read

				
		<b>Prioritisation based on category magnitude</b>	<b>Prioritisation based on emissions-intensive activities</b>	<b>Maximum cumulative exclusion threshold <i>(new)</i></b>
<i>Component and draft threshold</i>		<b>Category-level significance</b> <i>≥5% total scope 3 emissions</i>	<b>Emissions-intensive activities</b> <i>≥1% total S3 OR ≥10,000 tCO<sub>2</sub>e</i>	Not in current draft CNZS. <i>e.g. 10% max. exclusions</i>
<i>Research</i>	<i>CDP</i>	<ul style="list-style-type: none"> <li>Avg. emission coverage at company level:               <ul style="list-style-type: none"> <li>5% category threshold → 93%</li> <li>15% category threshold → 82%</li> </ul> </li> <li>Global coverage in line with Watershed (↓)</li> </ul>	<i>Data not available</i>	<i>Data not available</i>
	<i>Watershed</i>	<ul style="list-style-type: none"> <li>Estimated coverage of global S3 emissions:               <ul style="list-style-type: none"> <li>5% category threshold → 97%</li> <li>29% category threshold → 90%</li> <li>69% category threshold → 80%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Estimated coverage of global S3 emissions:               <ul style="list-style-type: none"> <li>1% threshold → when applied to <b>tier 1 suppliers only</b>, this criterion would cover 18% of global scope 3 emissions</li> </ul> </li> </ul>	<i>Data not available</i>
	<i>Consultation</i>	<ul style="list-style-type: none"> <li>General support for the proposed 5% threshold (56%)</li> </ul>	<ul style="list-style-type: none"> <li>1% threshold should be higher (5-10%) but may still be difficult to implement (e.g. due to data availability)</li> <li>10k CO<sub>2</sub>e threshold should be higher or removed in favour of % threshold</li> </ul>	<ul style="list-style-type: none"> <li>General support on including a cumulative exclusion threshold (54% in favour), with most popular exclusion threshold options being 5% or 10%</li> </ul>



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# Discussion | Based on this research, what could be a refined target-boundary approach for prioritising scope 3 emissions?



Category-level significance



Emissions-intensive activities



Max. exclusion threshold

## GROUP WORK

- Connect to [Miro](#) (link in chat)
- Divide into two breakout groups
- Discuss the exercises below in your group's Miro frame



- **Exercise 1 - evaluate each component** (15 mins): decide to include/exclude components and define thresholds
- **Exercise 2 - explore interactions between components** (15 mins): map overlap, complementarity or conflicts
- **Exercise 3 - propose a configuration** (15 mins): develop design options for the target-boundary approach
- **Group discussion:** nominate a spokesperson to report back (5 mins per group) for discussion (10 mins per group)

PLEASE ENSURE THOUGHTS/IDEAS ARE CAPTURED ON STICKY NOTES

# Next steps | We are meeting again soon!

Next scope 3 EWG:

## Logistics



Date: Wed 16 July



Location: Online - Google Meet

## Content



Discussion: traceability and direct mitigation



This session will include contributions from external experts: ISEAL

## Preparation



Pre-reads are available in our [shared folder](#). Please arrive prepared to engage!



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

# Thank you!