

# Meeting 4: target boundary

25 / 26 June 2025

**Hugo Ernest-Jones**  
Value Chains Lead, SBTi

**Yohanna Maldonado**  
Global Climate Database | CEDA, Watershed

**Giulia Camparsi**  
Value Chains SME, SBTi

**Mo Li**  
Environmental Scientist, Watershed

**Clare Murray**  
Senior Research Manager, SBTi



*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

# DISCLAIMER & ANTITRUST

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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

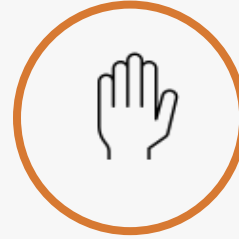
## Participant guidelines



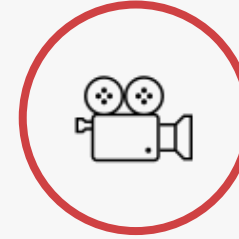
Mute during  
presentations



Use the chat  
box

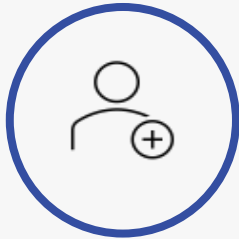


Use the raise hand  
function



If you can, please keep  
your camera on

## Notes from us



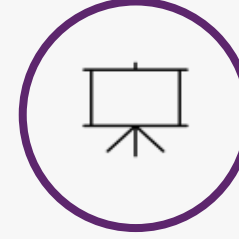
Treat info as  
confidential



Meeting is being  
recorded



We will follow up with  
minutes

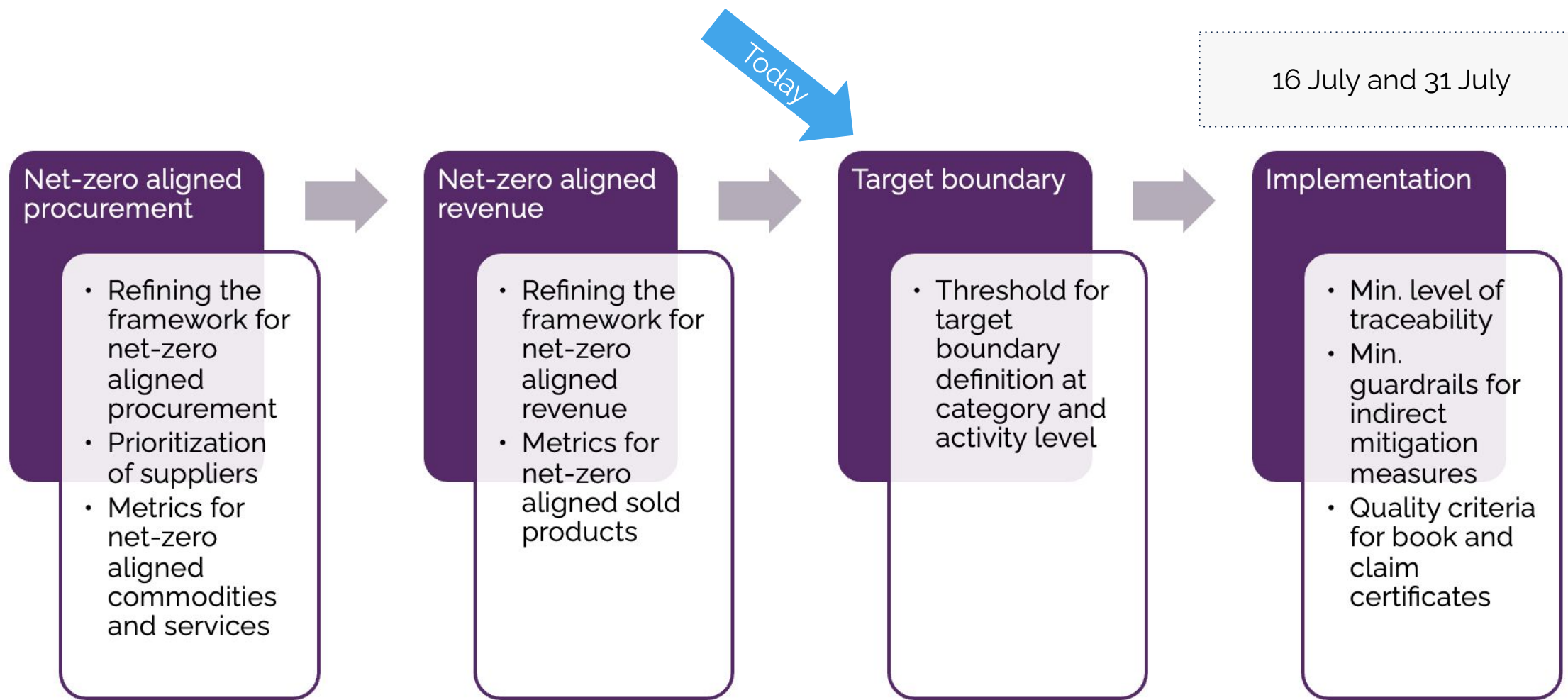


..And we will follow up  
with slides!

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



# Reminder of the EWG meeting schedule





# Agenda

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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

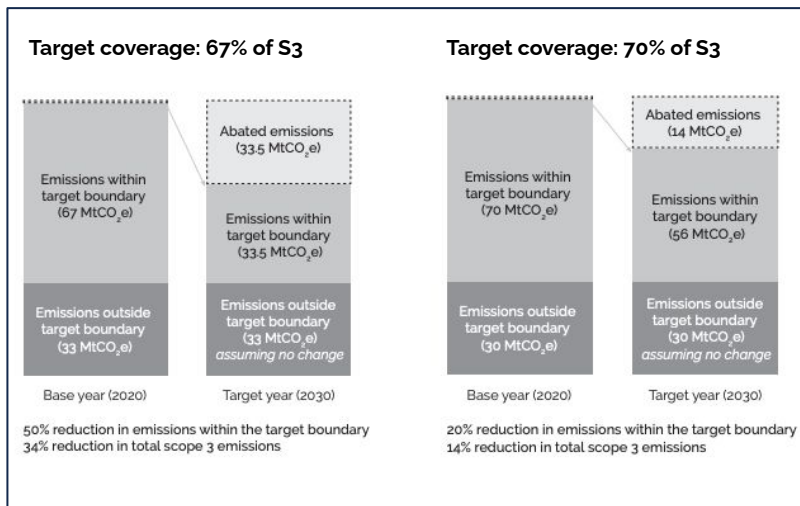
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# Challenges | The Scope 3 Discussion paper identified three key limitations with the current S3 target-setting boundary approach

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



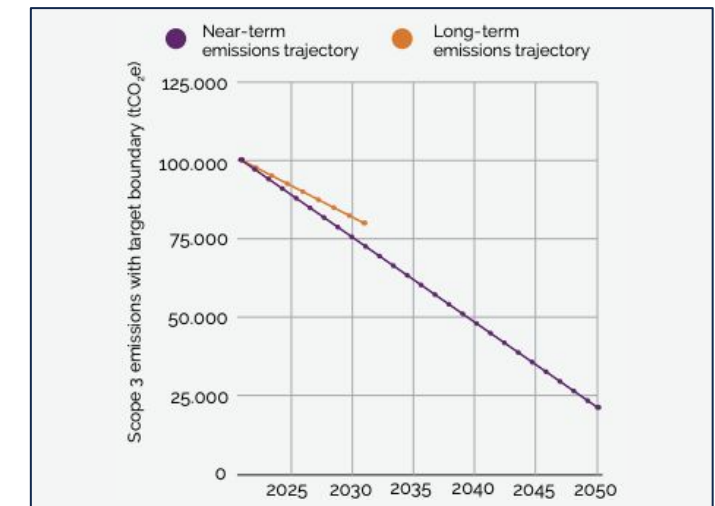
2

## 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**

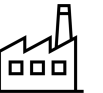
**Company categorization: This criterion includes adjustments to accommodate Category B companies**

*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

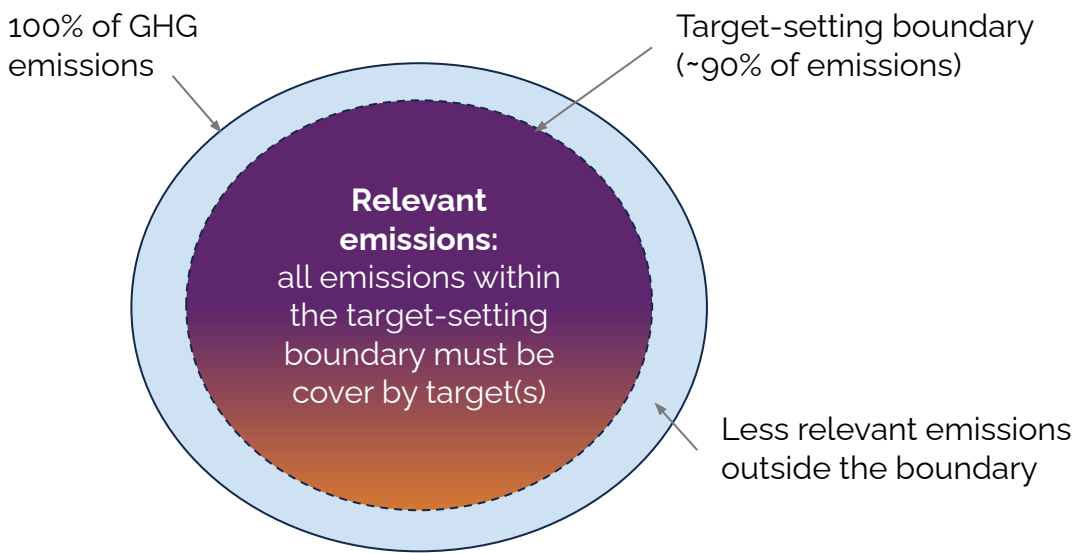


**Emissions intensive activities:**

- 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

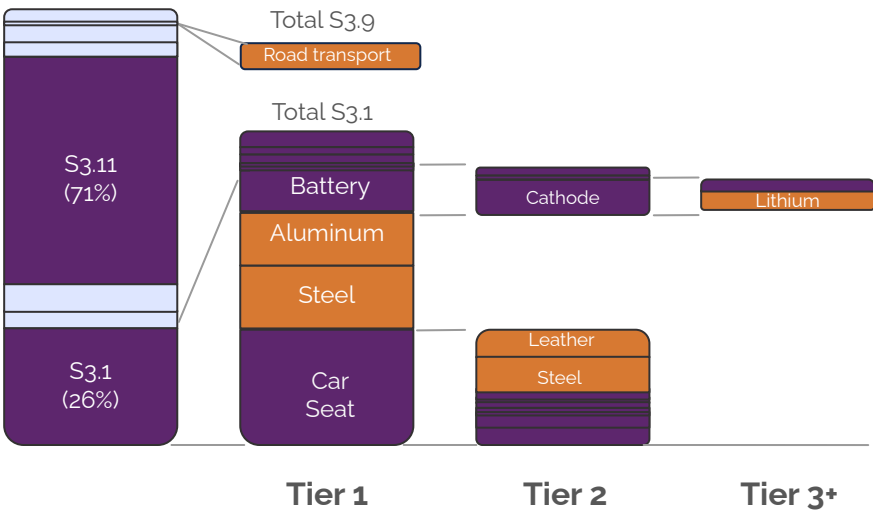


**Step 1: Establish target boundary.** Only categories that represent >5% of total scope 3 emissions and emissions-intensive activities need to be covered. These are considered “relevant” emission sources.

**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.

## Example: Auto OEM



### A Significant categories

Significant if  $\geq 5\%$  of total S3

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

If  $\geq 1\%$  of total s3, or  $\geq 10,000$  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*

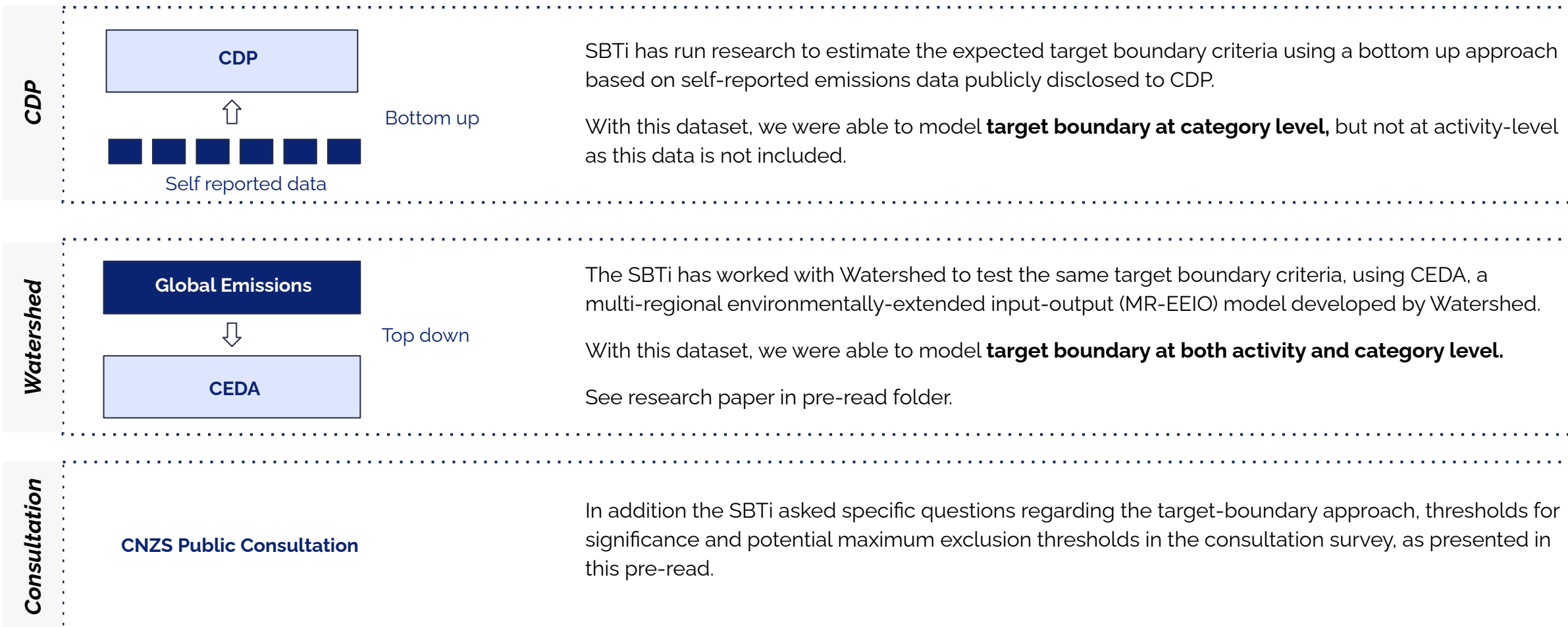
Rationale

- 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

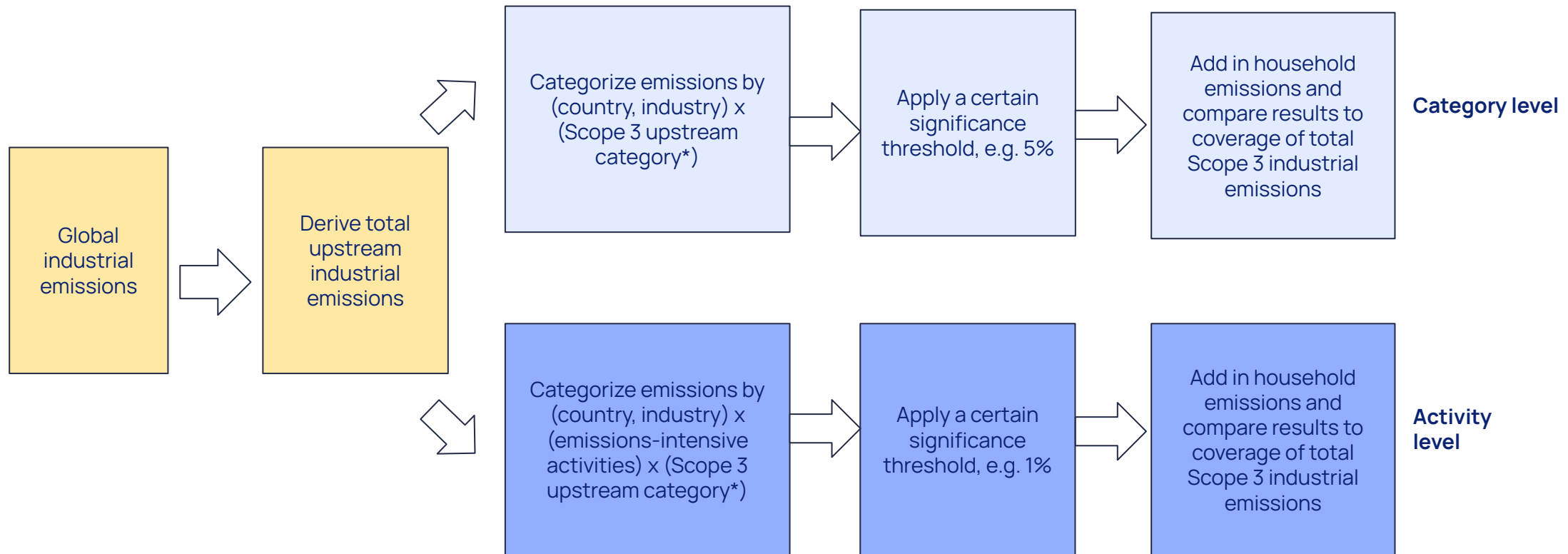


# Agenda

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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

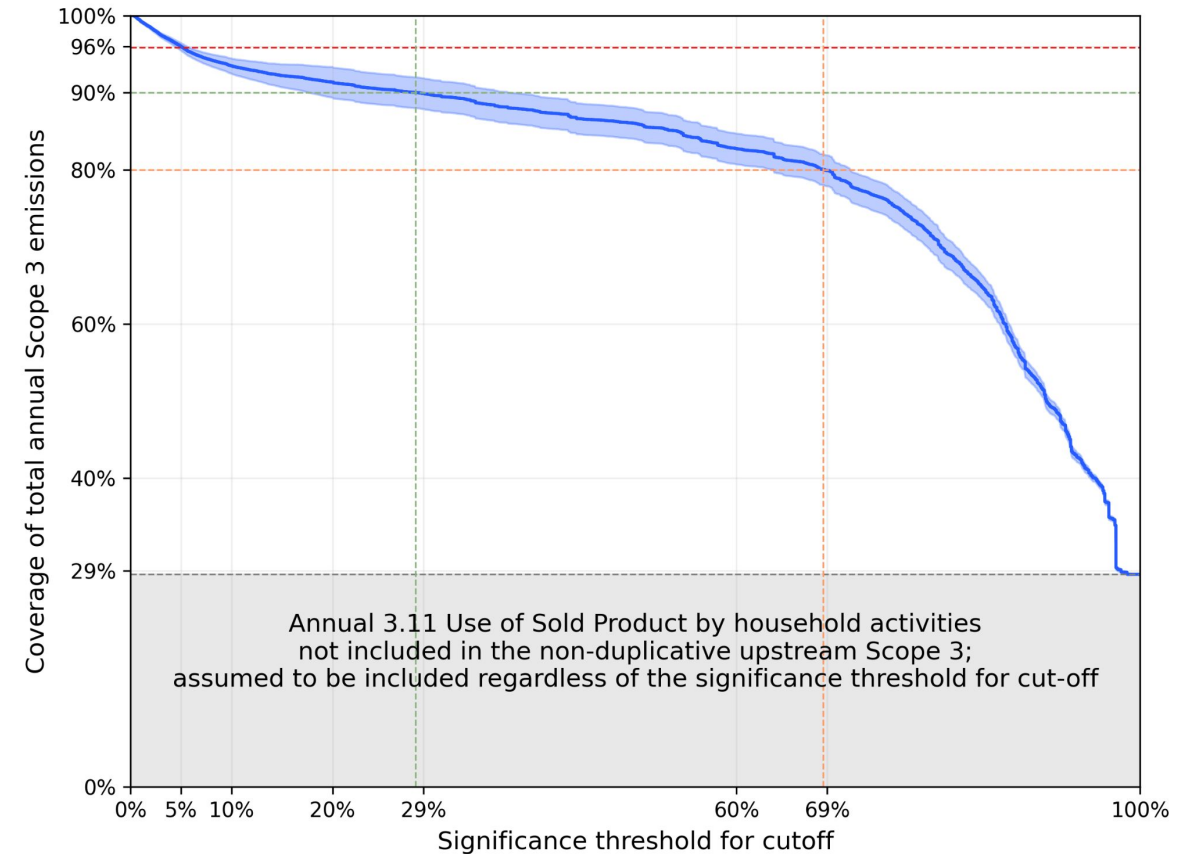
- 5% -> covers 96% of emissions
- 29% (range 18 - 35%) -> covers 90% of emissions
- 69% (range 63 - 72%) -> covers 80% of emissions

## 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.

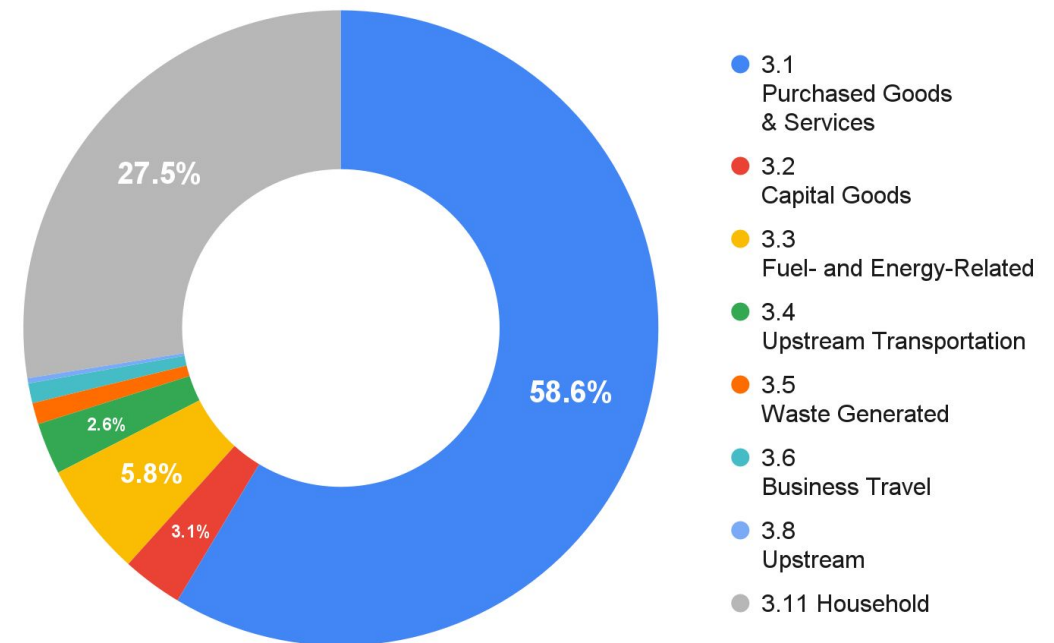


# Category level | High concentration of scope 3 categories enables focused action for corporates and high coverage of global emissions



- 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

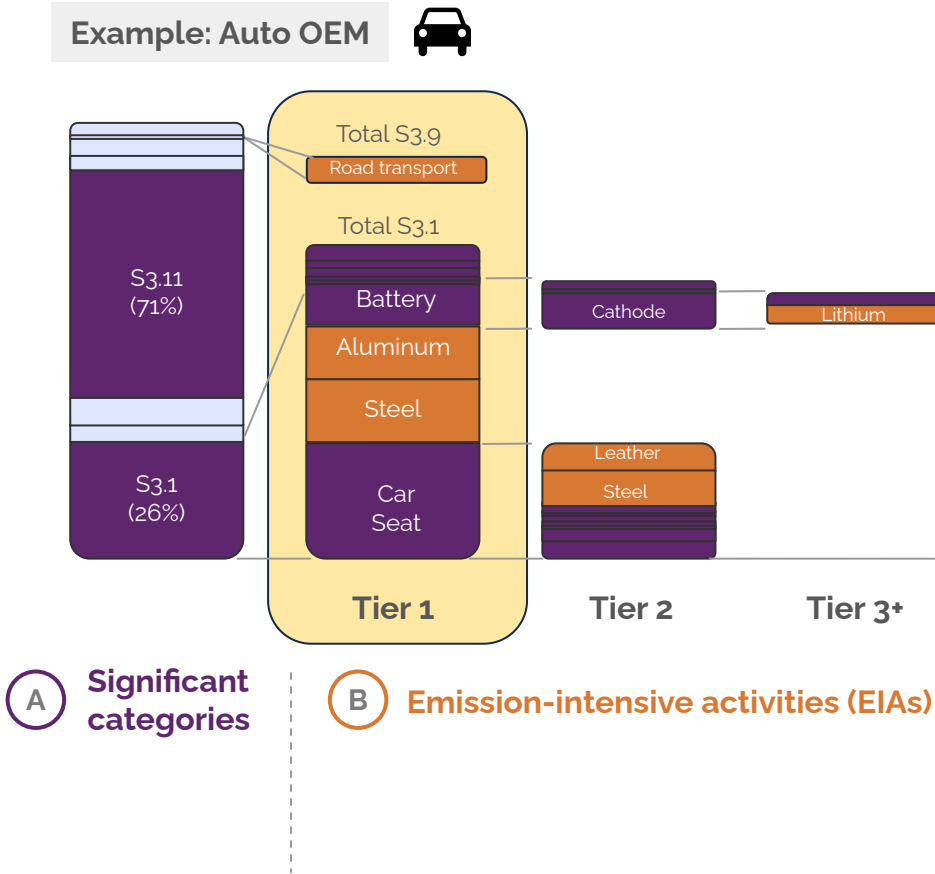


# Activity level | Emissions intensive activities are analyzed at the Tier 1 level of the supply chain



## 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

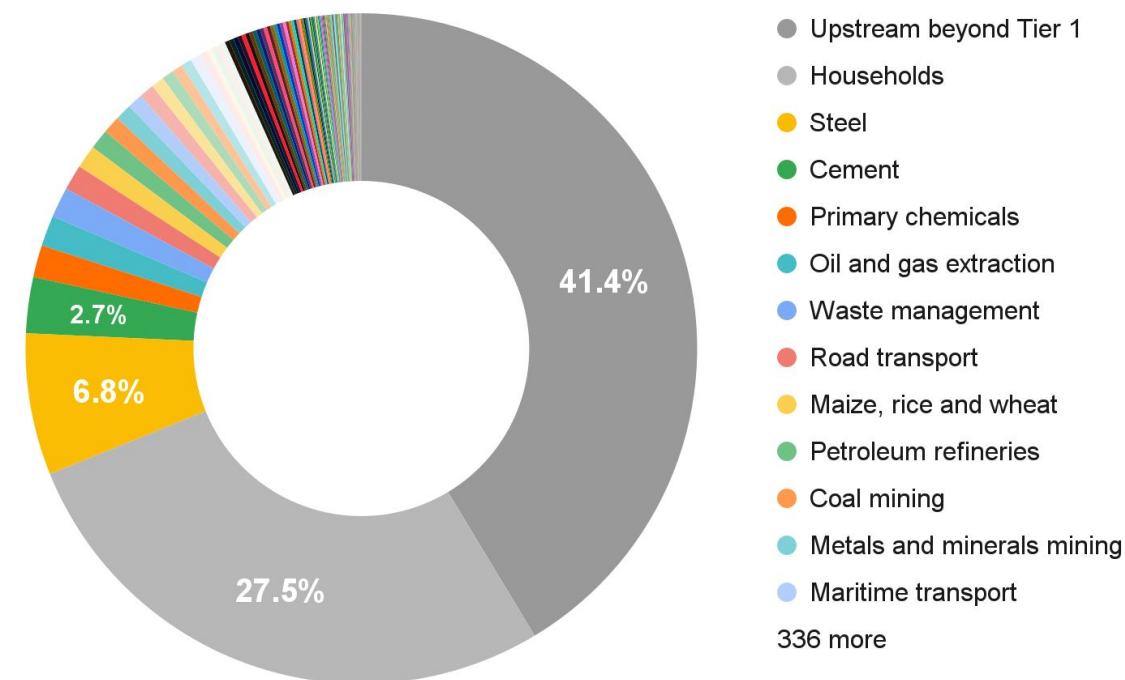




# Activity level | Including emissions intensive activities is not expected to yield significant value in terms of coverage of emissions



- **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

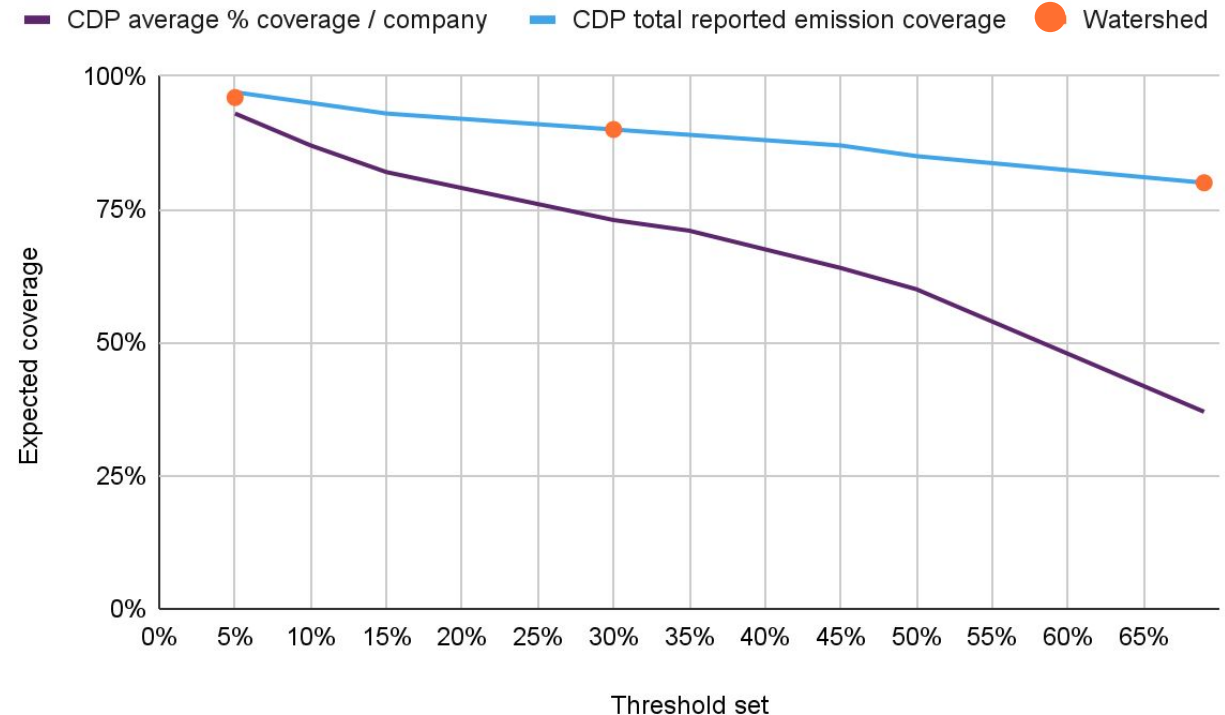


## Total scope 3 coverage

- 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

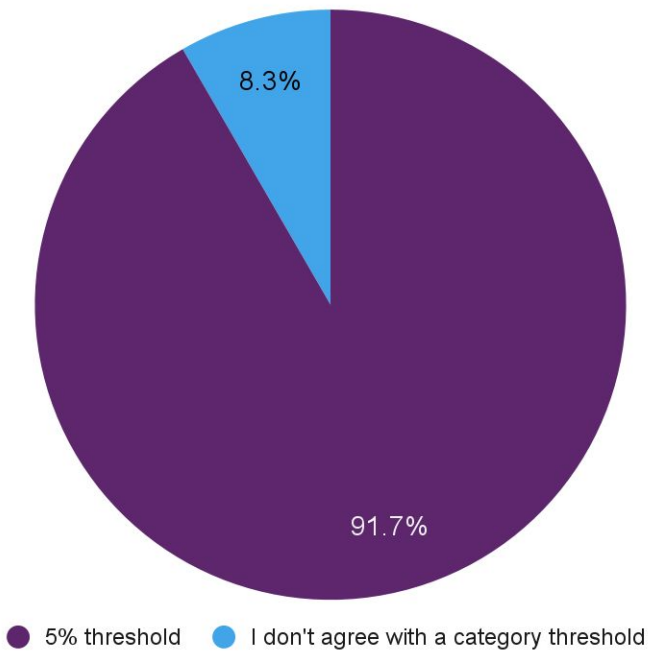


# RESULTS OF SURVEY

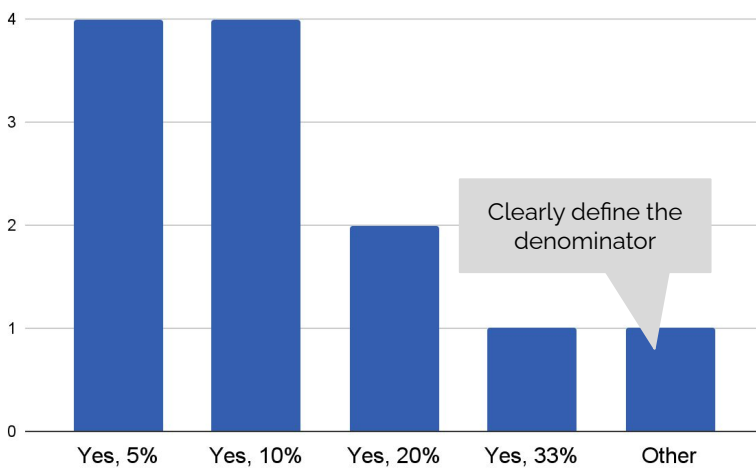
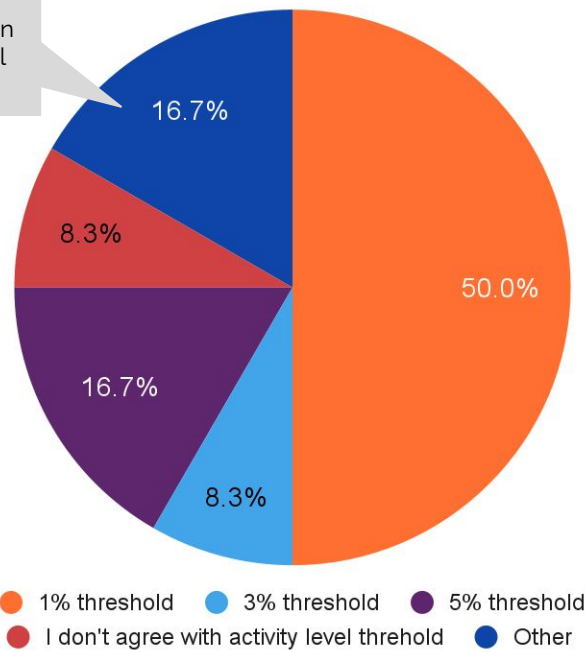
92% agreement with the 5% category-level threshold

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><br><i>≥5% total scope 3 emissions</i>                                                                                                                                                                                                          | <b>Emissions-intensive activities</b><br><i>≥1% total S3 OR ≥10,000 tCO<sub>2</sub>e</i>                                                                                                                                                                                              | Not in current draft CNZS.<br><i>e.g. 10% max. exclusions</i>                                                                                                                                  |
| <i>Research</i>                      | <b>CDP</b>          | <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>                                                                                                                                                                      |
|                                      | <b>Watershed</b>    | <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>                                                                                                                                                                      |
|                                      | <b>Consultation</b> | <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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 *Break (5 mins)*
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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!