

Meeting 7: activity pools

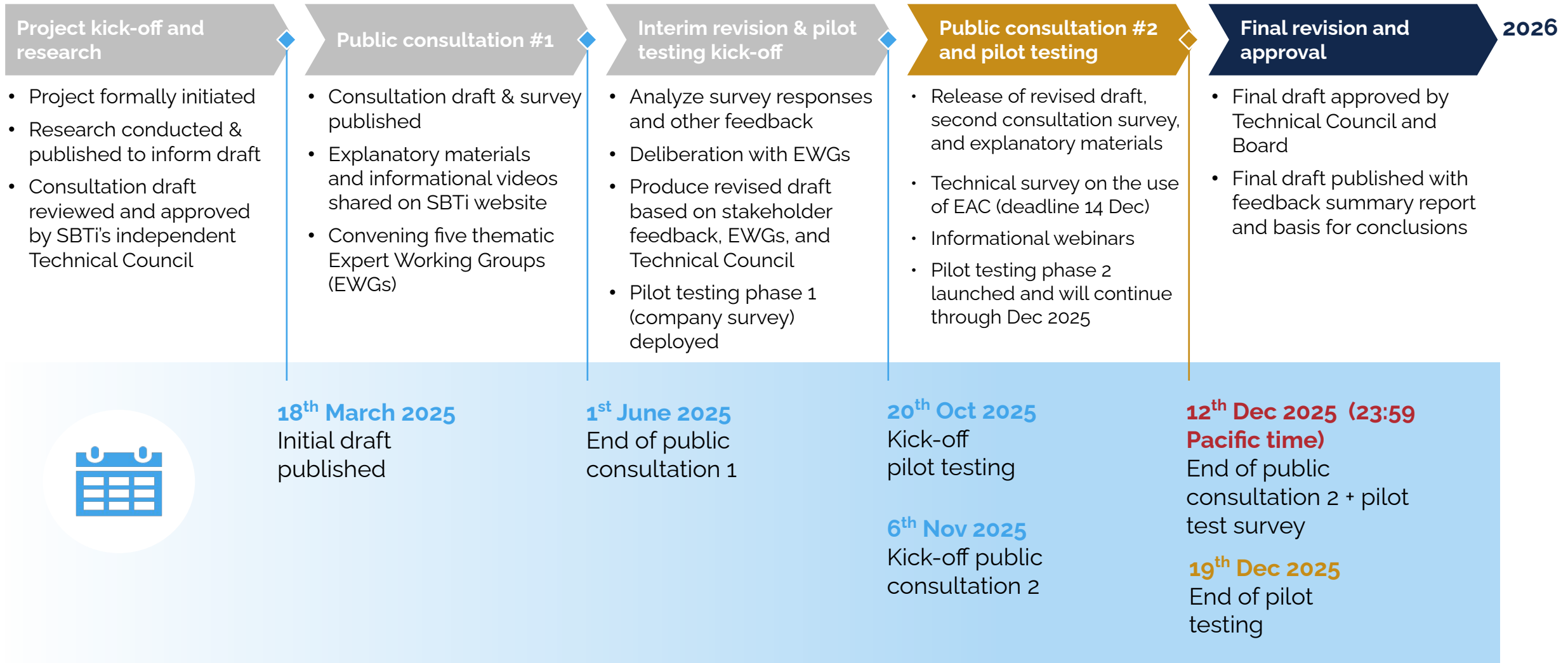
26 / 27 November

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Timeline | The Corporate Net-Zero Standard Revision



Timelines are subject to change

Agenda

1. Welcome and objectives
2. Draft criteria on activity pools in CNZS v.2
3. Q&A
4. Discuss key opportunities to refine criteria across methods:
 - Volume alignment: applicability of EACs
 - Counterparty alignment: feasibility and matching
 - Average intensity: use of EACs
5. Next steps

Objectives | Our goal today is to discuss potential enhancements to the approach to implementing scope 3 targets at the activity pool level in the draft CNZS v.2

Today's questions

...and outcomes

1. What opportunities do you see to enhance the application of alignment methods at the activity pool level?

Identify refinements to activity pool criteria

Is it feasible for counterparties in a pool to issue aligned commodity EACs?

How should we determine a sufficient amount of aligned counterparties?

Should EACs be permitted for intensity alignment targets? *(if time)*

2. What other general reflections do you have about the approach to activity pools and opportunity areas for clarification and improvement?

Explore additional solution areas to enhance criteria

DISCLAIMER & ANTITRUST

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.

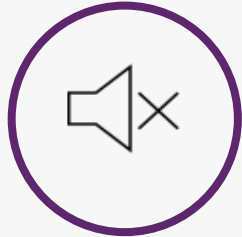
CONFLICT OF INTEREST DECLARATION

- 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

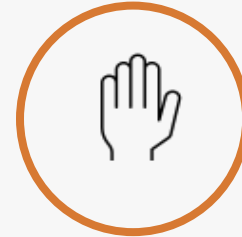
Participant guidelines



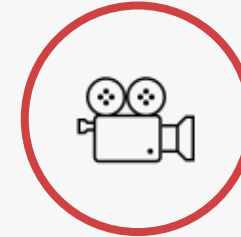
Mute during presentations



Use the chat box



Use the raise hand function



If you can, please keep your camera on

Notes from us



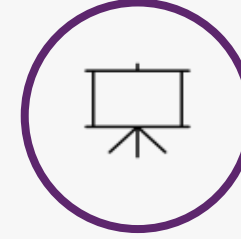
Treat info as confidential



Meeting is being recorded



We will follow up with minutes



...And we will follow up with slides!

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2. **Draft criteria on activity pools in CNZS v.2**
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Definitions | Defining and illustrating activity pools

“The set of emissions sources that may physically serve the reporting entity, but within which further traceability to the specific physical sources used by the reporting entity is not possible” (Brander & Bjørn, 2023)

Illustrative examples informed by the Value Change Initiative Paper: *Activity pools exploration by VCI*.

Sourcing region

(e.g. agricultural products)

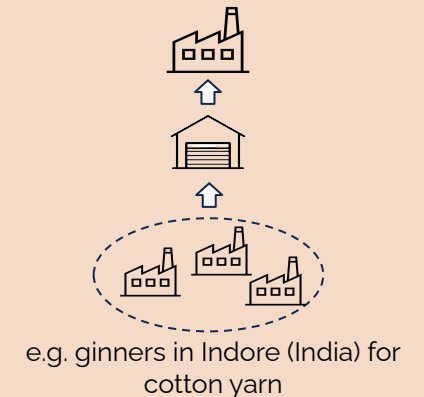
Group of suppliers providing functionally equivalent goods within a fixed and spatially defined area.



Factory shed

(e.g. textile manufacturing)

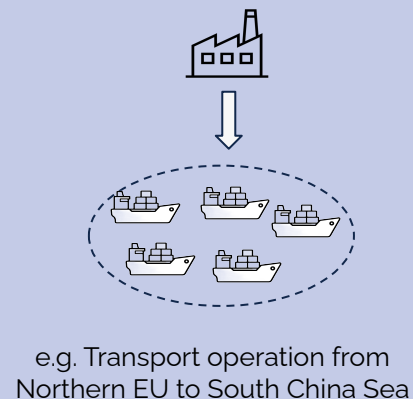
A group of factories producing functionally equivalent goods within a fixed and spatially defined area.



Transport shed

(e.g. logistics services)

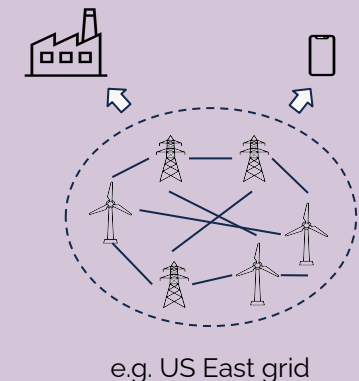
A group of transport operations that share similar characteristics (i.e. Transport Operation Categories as per ISO 14083).



Energy shed

(e.g. electricity)

A geographically or jurisdictionally defined electricity (sub)grid area in which renewable energy interventions can be credibly linked to the electricity consumed in value chain processes.



Draft integrity guardrails for activity pools

The public consultation will assess level of agreement with the following draft credibility safeguards for activity pools set out in Box 3, informed by the Value Change Initiative Paper: *Activity pools exploration by VCI*

Functional equivalence

Goods/services are substitutable and provide the same utility.

Physical connectivity

Demonstrable probability that purchases/services are physically served by the pool.

Geographic and operational clarity

Pools represent real sourcing regions, logistics routes, factory clusters or grids, and avoid overly broad or overlapping pools. Boundaries must be disclosed.

Temporal relevance

Emission factors quantifying pool performance correspond to the reporting year. Where unavailable, data from within the past three years is used, with justification and an update plan. Short-lived interventions (e.g., fuels) correspond to the same reporting period.

Emission factors

Use the most representative, minimally disaggregated emission factor available, together with justification.

Double-counting safeguards

Apply residual averages for non-participating actors and consider independent registries (or equivalent controls) to manage claims where multiple buyers share a pool.

Transparency & MRV

Public disclosure of pool boundaries, emission factor methodology, chain of custody models, allocation rules, and reconciliation periods. Third-party verification is required for pooled claims.

Criteria | The CNZS v2 draft recognises performance against different target options at the activity pool level where traceability to the individual emissions source is not feasible



CNZS-C19. Where an activity is embedded within an activity pool³⁵ and traceability to the individual emission source is not feasible, companies may take action and demonstrate performance against alignment targets at the activity pool level.

Companies may address emissions covered by targets at the activity pool level by:

C19.1. Demonstrating performance:

1 Emission intensity target: Companies shall rely on average emissions intensity at the activity pool level to show alignment with Table A.3 reference intensity benchmarks.

- Sourcing from pools that meet a specified reference intensity benchmark

2 3 b. Volume or counterparty energy/electricity alignment target: Companies may:

- Rely on average emissions intensity at the activity pool level to show alignment with Table A.3 reference intensity benchmarks.
- Where companies are unable to source aligned commodities from the individual source, they may support the scale-up of low-carbon alternatives at the “activity pool” level by procuring unbundled energy and commodity environmental attribute certificates (EACs) from low-carbon sources originating from the pool to meet alignment targets

- Either sourcing from pools that meet a specified reference intensity benchmark
- Or purchasing aligned EACs for commodities from the pool

4 Supplier alignment target: Companies may drive the adoption of science-based targets or net-zero aligned practices in the activity pool from which the activity is sourced or to which it is sold to a level that is commensurate with the volume sourced from the pool.

- Either drive the adoption of SBTs
- Or drive adoption of net-zero aligned practices in the activity pool

Framing | The draft presents different interventions that count towards targets, focusing on action-based indicators that indicate alignment

Indicators to track progress against targets

Intervention level	Example interventions	Actions Measures taken by a company in pursuit of its climate ambition	Outcomes Measurable results over time that reflect progress towards a company's climate ambition	Impact Quantified changes in GHG emissions over time
Activity	Direct sourcing of a zero-carbon or low-carbon product (e.g. commodity) or activity (e.g. transport)	✓	✓	✓ In physical inventory
Counterparty	Engaging suppliers to set SBTs	✓	Not addressed in CNZS	Impact expected in physical inventory over time
Activity pool	Sourcing from pool that meets aligned intensity benchmark	✓	Not addressed in CNZS	Impact in physical inventory if aligned with accounting rules
	Sourcing commodity EACs from within pool	✓	Not addressed in CNZS	No reduction in physical inventory
	Cascading SBTs/net-zero aligned practices within the pool	✓	Not addressed in CNZS	Impact expected in physical inventory over time
	Project-based interventions at the activity pool level	Not addressed in CNZS	Not addressed in CNZS	Not addressed in CNZS
Sector	Purchasing unbundled EACs	✓	Not addressed in CNZS	No reduction in physical inventory

Criteria | Areas the CNZS v2 draft does not directly address



CNZS-C19. Where an activity is embedded within an activity pool³⁵ and traceability to the individual emission source is not feasible, companies may take action and demonstrate performance against alignment targets at the activity pool level.

C19.1. Demonstrating performance:

a. **Emission intensity target:** Companies shall rely on average emissions intensity at the activity pool level to show alignment with Table A.3 reference intensity benchmarks.

b. **Volume or counterparty energy/electricity alignment target:**
Companies may:

- i. Rely on average emissions intensity at the activity pool level to show alignment with Table A.3 reference intensity benchmarks.
- ii. Where companies are unable to source aligned commodities from the individual source, they may support the scale-up of low-carbon alternatives at the “activity pool” level by procuring unbundled energy and commodity environmental attribute certificates (EACs) from low-carbon sources originating from the pool to meet alignment targets

c. **Supplier alignment target:** Companies may drive the adoption of science-based targets or net-zero aligned practices in the activity pool from which the activity is sourced or to which it is sold to a level that is commensurate with the volume sourced from the pool.

The draft scope 3 target-setting section does not:

- Provide the option of setting **absolute emission reduction targets** in the near-term. The current proposal aims to test whether the proposed alignment methods are sufficient
- Address additional potential **activity pool level interventions** that are not reflected in the physical inventory beyond the use of energy and commodity EACs

Consultation and pilot questions | Clarifying actions and guardrails at the activity pool level

Second public consultation

- 1. Importance of guardrails** for addressing emissions at the activity pools level, e.g.:
 - Justification based on lack of traceability
 - Accounting and reporting rules
 - Differentiated claims
 - Quality criteria to ensure impact and transformation
- 1. Support for the integrity guardrails:**
 - Functional equivalence
 - Physical connectivity
 - Geographic clarity
 - Temporal relevance
 - Emissions factors
 - Double-counting
 - Transparency and MRV
- 1. Additional options** for addressing emissions at activity pool that SBTi should consider

Pilot interview questions

- 1. Clarity of the activity pool concept** and feasibility of options for tracking alignment and progress
- 1. Additional options for demonstrating progress** at the activity pool level
- 1. Practicality of implementing proposed safeguards** for activity pools

Also inviting case studies / examples of how companies are addressing emissions at the activity pool level to expand the SBTi's understanding of current practices



Any questions?

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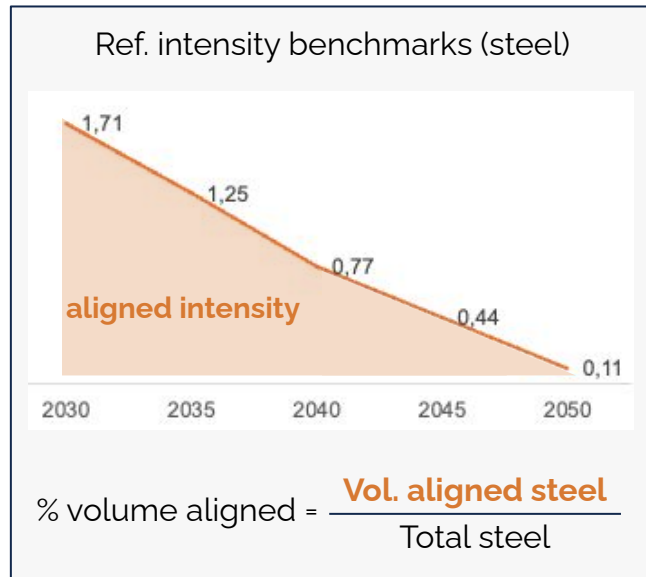
Volume alignment targets

Target - Volume Alignment | Demonstrating progress against volume alignment targets at the activity pool level

1

Volume alignment

Company commits that at least **95%** of purchased volume of commodity (e.g. steel) **meets the reference intensity benchmark** (e.g. 1.71 tCO₂e/t steel) for the **target year** (e.g. 2030)



Eligible actions

Either:

- A. Sourcing from pools where the **average emission factor** covering all the entities in the pool meet a specified reference intensity benchmark

Or:

- A. Purchasing aligned commodity EACs generated from **suppliers in the pool undergoing mitigation interventions**. EACs shall:
 - Represent the benchmark for the activity
 - Are matched to the cumulative target volume
 - Are issued and retired within the same 24-month period in which the equivalent purchased product was produced

Questions:

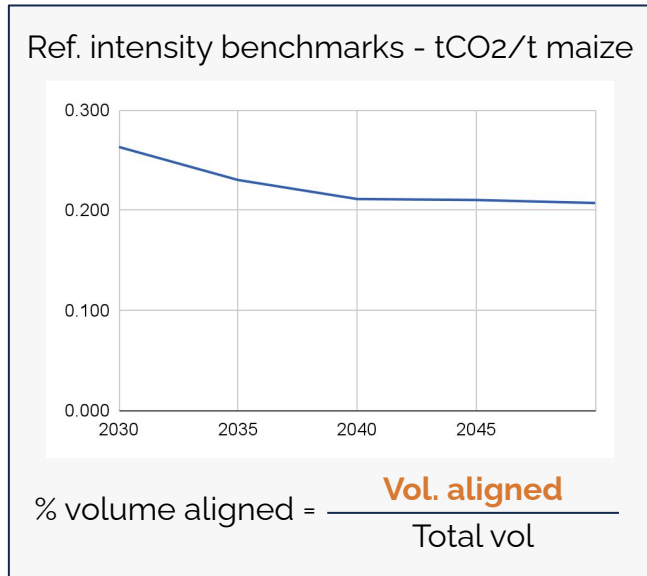
- 1) Is it feasible for farms to issue aligned commodity EACs?
- 2) What level of verification should be required to issue a certificate with the improved emissions factor?

Example | Demonstrating progress against volume alignment targets at the activity pool level

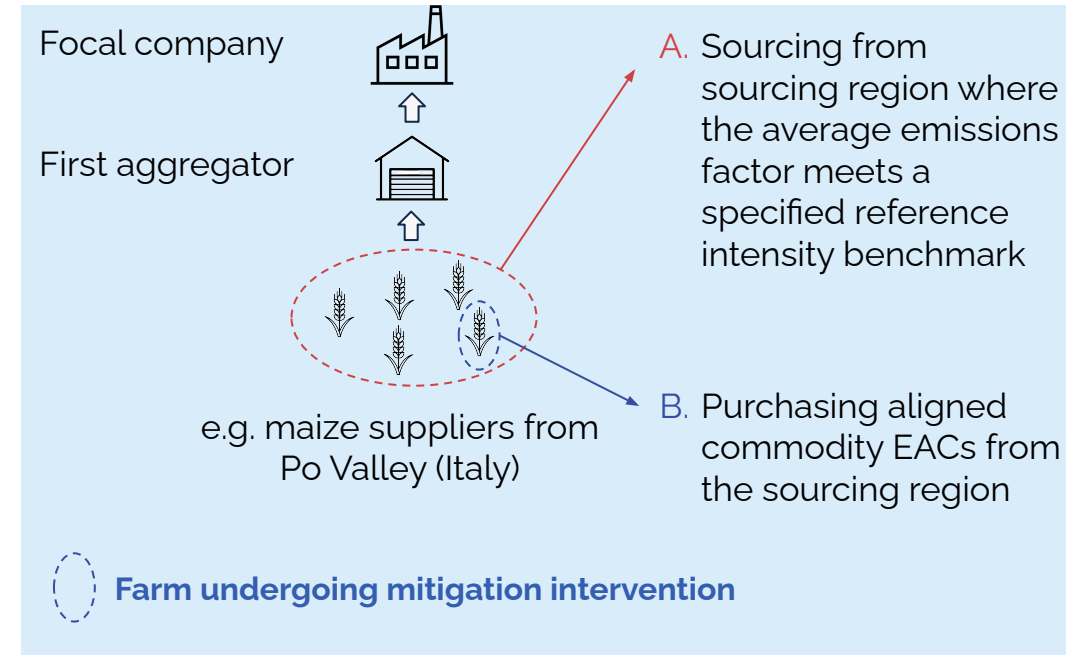
1

Volume alignment

Company commits that at least **95%** of purchased volume of commodity (e.g. maize) **meets the reference intensity benchmark** (e.g. 0.263tCO₂e/t maize in central Europe) for the **target year** (e.g. 2030)



Eligible actions (sourcing region)

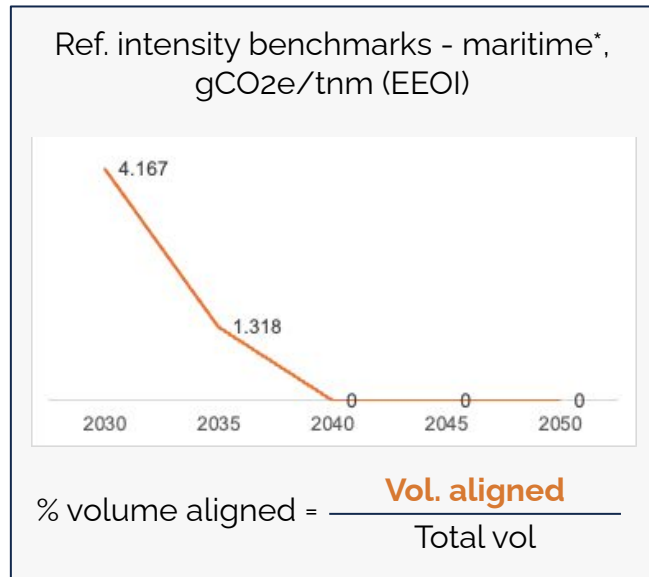


Example | Demonstrating progress against volume alignment targets at the activity pool level

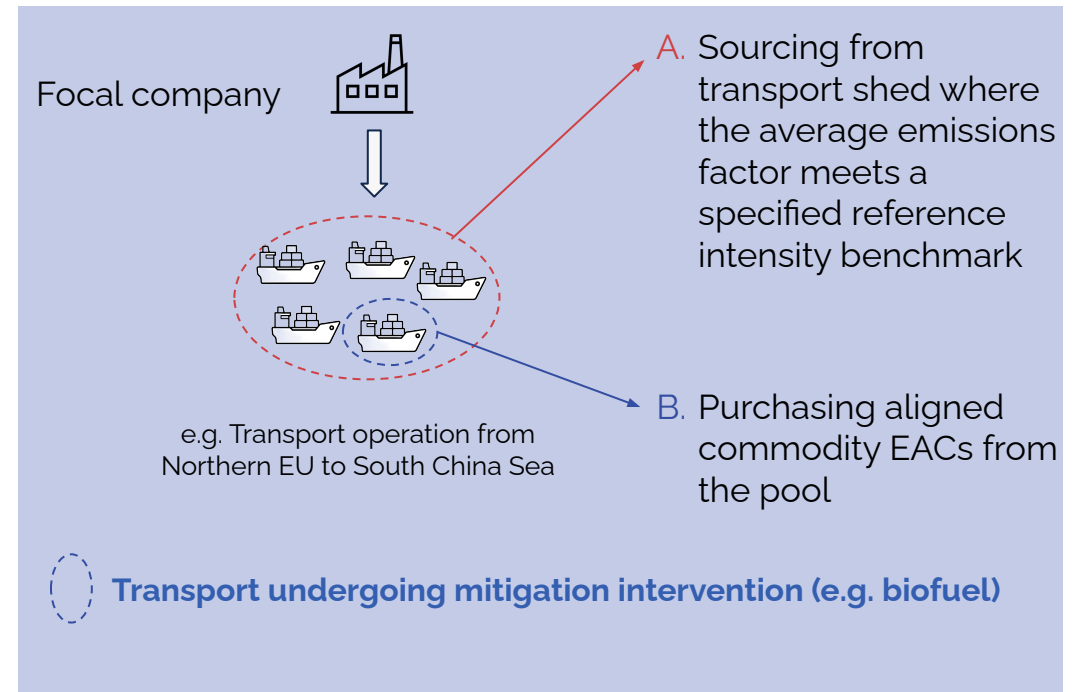
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Volume alignment

Company commits that at least **95%** of purchased volume of activity (e.g. transport) **meets the reference intensity benchmark** (e.g. 4.167 gCO₂e/tnm) for the **target year** (e.g. 2030)



Eligible actions (transport shed)



*Benchmark for Bulk Carrier (DWT) 60,000 - 99,999

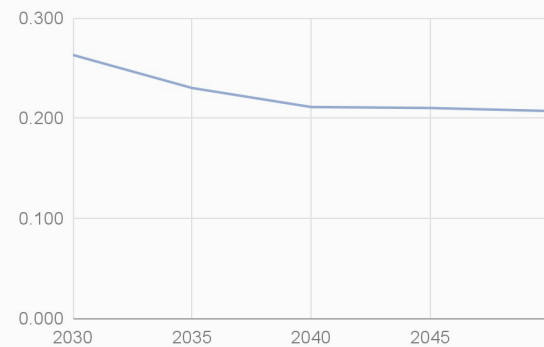
Discussion - Volume Alignment | Demonstrating progress against volume alignment targets at the activity pool level

1

Volume alignment

Company commits that at least **95%** of purchased volume of commodity (e.g. maize) **meets the reference intensity benchmark** (e.g. 0.263tCO_{2e}/t maize in central Europe) for the **target year** (e.g. 2030)

Ref. intensity benchmarks - tCO₂/t maize



$$\% \text{ volume aligned} = \frac{\text{Vol. aligned}}{\text{Total vol}}$$

Eligible actions

Either:

- A. Sourcing from pools where the **average emission factor** covering all the entities in the pool meet a specified reference intensity benchmark

Or:

- A. Purchasing aligned commodity EACs generated from **farms in the pool undergoing mitigation interventions**. EACs shall:
 - Represent the benchmark for the activity
 - Are matched to the cumulative target volume
 - Are issued and retired within the same 24-month period in which the equivalent purchased product was produced

Questions:

- 1) Is it feasible for smaller businesses (e.g. smallholder farms) to issue aligned commodity EACs?
- 2) What level of verification should be required to issue a certificate with the improved emissions factor?



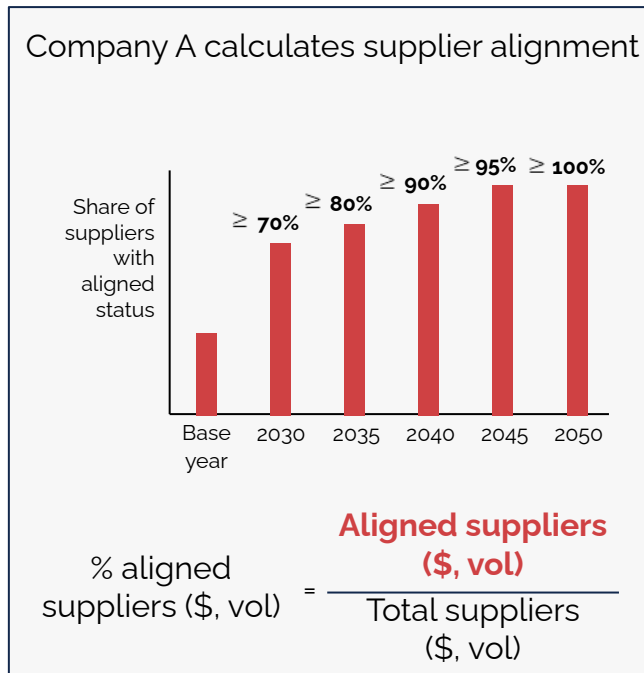
Counterparty alignment targets

Target - Counterparty Alignment | Demonstrating progress against supplier alignment targets at the activity pool level

2

Counterparty alignment

Company commits to increase the share of suppliers/customers that have aligned status*, consistent with the target year alignment threshold (e.g. 70% by 2030)



Eligible actions

Either

- Companies may drive the adoption of science-based targets among suppliers (entity level alignment)

Or

- drive the adoption of net-zero aligned practices by entities/activities

...in the activity pool from which the activity is sourced or to which it is sold to a level that is commensurate with the volume sourced from the pool.

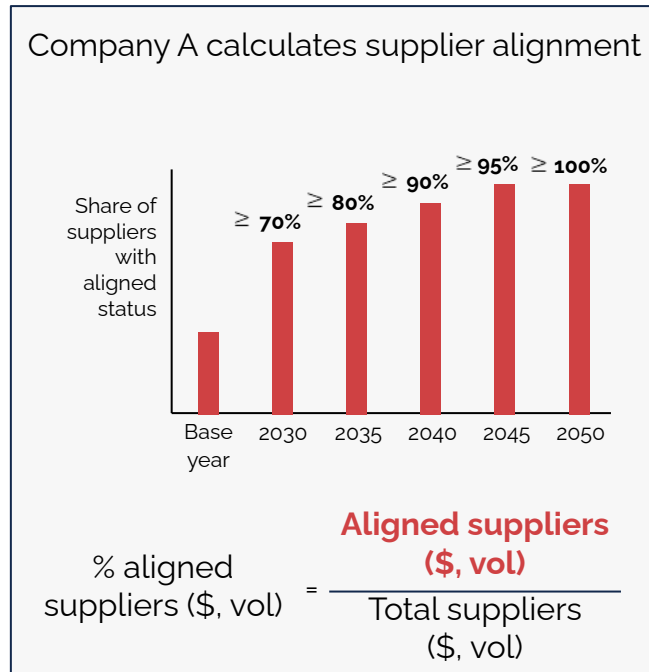
***Aligned counterparty:** A counterparty (e.g., supplier, customer, franchisee, lessor, or lessee) that has set or is implementing a target consistent with reaching net-zero GHG emissions by 2050, and demonstrates measurable progress over time in accordance with recognized science-based standards.

Discussion - Counterparty Alignment | Demonstrating progress against supplier alignment targets at the activity pool level

2

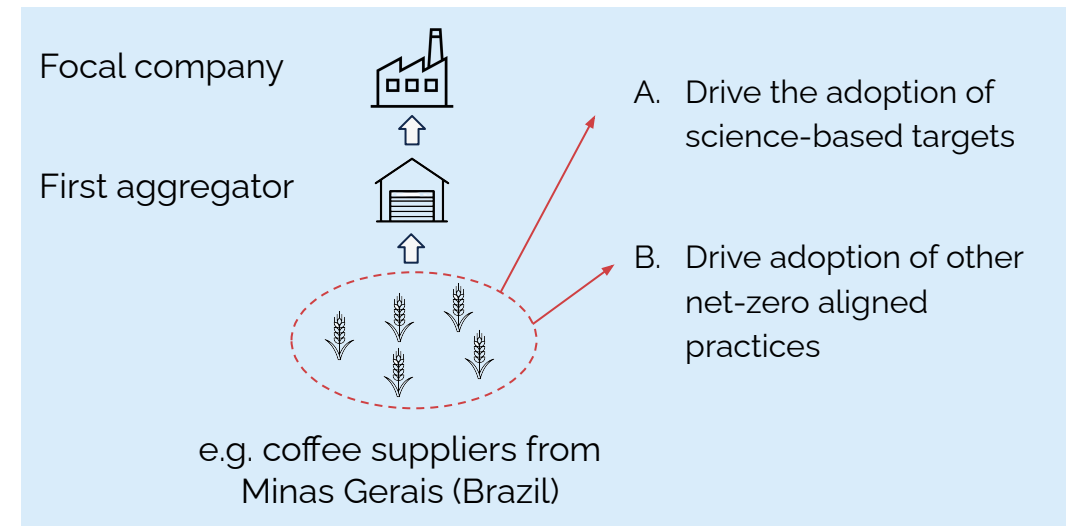
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Eligible actions (sourcing region)



Questions:

- 1) How can we ensure the counterparty alignment method at the activity pool level is practical and clear?
- 2) How should we determine a sufficient amount of suppliers aligned within the pool?



Emission intensity targets

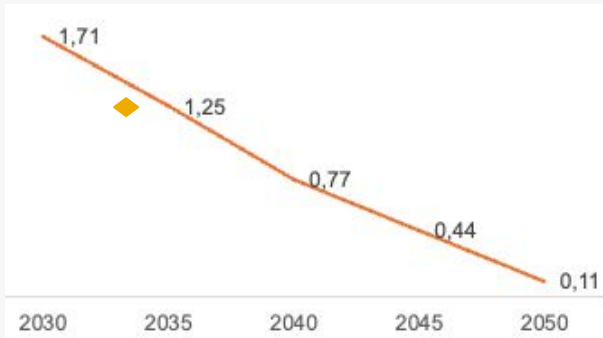
Target - Emissions Intensity | Demonstrating progress against emissions intensity targets at the activity pool level

1

Emissions intensity

Company commits that the **weighted average emission intensity** (e.g., tCO₂/t) of the activity will be at or below the **reference intensity benchmark** for the target year

Ref. intensity benchmarks - tCO₂/t steel



$$\text{average emission intensity} = \frac{\Sigma(\text{vol} \cdot \text{intensity})}{\text{Total volume}}$$

Eligible actions

- A. Sourcing from pools where the **average emission factor** covering all the entities in the pool meets a specified reference intensity benchmark

Question:

Should activity-pool EACs be eligible to support intensity targets, and if so, under what minimum verification conditions?

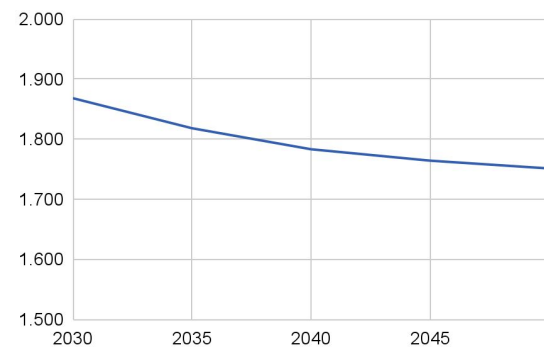
Example | Demonstrating progress against emissions intensity targets at the activity pool level

1

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Company commits that the **weighted average emission intensity** (e.g., tCO₂/t) of the activity will be at or below the **reference intensity benchmark** for the target year

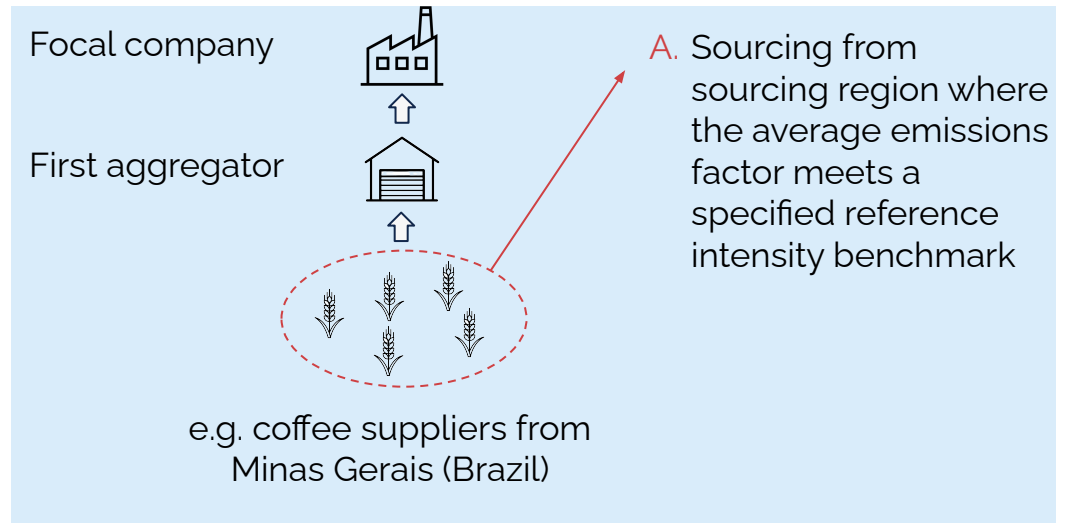
Ref. intensity benchmarks - tCO₂/t maize



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Eligible actions (sourcing region)

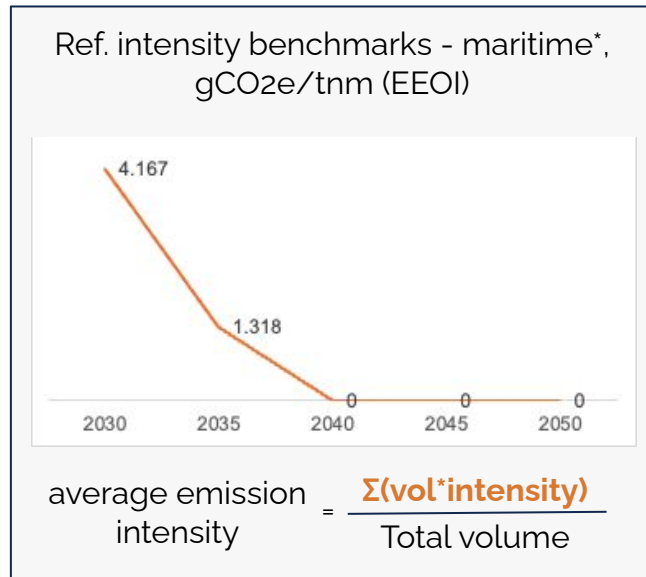


Example | Demonstrating progress against emissions intensity targets at the activity pool level

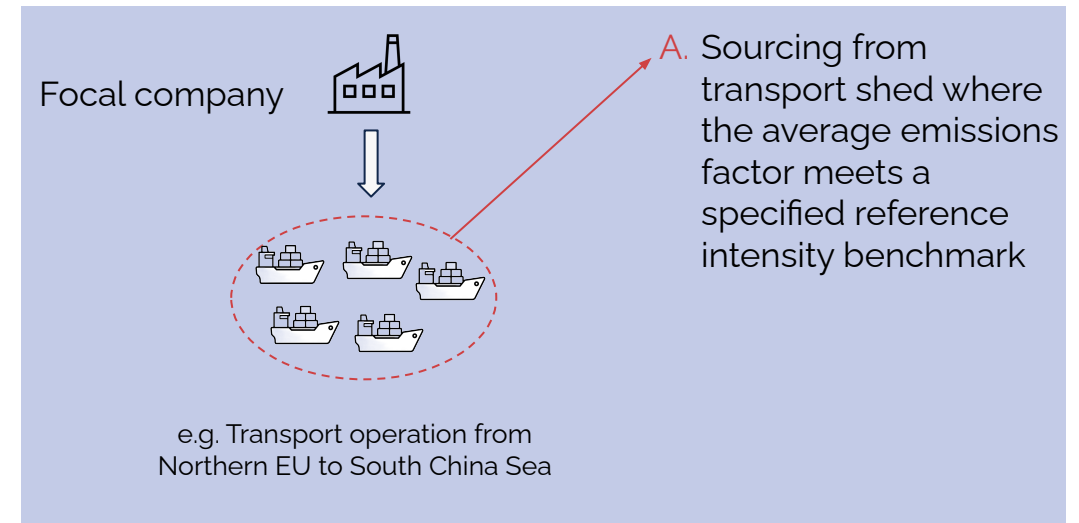
1

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Eligible actions (transport shed)



*Benchmark for Bulk Carrier (DWT) 60,000 - 99,999

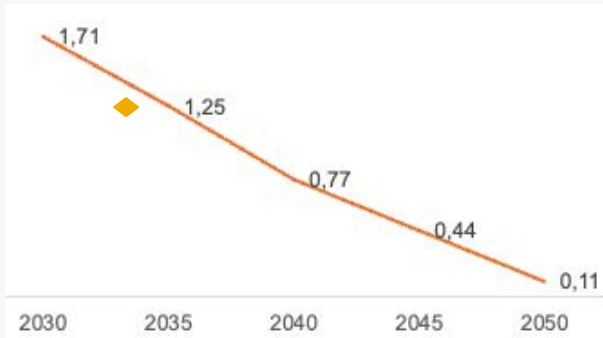
Target - Emissions Intensity | Demonstrating progress against emissions intensity targets at the activity pool level

1

Emissions intensity

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Ref. intensity benchmarks - tCO₂/t steel



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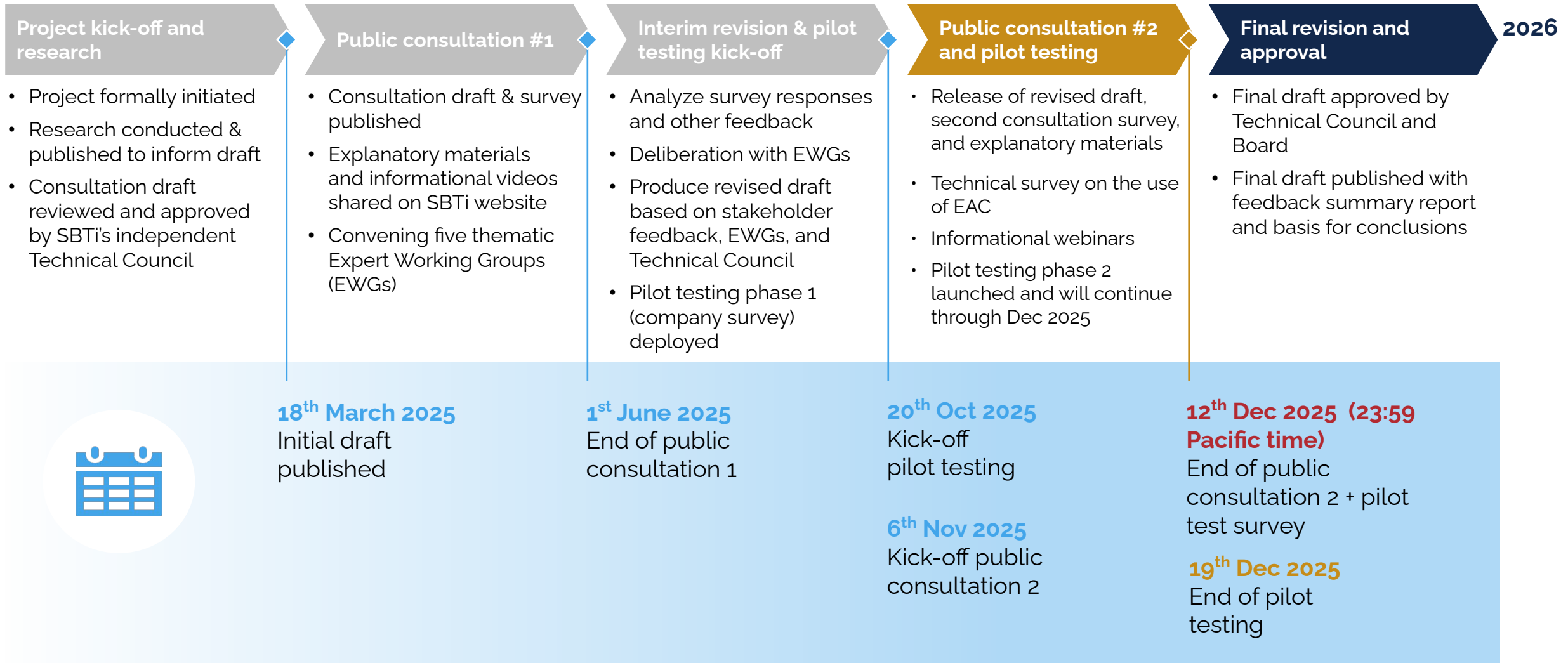
Eligible actions

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Timeline | The Corporate Net-Zero Standard Revision



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SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Thank you!