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DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

FROM AMBITION TO ACTION: ACTIONS AND MARKET INSTRUMENTS IN THE CORPORATE NET-ZERO STANDARD VERSION 2.0

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The Corporate Net-Zero Standard Version 2.0 marks a shift from ambition to action. It guides companies to not only set science-based targets but also to take credible steps to implement them across their operations, value chains, and the wider systems in which they operate.

The Corporate Net-Zero Standard V2.0 recognizes a broad range of actions to guide target implementation, including projects and market instruments, where they meet appropriate integrity criteria. **This represents a significant evolution of the SBTi framework, designed to unlock real-world action while maintaining the credibility of science-based targets.**

An evolving accounting framework

Under the Corporate Net-Zero Standard Version 1 and SBTi Near-Term Criteria, targets are based on companies' greenhouse gas (GHG) inventories as defined by current GHG Protocol Standards, which exclude market-based accounting beyond scope 2. This reflects the current GHG Protocol accounting architecture.

The [GHG Protocol is developing new guidance on Actions and Market Instruments](#), including proposals for a multi-statement GHG accounting and reporting structure. This aims to provide a more transparent and comprehensive way for companies to report the impacts of mitigation actions and market instruments, responding to stakeholders' calls for greater clarity and consistency in how these impacts should be quantified and reported.

The Corporate Net-Zero Standard V2.0 has been designed to remain compatible with this evolving architecture. The Standard requires companies to report a physical GHG inventory and, where applicable, separately account for and report actions and market instruments that are not reflected in that inventory. This approach supports transparency today while being broad enough to align with the ongoing revisions to the GHG Protocol.

From target setting to target implementation

To define the ambition of emissions reduction targets, the Corporate Net-Zero Standard V2.0 retains the physical GHG inventory as the foundation for target-setting. This means that target trajectories are modeled based on the emissions associated with companies' own operations and value chains.

At the same time, the Standard recognizes that decarbonization of our global economy is a complex task. Companies often need to use a wide range of strategies in the near term to drive decarbonization in the longer term, both within and beyond their immediate operations and value chains.

These may include actions that help transform the direct value-chain of companies, including programs to improve the climate performance amongst suppliers and customers, shifting procurement towards low carbon goods and services, increasing the share of low-carbon products as well as interventions that help transform the systems and sectors where companies operate, including implementing projects that reduce emissions or supporting the scale-up of low-carbon practices and technologies through the procurement of market instruments.

The Corporate Net-Zero Standard V2.0, therefore, provides a clearer framework for incorporating these eligible actions as part of target implementation (explained in the next section), which form part of target progress assessment. To allow this, though, the Corporate Net-Zero Standard V2.0 also requires transparency about how they are accounted for and what claims they can support, as explained in the “guardrails for credibility” section.

A clear hierarchy for action

The Corporate Net-Zero Standard V2.0 introduces an implementation hierarchy to guide companies in prioritizing action.

Companies are expected to focus first on direct decarbonization within their operations and value chains. This includes actions such as reducing energy consumption, electrifying assets, installing on-site renewables, switching to lower-emissions products or suppliers, and changing business models to reduce emissions.

Companies often source from or feed into shared systems in which emissions sources are embedded. These shared systems are known as activity pools and include, for example, electricity grids, supply sheds, and logistics networks. To support the decarbonization of these shared systems, the Standard also encourages companies to take action at the activity pool level.

Where barriers prevent sufficient decarbonization at the activity or activity pool level, companies may also take sector-level actions (like the example below) to help transform the broader sectors in which they operate, provided they can demonstrate a geographical or systemic linkage.

This approach reflects stakeholder feedback that credible target implementation requires both strong prioritization of direct reductions and recognition of actions that help accelerate system-wide decarbonization.

An example of the implementation hierarchy in action

A food processing company could first reduce emissions in its own manufacturing sites through energy efficiency and electrification. It could then work with suppliers to source lower-emissions agricultural products, invest in methane reduction projects in sourcing regions, and, where decarbonization at the activity or activity pool level remains challenging, take action at the sector level and use high-integrity market instruments such as low-carbon fertilizer certificates to support broader decarbonization of agricultural supply chains. Under Corporate Net-Zero Standard V2.0, emissions reductions reflected in the company’s physical GHG inventory would form the basis for emissions reduction claims, while other eligible actions would be reported separately and communicated according to the relevant claims provisions. All eligible actions may be used to demonstrate progress against targets, with the contributions of different actions to target progress reported transparently and separately.

Projects and market instruments

The final version of Corporate Net-Zero Standard V2 includes a new Target Implementation chapter that consolidates the target implementation aspects presented throughout the Standard in the consultation drafts. **It recognizes that projects and market instruments can be valid tools for target implementation and for demonstrating progress across all scopes, subject to safeguards.**

Projects that deliver emissions reductions may support target implementation when implemented by or on behalf of the company, relate to the relevant underlying activity, deliver measurable outcomes, and meet other applicable integrity criteria.

Market instruments, such as energy and commodity certificates, may also support implementation where they meet relevant criteria, as explained in the next section. These instruments can play an important role in scaling low-carbon electricity, fuels, industrial materials, agricultural commodities, and other transition-critical goods and services.

This responds to strong feedback from companies and other stakeholders that these tools are needed to support decarbonization, particularly in sectors and value chains where direct traceability or immediate access to lower-carbon alternatives is not possible.

Guardrails for credibility

Credible recognition of a broader suite of actions requires transparent reporting, strong integrity criteria, and clear rules for claims.

The Standard requires all companies to report a physical GHG inventory. The outcomes of actions beyond those reflected in this inventory are reported separately, enabling companies to transparently communicate how their actions help accelerate the decarbonization of the systems and sectors they rely on.

As explained above, to ensure targets are grounded in real-world emissions, target ambition is based on the physical GHG inventory. However, companies may use eligible actions and market instruments to support the delivery of those targets, with these actions being transparently documented and reported.

To ensure these actions are credible, the Corporate Net-Zero Standard V2.0 includes minimum integrity criteria that have been designed based on lessons from existing standards and practices. These requirements help ensure that actions are clearly connected to the emissions source they address, that outcomes are transparently measured and verifiable, that outcomes are clearly linked to the company's role or contribution, and that impacts are not double-counted or overstated. The Standard also requires adherence to recognized third-party integrity criteria, where applicable.

Critically, the Corporate Net-Zero Standard V2.0 also introduces differentiated claims provisions. These criteria enable companies to communicate the outcomes of their actions

credibly and accurately, without conflating physical emissions reductions with other valuable contributions to decarbonization. The Standard distinguishes between:

- Emissions reduction claims, which are based on changes in the physical GHG inventory;
- Alignment claims, where actions at the activity level result in measurable changes within the company's operations or value chain; and
- System contribution claims, where activity pool or sector-level actions support broader decarbonization of the systems in which the company's value chain activities are embedded.

These guardrails enable companies to take a broader set of actions with confidence in their credibility, while avoiding confusion between physical emissions reductions and wider system decarbonization efforts.

Differentiated claims at the action level provide transparency to stakeholders and confidence for companies to pursue a combination of different approaches to implement their targets. The following section describes the next steps for bringing these together for target progress assessment

A more nuanced approach to assessing progress

At the end of each target cycle, companies will assess and report progress using SBTi methods. **This will include both the outcomes reflected in the physical GHG inventory and separately reported eligible implementation actions.** Category A companies, which are typically larger and located in higher-income countries, are required to obtain third-party assurance over this assessment. The company then returns for an End-of-cycle Assessment conducted by an SBTi-recognized validation body.

Recognizing a broader range of implementation actions requires a more nuanced approach to assessing progress. This is not just an exercise in quantifying changes in an emissions inventory across the target cycle; it also entails understanding the impacts of other actions that may not be fully reflected in the physical inventory.

Eligible actions that meet the Standard's criteria, therefore, play an important role in target progress assessment, alongside emissions reductions reflected in the physical GHG inventory. The remaining area of development is how these different elements should be brought together into an overarching progress claim that is concise, credible, and fairly reflects the diversity of actions companies take to implement their targets. The SBTi will address this through expert engagement, company testing, and its claims framework to support operationalization of the Standard.

Additionally, the SBTi intends to develop interim guidance while the GHG Protocol revisions are underway to provide greater clarity on how to report and assess progress using market instruments and projects in line with the Standard's implementation hierarchy, including actions at the activity pool and sector levels. Guidance is expected to be released for consultation in Q4 2026.

The role of Ongoing Emissions Responsibility

When the SBTi refers to market instruments in the context of target implementation, we mean energy and commodity certificates that allow companies to account for the environmental attributes of the energy or products they choose to purchase. Carbon credits are treated separately as part of Ongoing Emissions Responsibility.

The SBTi recognizes that scaling removals can help companies to address their residual emissions. In response to stakeholder feedback and further research, the revised Standard introduces the Ongoing Emissions Responsibility framework, a new recognition mechanism for supplementary mitigation while companies continue to reduce their own emissions.

While operational and value chain emissions reductions remain the priority, the OER framework encourages companies to supplement their own decarbonization efforts with high-integrity carbon credits and other climate contributions as a complement to, not a substitute for, decarbonization, supporting broader system transformation, without diluting the imperative to reduce their own emissions.

Realizing the benefits of V2.0 for existing targets

More than 11,000 companies have validated targets under the Corporate Net-Zero Standard V1 or the SBTi Near-term Criteria. These targets remain valid throughout their target cycle, subject to applicable five-year review requirements.

The Corporate Net-Zero Standard V2.0 introduces new tools that can also support companies with existing targets. Through forthcoming transition and renewal provisions, companies already in the SBTi system will be able to access relevant aspects of V2.0, including those related to target implementation.

Find out more about the elements of V2.0 that companies with existing targets can apply [here](#).

What comes next

The Corporate Net-Zero Standard V2.0 already provides a comprehensive framework for target-setting and implementation. **Companies should not wait for further guidance before taking action; the Standard sets out a clear implementation hierarchy and minimum integrity criteria to guide credible action today.** Projects and market instruments used in accordance with the criteria established in the Standard will remain valid throughout the target cycle, including, where applicable, through legacy provisions.

Additional resources will help companies apply these requirements consistently. The SBTi intends to develop:

- Explanatory guidance on Corporate Net-Zero Standard V2.0, including application of the implementation hierarchy and the role of projects;
- Interim guidance on reporting actions and market instruments;
- An Interoperability and Recognition Framework to help companies navigate certification systems and market instruments; and

- Pilot testing with companies and stakeholder engagement to inform future End-of-cycle Assessment, claims and assurance approaches.

Find out more about what comes next [here](#).

In moving from ambition to action, the Corporate Net-Zero Standard V2.0 broadens the framework for target implementation, including projects and market instruments, while maintaining the transparency and integrity that science-based targets require.