SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

POWER SECTOR STANDARD TERMS OF REFERENCE

Version 1.3

October 2026

ABOUT SBTi

The Science Based Targets initiative (SBTi) is a corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis.

We develop standards, tools and guidance which allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating below catastrophic levels and reach net-zero by 2050 at latest.

The SBTi is incorporated as a UK charity, with a subsidiary SBTi Services Limited, which hosts our target validation services (together with SBTi, the “SBTi Group”). Partner organizations who facilitated SBTi’s growth and development are CDP, the United Nations Global Compact, the We Mean Business Coalition, the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF).

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The SBTi reserves the right to revise this document according to a set revision schedule or as advisable to reflect the most recent emissions scenarios, regulatory, legal or scientific developments, and GHG accounting best practices.

Science Based Targets initiative and “SBTi” refer to the Science Based Targets initiative, a private company registered in England number 14960097 and registered as a UK Charity number 1205768.

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VERSION HISTORY

Version	Change/update description	Publication date
Version 1.0	• First version of the Terms of Reference for the Power Sector Standard development project.	May 29, 2024
Version 1.1	• The timeline related information of the project is updated.	December 16, 2024
Version 1.2	• The timeline related information of the project is changed. • General template update. • Page 10: Scope 3 category 11 has been removed as this is being incorporated into the intraoperability work under the Corporate Net-Zero Standard V2 revision.	June 30, 2025
Version 1.3	• The timeline related information of the project is changed	October 27, 2026

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1. INTRODUCTION

This Terms of Reference describes the key information related to the Power Sector Standard project. The project will be carried out according to the SBTi's Standard Operating Procedure (SOP) for Development of SBTi Standards.

2. OBJECTIVES

The objectives of the Power Sector Standard project are outlined below[1]:

- The main goal of the project is to review, revise and update the SBTi's resources for Electric Utilities (henceforth referred to as the power sector). This will include, at a minimum, reviewing the existing guidance and target-setting tool and evaluating the need for changes to the current criteria contained in these documents. The final deliverable document will be a Power Sector Standard and accompanying target-setting tool. The SBTi's evaluation of the existing resources to date has identified the following areas of need by category.

Standard impact: The SBTi will strive to improve the overall impact of our resources for the power sector by evaluating new resources, metrics and methods that may better incentivize action by companies in the sector. For example, we will investigate how to approach companies with low-emissions intensity in the base year.

Pathway and tool: The SBTi will strive to:

- Revise the existing pathway and evaluate new and differentiated pathways from diverse resources that limit the increase of temperature to 1.5ºC.
- Analyze level of disaggregation needed in SBTi resources for the sector as assumed.
- Define differentiated requirements for greenfield capacity, as well as requirements for existing capacity.
- Revise and improve the power sector tool.

GHG accounting: The SBTi will strive to:

- Review sector-specific requirements in common GHG accounting standards (e.g. GHG Protocol accounting) and where additional sector-specific requirements may be needed, provide additional requirements.
- Define how to manage long-lived assets, reconversions and reserve capacity (especially fossil fuel), and different types of power utilities such as those that sell electricity to intermediaries.

Sector boundary: The SBTi will establish more detailed applicability rules for companies engaged in electricity-related activities, in addition to traditional utilities, including companies

[1] Please note that as standards development is an iterative process, with multiple rounds of stakeholder input and deliberation, project objectives are subject to change.

that generate power for self-consumption, with sales only of surplus energy, or companies involved in trading of electricity only, without involvement in generation activities.
Scope 3: The SBTi will enhance clarity for requirements related to scope 3 emission calculation and inclusion, in particular for category 3.

3. STEPS FOR DEVELOPING THE STANDARD

The standard development process aims to be transparent in decision-making, striving for input from any interested stakeholder through public consultation and more targeted stakeholder outreach to enable the widest possible consideration of content.

Based on the Standard Operating Procedure (SOP) for Development of SBTi Standards, the following steps will be followed for developing the Standard:

- Initiation
- Research
- Drafting
- Consultation, including public consultation and pilot testing
- Approval
- Implementation
- Monitoring and Evaluation

Please refer to the Timeline section below for details on the approximate timing of each development phase.

4. SCOPE

4.1 Applicability

The Power Sector Standard will apply to companies worldwide. The SBTi develops specific standards at the sectoral level, based on a classification which is under development. The SBTi is prioritizing the development of the Power Sector Standard to take into account diverse types of power utilities and business models, including renewable companies and companies generating power from non-traditional fuels. The detailed sectoral boundaries, applicable activities to be covered, and exclusions from the scope are still to be developed and will be described in the standard.

4.2 Deliverables

The Power Sector Standard includes the following deliverables, which will be made public to aid transparency and help engage stakeholders (with expected timelines that may be subject to change):

Interim deliverables

- Project Terms of Reference (this document).
- First Public Consultation Draft Standard.
- Second Public Consultation Draft Standard.
- First Public Consultation Feedback Report.
- Second Public Consultation Feedback Report.
- Pilot Testing Feedback Report.
- Basis For Conclusions Report.

Final deliverables

- Power Sector Standard that contains minimum required criteria, recommendations and guidance for the companies operating in electric utilities and power generation to set 1.5°C-aligned science-based targets across scopes 1, 2 and 3.
- Power sector target-setting tool.

4.3 Exclusions

This project will address only the electric utility and power generation sector(s). It will not address the natural gas utility sector, as the natural gas distribution activities are considered a separate sector under the SBTi's sectoral classification and will be managed under a future development project. Companies with activities in the electricity generation sector and the natural gas distribution sector may need to follow different guidance/standards for each type of activity, as applicable.

4.4 Geographic application

The Power Sector Standard aims to apply to organizations with emissions and activities worldwide.

5. JUSTIFICATION OF NEED FOR THE POWER SECTOR STANDARD

The SBTi is undertaking the Power Sector Standard for the following reasons:

- The SBTi included the electric utilities and power generation sector as high priority for 2024 with the objective to accelerate the update of the SBTi's resources for this critical sector. The SBTi currently has guidance and a 1.5°C-aligned power sector-specific target-setting method that uses the sectoral decarbonization approach (SDA).
- The last update of the SBTi's Electric Utilities Guide took place in June 2020 with an expedited development and consultation process, which focused on the selection of 1.5°C-aligned pathways for the power sector and a clarification of target-setting boundary options and requirements.

- Stakeholder feedback received as a result of adoption of the current Electric Utilities Guide since its launch has identified implementation gaps and opportunities to enhance robust validations of net-zero targets and increase transparency and credibility of the SBTi overall.
- The updated Power Sector Standard will address the identified gaps and needs of the SBTi's resources for the sector which, in turn, will underpin the needed energy transition at the necessary pace to be implemented by a diverse type of private power utilities companies.

6. RELATED STANDARDS AND INITIATIVES

The SBTi is part of a growing ecosystem of standards and initiatives addressing corporate climate change action from different angles. The SBTi recognizes the value of working to harmonize with other actors in this ecosystem.

During the standard development process, the SBTi will assess other standards and initiatives relevant to the Standard's objectives, exploring the feasibility of alignment, where appropriate and feasible, in line with SBTi's objectives and Standard Operating Procedure (SOP) for Development of SBTi Standards. The SBTi will seek the engagement of relevant stakeholders to gather insights on best practices in consideration of other standards and initiatives.

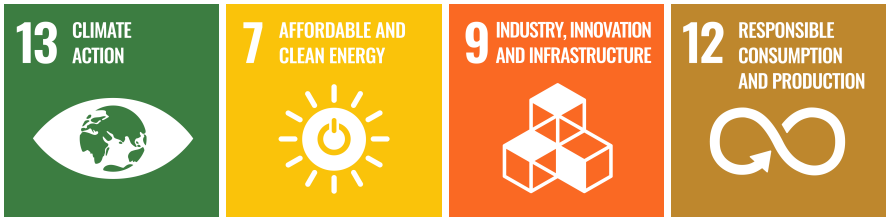
7. INTENDED SUSTAINABILITY OUTCOMES

In 2018, the Intergovernmental Panel on Climate Change (IPCC) warned that global warming must not exceed 1.5°C above pre-industrial temperatures to avoid the catastrophic impacts of climate change. Business has a vital role to play in driving down greenhouse gas emissions and building the resilient, zero-emissions economy we urgently need. This action must be grounded in science. Science-based targets show companies and financial institutions how much and how quickly they must decarbonize to prevent the worst impacts of climate change.

A key criterion the SBTi uses in prioritizing the projects it chooses to undertake is the impact the project will have in addressing greenhouse gas emission-reduction from key sectors or activities. By the end of 2022, companies with science-based targets or which had committed to set targets represented over a third of the global economy by market capitalization, and the total committed annual emissions reductions across all approved targets was 76 million tonnes of CO_2e[2].

Although decarbonization has a link with all of the UN Sustainable Development Goals, the implementation of the Corporate Net-Zero Standard seeks to especially contribute to the following UN Sustainable Development Goals (SDGs):

[2] SBTi, 2023. SBTi Monitoring Report 2022.



These four key SDGs have been selected as particularly relevant for the following reasons:

- SDG 13: Climate Action: Science-based targets focus on reducing greenhouse gas emissions, directly contributing to climate action by addressing climate change and its impacts.
- SDG 7: Affordable and Clean Energy: Meeting science-based targets often requires transitioning to renewable energy and improving energy efficiency, promoting clean and sustainable energy sources.
- SDG 9: Industry, Innovation, and Infrastructure: Companies working toward science-based targets typically need to innovate and adopt sustainable practices, supporting the development of resilient infrastructure and sustainable industrialization.
- SDG 12: Responsible Consumption and Production: Science-based targets encourage companies to redesign production processes, optimize resource use, and manage waste, aligning with the goal of promoting sustainable consumption and production.

8. INTENDED CLAIMS

As part of the Power Sector Standard development process, and in line with a broader piece of work on claims, the SBTi plans to develop claims guidance to supplement the SBTi's current communications guidelines. The aim is that companies are enabled to make credible claims around the emission reduction targets that they have set and that have been validated by the SBTi, as well as claims around the achievement of those targets, where appropriate.

9. ENGAGEMENT

9.1 How to engage?

The SBTi values stakeholder input to inform the development of its standards. There are a variety of channels through which stakeholders can engage with and input into the development of the Power Sector Standard.

- **Project feedback form:** Over the course of the whole project, any stakeholder is welcome to submit feedback on documents that have been released through the Project Feedback Form. All feedback will be carefully considered and published on

the SBTi website, with personal information removed. This form is not intended as a complaints form.[3]

- **Public consultation:** The Power Sector Standard will go through a minimum of two rounds of public consultation (expected for Q3/Q4 2025 and Q1/Q2 2026). The first consultation will last for a duration of 60 days. The second consultation will last for a duration of 30 days. During the consultation period, stakeholders will have the opportunity to submit feedback to the consultation questionnaire via a survey. These resources will be available on the sector webpage.
- **Expert Advisory Group (EAG):** These are advisory groups of volunteer experts set up to provide advice and input during the development of thematic or project-specific resources and bring a breadth and balance of stakeholder opinions and interests. The individuals in the groups bring an informed perspective from a stakeholder or interest group and could be independent or work for organizations that are relevant to the named project.
- **Pilot testing**: A period of pilot testing may also be held. The pilot testing phase will involve volunteer organizations utilizing the draft standard to identify challenges for implementation, gather practical feedback, and to ensure the criteria, target-setting tool, and guidance are clear and applicable.
- **Launch:** The Project Team will also host webinars to provide a detailed overview of the standard, once complete. Planned dates for webinars are to be determined.

9.2 Who should engage?

The Power Sector Standard Team welcomes input from all stakeholders with an interest in this project development, including but not limited to:

- Academic and research institutions
- Civil society organizations
- Technical experts
- Corporates
- Governments and regulators
- Standard-setting organizations
- Sustainability practitioners
- Associations
- Underrepresented groups that are affected by climate change and/or the implementation of our standards
- All other stakeholders with an interest in this project development.

9.2 How to keep informed?

Stakeholders can stay up to date with the Power Sector Standard development process, opportunities to provide input, and planned events by monitoring the SBTi's website for updates, signing up for the SBTi newsletter, and following the SBTi on X and LinkedIn. For any general queries relating to Power Sector Standard development and how to engage please contact info@sciencebasedtargets.org or powersector@sciencebasedtargets.org.

[3] Please note that stakeholders who wish to submit complaints related to the SBTi existing standards or guidance documents, or standard development processes, including the Standard Operating Procedure for Development of SBTi Standards, may do so by emailing standardscomplaints@sciencebasedtargets.org.

10. LANGUAGES

All documents relating to the Power Sector Standard, including consultation drafts, will be published in English (this is the SBTi working language). Translations into additional languages may be considered.

11. RISK MITIGATION

The SBTi and governance bodies shall undertake a risk assessment alongside the Standard development, to identify potential risks in implementing the draft Standard and how to mitigate these (e.g., unintended consequences that could arise from the implementation of the Standard, factors that could have a negative impact on the ability of the Standard to achieve its objectives, and possible corrective actions that could be taken to address these potential risks).

12. GOVERNANCE STRUCTURE AND DECISION MAKING

The Standard Operating Procedure (SOP) for Development of SBTi Standards sets out in detail the governance and decision making processes that apply to standards development and revisions.

13. TRANSITION

Full details to support entities with validated targets, targets under validation, or active commitments to prepare for conformity to the Power Sector Standard will be communicated in a timely manner before its launch.

14. EXPECTED TIMELINE AND LAUNCH

The final version of the Power Sector Standard and related project deliverables will be published following completion of the standard development and approval process, along with:

- Power Sector Standard Criteria Assessment Indicators
- Basis for Conclusions Report

Due to the iterative nature of consensus-based, multi-stakeholder standard development, the expected timeline for the Power Sector Standard project is subject to change based on the phases outlined in the Standard Operating Procedure (SOP) for Development of SBTi Standards. The expected timeline can be found on the Technical Work Program section of the Standards and Guidance page of the SBTi website.

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