

TOWARDS A FOCUSED AND FLEXIBLE FRAMEWORK FOR SCOPE 3 TARGETS

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Setting the scene

Reaching net-zero emissions demands that companies take action to eliminate emissions across their value chains. Yet scope 3 — encompassing upstream and downstream emissions — often remains the most complex part of corporate climate strategies and the least robust component of corporate greenhouse gas (GHG) inventories. Under the first version of the Corporate Net-Zero Standard (CNZS V1), companies were required to set near-term targets covering at least 67% of scope 3 emissions, and long-term targets covering 90%. Importantly, scope 3 emissions only needed to be included in a company's near-term science-based targets if they made up 40% or more of total emissions (i.e., across scopes 1, 2 and 3).

While this approach spurred widespread uptake — 97% of validated companies now include scope 3 in their targets — it also revealed significant challenges in practice.

The Science Based Targets initiative (SBTi) has now released an updated draft of the Corporate Net-Zero Standard Version 2 (CNZS V2), which introduces a focused and flexible framework for scope 3 target setting. The revision centers on three pillars:

1. A target boundary approach based on relevance and influence rather than percentage thresholds.
2. Expanded target-setting methods that focus on non-emission indicators that are easier to action on, measure and track, tailored to the distinct characteristics of each scope 3 category.
3. A broader recognition of credible actions that can demonstrate progress, even where traceability or accessibility of low-carbon alternatives are limited.

This framework reflects a maturing understanding of corporate influence and aims to make scope 3 targets both more impactful and implementable.

Learning from CNZS V1: What needed to change

The 2021 Corporate Net-Zero Standard V1 established a strong foundation: it required near-term targets covering 67% of scope 3 emissions, long-term coverage of 90%, and focused primarily on absolute emissions reduction targets.

Practical challenges emerged that hindered the framework's effectiveness and transparency, as set out in the SBTi's paper [Aligning corporate value chains to global climate goals](#):

- **Boundary-setting issues:** companies often struggle to apply a percentage-based boundary meaningfully across complex value chains. This sometimes excludes the most material emission sources — particularly when those sources represent a small percentage of total scope 3 but are highly emissions-intensive (e.g., steel, cement, or products with high use-phase emissions).
- **Challenges with aggregated metrics and baselining:** Tracking progress using aggregated scope 3 inventories may mask changes in underlying activities and introduce major data uncertainty. For many companies, baselines depend on modeled or sector-average data, limiting comparability and precision.

- **Difficulty tracking progress over time:** Because of data gaps and methodological inconsistencies, many companies find it difficult to demonstrate measurable progress against inventory-based scope 3 targets, particularly in dynamic sectors where activity levels fluctuate.

Together, these limitations have shown that scope 3 targets needed to evolve: towards granularity over aggregation, focus on material impact rather than broad coverage, and alignment over accounting.

CNZS V2: A refined framework for scope 3

The draft Corporate Net-Zero Standard Version 2 responds to these challenges by introducing a structure that balances rigour, flexibility, and credibility. It removes the 40% threshold altogether, making scope 3 target-setting mandatory for all Category A companies. This shift recognizes that value chain emissions often dominate corporate footprints and that all major companies must take action to address them in the near-term.

The revisions focus on where companies can have the greatest real-world impact while improving comparability and reducing administrative burdens.

Refined boundaries: Significance and influence

Rather than fixed thresholds, companies now identify significant scope 3 categories — those representing $\geq 5\%$ of total scope 3 emissions — and must set specific targets for priority emission sources in their supply chain.

Examples of priority emissions sources include high-impact materials (e.g., steel, aluminum, cement, FLAG commodities) or sold products that use energy. These emission sources are considered “priority” if they contribute $\geq 5\%$ of scope 3 emissions.

The draft Standard allows companies to exclude specific scope 3 activities that are low-impact or where companies have minimal control or leverage (e.g., employee commuting, micro-supplier emissions, or transport where the company cannot influence mode or fuel type). These exclusions aim to focus target setting on the most significant and influenceable parts of the value chain.

This approach ensures focus on material emission sources where companies hold genuine influence — for example, through procurement decisions, design specifications, or engagement with suppliers and customers.

New target-setting methods: From emissions to alignment

The new framework introduces three complementary target types that can be applied across different value chain activities:

- **Emission intensity targets:** Aligning the average emissions intensity of a commodity or activity with reference net-zero aligned benchmarks (e.g., tCO₂e per tonne of steel).
- **Volume alignment targets:** Measuring the share of activity volumes that meet net-zero aligned performance (e.g., % of transport volume delivered through zero-emission vehicles, or the share of low-carbon energy used by suppliers and customers).

- **Counterparty alignment targets:** Tracking the proportion of suppliers or customers that have science-based targets.

These methods can be adapted to upstream or downstream activities, with specific applications by category, including:

- *Category 1 and 2 (Purchased Goods and Capital Goods):* Targets on priority commodities using intensity, volume, or supplier alignment approaches.
- *Category 4 and 9 (Transport):* Intensity or volume-based alignment (e.g., ZEV share of logistics).
- *Category 11 (Sold Products):* Sales alignment or customer electricity alignment targets for electrified products; phase-out or transformation plans for fossil fuel-related products.
- *Category 12 (End-of-Life):* Circularity targets for verified circular design solutions.

While the framework maintains the long-term goal of achieving net-zero value chain emissions by 2050 or earlier, it does not require companies to set mandatory long-term scope 3 emission-reduction targets. Given the dynamism and uncertainty of projecting value chain emissions, setting linear trajectories to 2050 is often neither feasible nor meaningful. Instead, companies are required to establish a clear long-term ambition to reach net-zero emissions across their operations and value chain, supported by near-term targets that focus on measurable scope 3 alignment and progress. Companies may also choose to set optional long-term absolute reduction targets in addition to this overarching ambition.

A new approach to demonstrating performance

The draft CNZS V2 provides a more nuanced approach to substantiating progress towards targets, acknowledging the impact of different types of interventions to achieve value chain decarbonization in the longer-term. Companies are still required to set an overarching scope 3 ambition — the percentage of emissions they aim to address through net-zero aligned actions — but can substantiate progress through a more nuanced hierarchy of intervention levels, reflecting where and how action occurs within the value chain:

Intervention Level	Definition and Examples	Illustrative Quality and Transparency Requirements
Activity	Direct changes at the emissions source — for instance, switching to low-carbon steel	Show measurable performance against science-based emissions intensity benchmarks, supported by traceable, verifiable data
Counterparty	Supplier or customer engagement, including cascading science-based targets requirements	Demonstrate evidence of counterparty alignment and ongoing engagement
Activity pool	Improving performance of the pool within which the activity is embedded (e.g., supply shed, transport operation category, electricity grid)	Clearly justify the pool boundary, show performance with robust data, and apply integrity rules for any environmental attribute certificates (EACs) used

Sector	Sector-level interventions (i.e., unbundled procurement of EACs), used only when interventions at the activity or activity pool level are not feasible	Subject to integrity principles, must deliver comparable mitigation and transformation outcomes. As an interim tool, sector-level interventions are expected to be progressively phased down and reported separately
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Critically, companies must disclose which portion of their targets is met at each level, ensuring transparency on how progress is achieved. The framework replaces the earlier “direct vs indirect mitigation” distinction proposed in the first draft of the CNZS V2 — which stakeholder feedback demonstrated was unclear — with this multi-level transparency model.

Sector interventions through unbundled EACs may only be used in specific, justifiable circumstances — for example, when low-carbon alternatives are not yet accessible, and where their use demonstrably supports the scaling of those alternatives. The SBTi is developing illustrative, high-level integrity principles — provisional and for further exploration — to set expectations for accuracy, exclusivity, traceability, transparency, and expiry. Their use must be transparently reported, with companies disclosing the share of emissions addressed through such certificates versus direct actions. The principles are being refined through consultation and pilot testing, with input from experts and stakeholders.

Looking ahead: Consultation and next steps

The proposed framework marks an important evolution in corporate climate accountability. It recognizes the diversity of corporate value chains while strengthening focus on where change matters most.

As the SBTi refines the CNZS V2 through pilot testing and consultation, stakeholders are invited to provide feedback on key questions, including:

- **Exclusions:** Are the rules for justified exclusions clear and sufficient to avoid material gaps?
- **Priority Commodities:** Can companies effectively identify and determine influence over priority commodities?
- **Methods:** Are the proposed target-setting methods suitable and sufficient across categories? Is further clarity needed on ZEV, circularity, or low-carbon energy targets?
- **Benchmarks:** Are the alignment benchmarks realistic, meaningful, and ambitious?
- **Activity Pools:** Is the translation of methods at the pool level practical and clear?
- **Sector-Level Action:** Are the proposed integrity and matching requirements for EACs appropriate and robust?

By engaging with these questions, stakeholders can help shape a scope 3 framework that is scientifically robust, operationally feasible, and designed for impact.

The goal is to translate value chain complexity into a structured, transparent framework for credible and measurable climate action — enabling companies to move from ambition to demonstrable progress.