SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

UNDERSTANDING SCOPE 2 IN THE UPDATED CORPORATE NET-ZERO STANDARD V2.0

June 2026

Disclaimer

Decarbonizing electricity is one of the fastest and most effective ways to reduce emissions across the economy. That's why the Science Based Targets initiative (SBTi) has strengthened the way companies tackle electricity-related emissions in the Corporate Net-Zero Standard Version 2.0.

The updated Standard introduces clearer rules for reducing emissions from purchased electricity, heat, steam and cooling, known as scope 2 emissions. **The aim is to help companies accelerate the transition to low-carbon electricity while ensuring their claims are credible and grounded in real-world decarbonization.**

Two options for scope 2 targets

Version 2.0 gives companies two options for addressing scope 2 emissions to support the transition to a low-carbon electricity system.

- **Emissions reduction targets:** These targets require companies to reduce their scope 2 emissions over time along a science-based pathway.
- **Low-carbon electricity alignment targets:** These targets require companies to increase the share of low-carbon electricity they use, contract, or match over time.

Companies can choose the approach that best fits their circumstances, although **companies with rapidly growing electricity demand are required to set emissions reduction targets.** This is important so that companies with fast-growing assets such as data centers cannot increase their share of low-carbon electricity while also increasing their emissions.

A new approach to setting scope 2 emissions targets

While companies can choose between two types of targets, **Version 2.0 introduces a common approach to determining the trajectory of emissions reductions.**

Under previous versions of the Standard, companies could set scope 2 emissions reduction targets against either their location-based emissions or their market-based scope 2 emissions. Under Version 2.0, all scope 2 emissions reduction targets are anchored to the physical, location-based inventory, which is used as the basis for determining target ambition.

The SBTi is also introducing regionalized power pathways as part of a comprehensive set of methods and pathways included with Version 2.0 of the Standard. Stakeholders are invited to explore these and provide feedback on the clarity, usability, structure, and completeness of this supporting documentation by July 31, 2026.

In simple terms, this means that these targets are linked to the emissions performance of the electricity grids serving companies' loads. The change creates a more consistent basis for target setting across scopes, aligning more closely with real-world emissions.

What does this mean for low-carbon electricity procurement?

While target ambition is anchored in the physical inventory, this does not mean low-carbon electricity procurement is any less important.

Rather, Version 2.0 separates the question of how emissions reduction targets are set from the question of how companies take action and make progress towards their targets:

- **Target ambition**: Emissions reduction target trajectories are defined using the physical (i.e., location-based) inventory, and low-carbon electricity alignment targets are defined using the share of low-carbon electricity used, contracted or matched.
- **Target implementation:** Companies can still use a range of implementation actions, including energy efficiency, on-site low-carbon generation, power purchase agreements (PPAs), and other qualifying market instruments.
- **Claims:** The type of claim a company can make depends on the outcomes of the actions it takes. Emissions reduction claims are based on changes realized in the physical emissions inventory. Actions beyond what is reflected in the inventory are reported separately, enabling companies to transparently communicate how investments in low-carbon electricity help accelerate the decarbonization of the systems on which they rely.

In other words, even though the accounting basis for emissions reduction targets changes, **market-based actions are valid for demonstrating near-term target progress** towards ultimate net-zero goals and remain an important tool for contributing to grid decarbonization. This approach enables transparency and protects the integrity of claims that reflect the type of actions taken.

Whether a company chooses an emissions reduction target or a low-carbon electricity alignment target, Version 2.0 provides a more transparent basis for understanding the transition of the electricity systems companies rely on, while continuing to recognize the role of high-integrity market instruments.

Prioritizing direct action

Across all emissions sources, the revised Standard follows a simple principle: companies focus first on actions that directly reduce emissions.

For electricity, this means actions such as:

- Improving energy efficiency
- Reducing fossil-based electricity demand
- Onsite low-carbon generation

These actions directly reduce physical emissions and therefore sit at the top of the implementation hierarchy.

Recognizing the role of market instruments for low-carbon electricity

At the same time, the Standard recognizes that companies operate within shared electricity systems in which they may have less opportunity to directly influence emissions.

Instead, they use market instruments for low-carbon electricity. These instruments have played an important role in financing new low-carbon energy generation, and the revised Standard continues to recognize their role.

Companies can therefore use market instruments to support target implementation, provided those instruments meet stronger integrity requirements.

Raising the bar for scope 2 integrity

Version 2.0 introduces new criteria designed to strengthen the credibility and impact of market-based electricity procurement.

These criteria are built around three principles: **near**, **new** and **now**.

Near: low-carbon electricity should be relevant to where it is used

Companies' market instruments are required to correspond to low-carbon electricity generation that could plausibly serve their electricity loads.

This is known as "deliverability", and it strengthens the connection between procurement decisions and local grid decarbonization.

So as not to undermine existing procurement practices, new low-carbon electricity projects with which companies have a PPA and are in the same synchronous grid are exempt, as well as long-term market instruments that are already in use. This preserves the value of existing contracts in a fair way until they expire.

New: low-carbon electricity should help expand supply

To strengthen incentives for investment in new clean energy generation, market instruments generally need to come from projects that are no more than 15 years old. Exceptions to this 15-year age limit, like PPAs with new projects and region-by-region mechanisms, are included in guidance that will be published by Q4 2026.

This helps ensure procurement supports the growth of low-carbon electricity capacity rather than simply reallocating existing supply.

Now: low-carbon electricity should be stimulated at the time of use

Until recently, rapid decarbonization of power has been achieved without needing to consider the round-the-clock needs of the electricity system. The hardest part of decarbonization of power is yet to come: addressing the variability of low-carbon power generation through massive investment in energy storage, the transmission system, and flexibility.

Current practices to use annual accounting intervals to define low-carbon electricity performance fail to recognize these needs. In contrast, hourly matching, meaning market instruments correspond to low-carbon electricity generated in the same hour as a company's electricity consumption, could create powerful new signals enabling these critical new investments.

Hourly matching was consulted on throughout the development of Version 2.0. The first public consultation proposed that companies match low-carbon electricity to their consumption in time and location where possible. The second consultation went further, proposing a phased requirement for certain large electricity users to match an increasing share of their electricity consumption on an hourly basis over time.

The feedback showed strong interest, but also significant unresolved questions. Public consultation and pilot testing highlighted challenges around data availability, market readiness, and implementation across many regions, as well as concerns about potential impacts on PPAs, which have been the dominant means by which the voluntary market has contributed to new low-carbon electricity capacity under existing practices.

Hourly matching represents a significant shift from how companies currently approach scope 2 decarbonization. It requires more detailed tracking of both electricity consumption and low-carbon electricity procurement, yet many of the systems needed to support this are still developing.

To facilitate a transition to a more granular approach, Category A companies with significant electricity consumption are required to publicly report their hourly matching performance. In the process of measuring and reporting the hourly matching performance of their annually matched actions, they will help develop the tools that are needed to make hourly matching more accessible in the future. The intention is that SBTi aligns with the GHG Protocol's direction of travel on scope 2, without pre-empting the outcome of the GHG Protocol's ongoing work.

Companies that achieve specified levels of hourly matching can also receive recognition through a voluntary program. Making hourly matching a leadership practice for optional recognition at this stage allows all businesses to begin engaging with it where feasible, without creating unintended barriers to near-term climate action.

However, for target progress, Version 2.0 does not make hourly matching mandatory. Companies using market instruments are required to meet an annual matching requirement, meaning low-carbon electricity procurement is matched to electricity consumption within a maximum 12-month period.

Overall, this approach sets the direction of travel and provides greater transparency, encouraging better data and innovation while avoiding unintended barriers to action that may arise without further interrogation.

To inform future revisions of the Corporate Net-Zero Standard, the SBTi intends to launch a Call for Evidence on hourly matching. This will help build a stronger understanding of how hourly matching should be deployed within a target-setting framework.

The aim is not to close the discussion on hourly matching, but to ensure future decisions are informed by the best available evidence and practical experience.

Looking ahead

Decarbonizing the energy sector is fundamental to achieving net-zero and requires maximum uptake and action in line with science. The SBTi will continue working with stakeholders, including the Greenhouse Gas Protocol, to ensure the Standard reflects emerging best practice while providing companies with a clear and practical framework today.