

SUMMARY OF THE SBTi CEMENT GUIDANCE PUBLIC CONSULTATION FEEDBACK

September 2022

PARTNER ORGANIZATIONS



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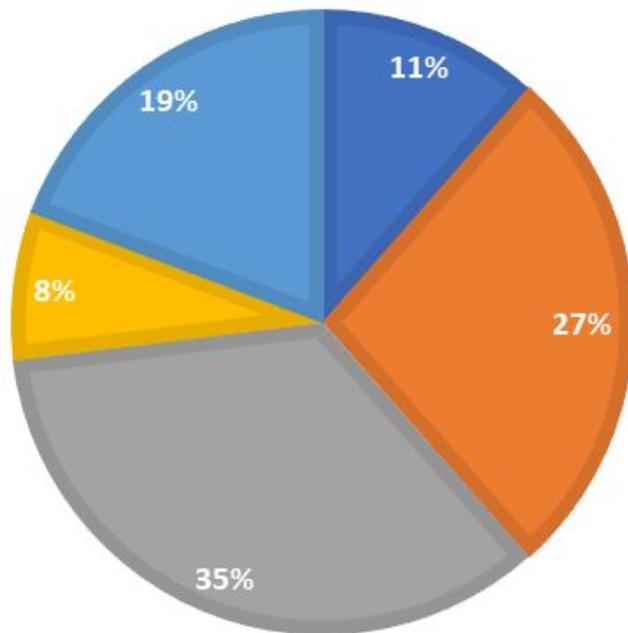


INTRODUCTION

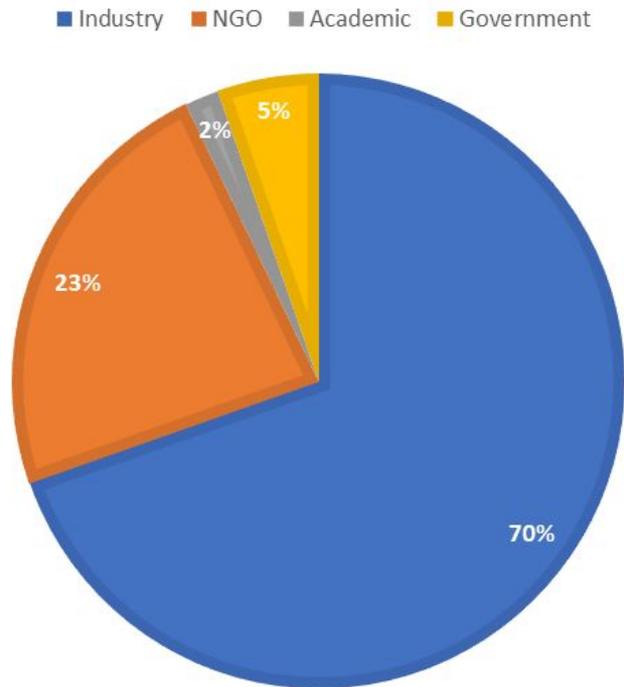
- From March 16 to April 15 the Science Based Targets initiative (SBTi) held a one month-long public consultation for the Cement Science Based Target Setting Guidance and Tool.
- The objective, ensure the criteria and guidance to support cement companies in their decarbonization journey are robust, clear, and practical.
- 56 total responses received from industry, NGOs, consulting firms, academia and public sector.
- Watch the webinar recording [here](#).

WHERE IS YOUR ORGANIZATION HEADQUARTERED?

- North America
- Central and South America
- Europe
- Middle East & Africa
- Asia Pacific



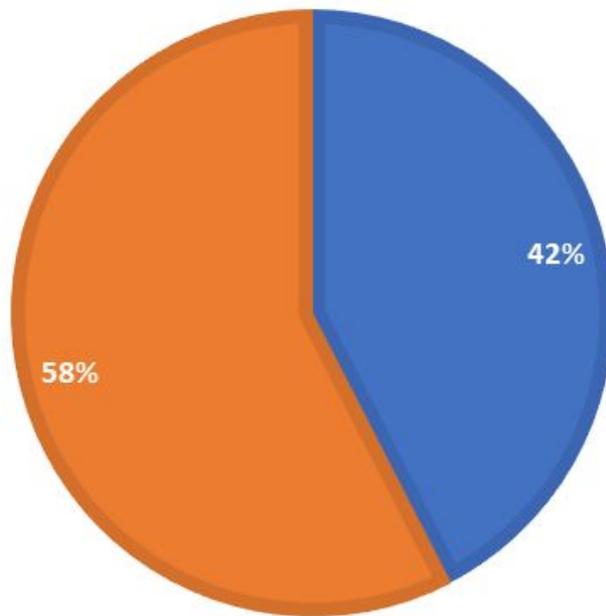
SELECT THE ORGANIZATION TYPE THAT BEST DESCRIBES YOUR ORGANIZATION



“Industry” includes trade associations and consultancies

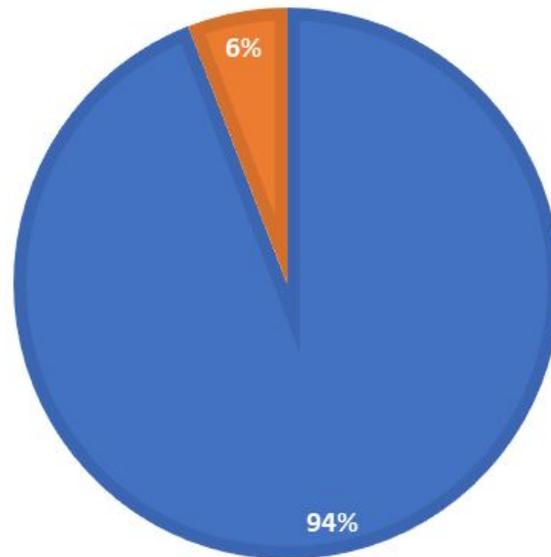
DO YOU ALREADY HAVE VALIDATED SCIENCE BASED TARGETS?

■ Have validated targets ■ Do not have validated targets

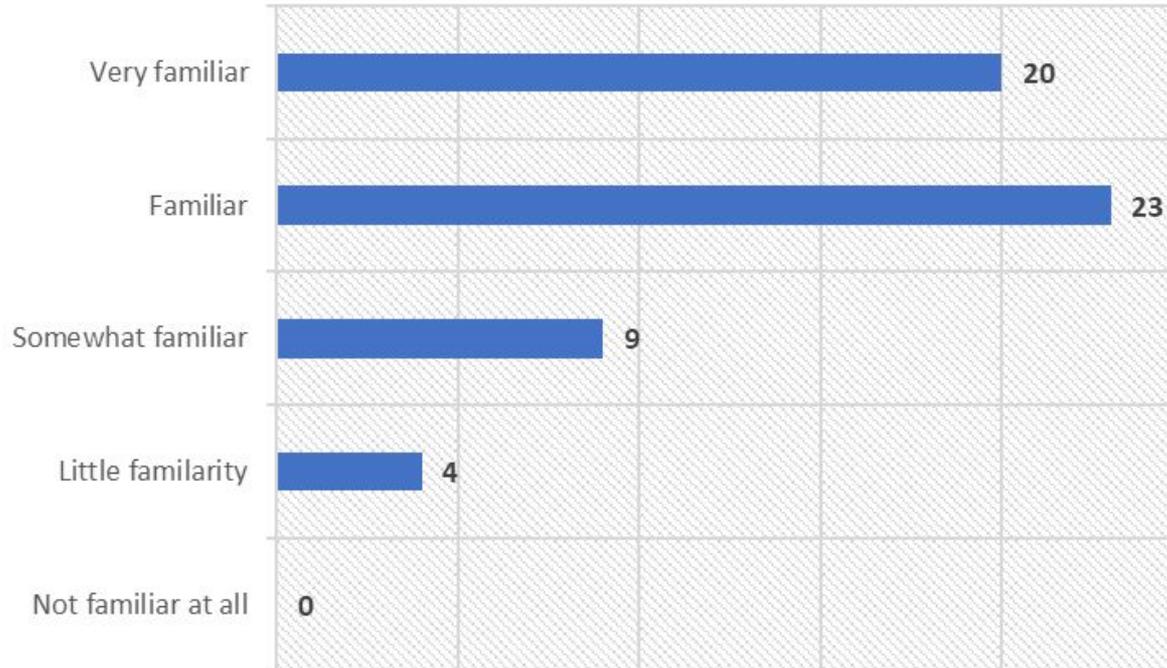


IF YOU DO NOT HAVE VALIDATED SCIENCE BASED TARGETS CURRENTLY, DO YOU PLAN ON SUBMITTING TARGETS FOR VALIDATION?

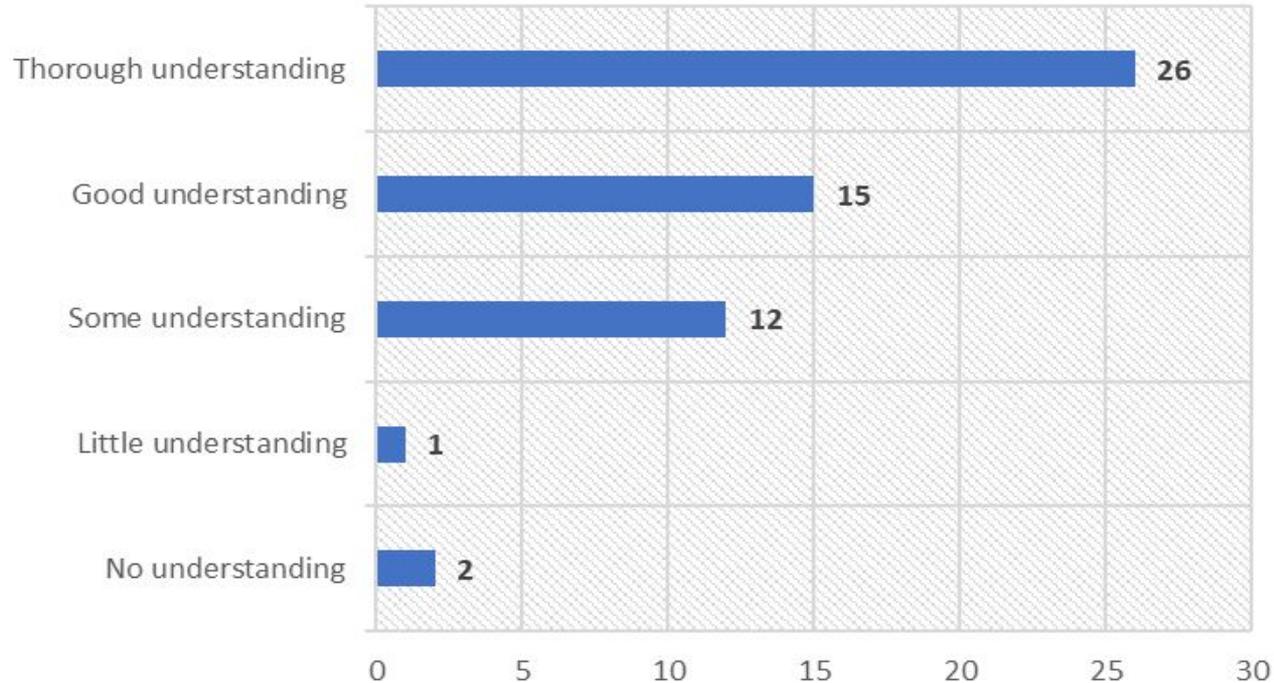
■ Are planning on submitting SBTs ■ Not planning on submitting SBTs



HOW FAMILIAR ARE YOU WITH THE OVERALL CONCEPTS OF SCIENCE BASED TARGET SETTING AND OTHER SBTi RESOURCES?

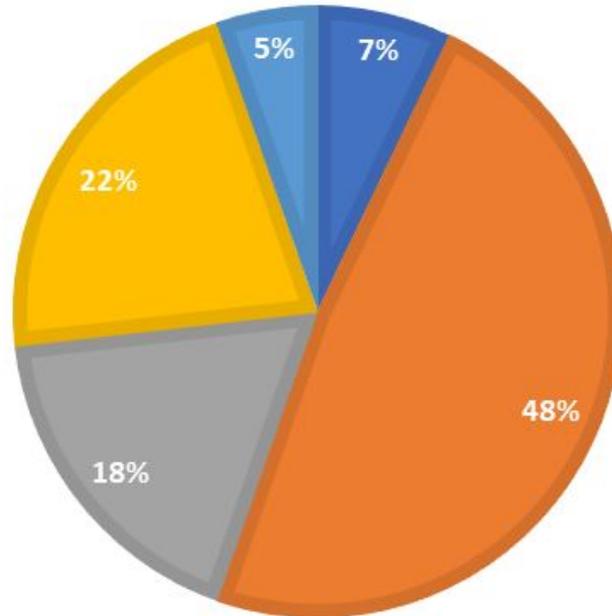


DO YOU UNDERSTAND THE SECTORAL DECARBONIZATION APPROACH (SDA) AND HOW IT WOULD APPLY TO YOUR ORGANIZATION?



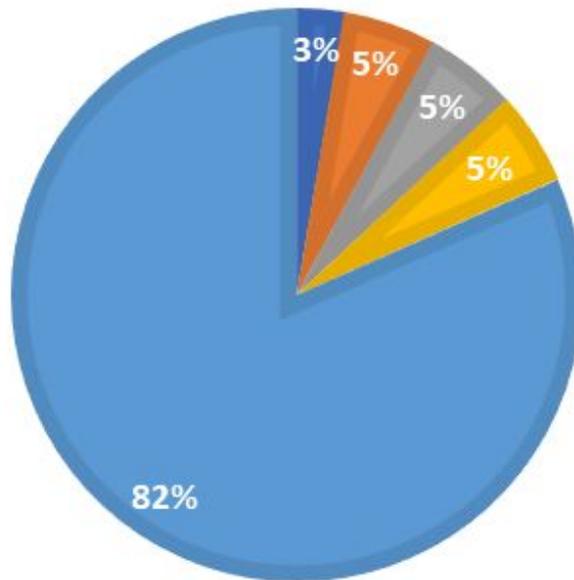
THE SCOPE AND APPLICABILITY OF THE PROPOSED TARGET SETTING APPROACH FOR THE CEMENT SECTOR IS CLEAR AND REASONABLE. TO WHAT EXTENT DO YOU AGREE?

■ Strongly disagree ■ Disagree ■ Neutral ■ Agree ■ Strongly agree



IF YOU DISAGREE, WHY?

- The requirements are not clear
- The sector definition is not appropriate
- It does not incentivise urgent action by companies
- It is too demanding for companies
- Other

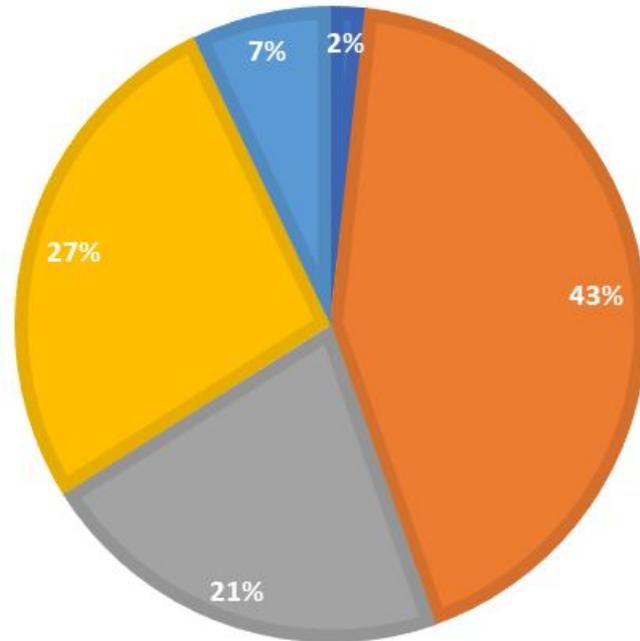


'OTHER' COMMENTS

- Recarbonation, CCU, waste-derived fuels, mineralisation, biomass not sufficiently taken into account (~19 responses).
- Does not sufficiently allow for cement demand growth (3 responses).
- Would like a separate target for clinker (1 response).
- Would like target-setting at level of concrete (1 response).
- Creates an issue for companies producing both cement and lime (1 response).
- SCMs added in the ready-mix site cannot be included as part of the cementitious or cement equivalent denominator (1 response).
- It would have been great to provide a detailed explanation of the sectoral decarbonisation approach vs the absolute contraction (1 response).

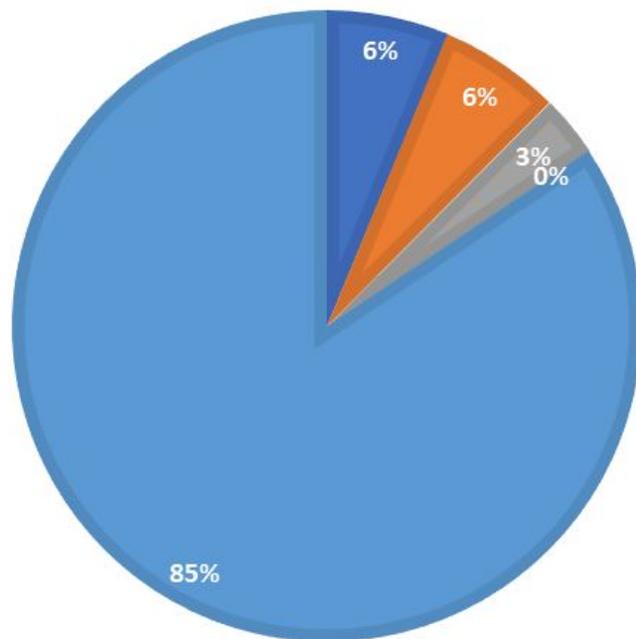
DO YOU AGREE WITH THE CHOICE OF IEA NET ZERO REPORT AS THE SOURCE OF 1.5°C PATHWAYS FOR CEMENT?

■ Strongly disagree ■ Disagree ■ Neutral ■ Agree ■ Strongly agree



IF YOU DISAGREE, WHY?

- It does not incentivise urgent action by companies
- It is too demanding for companies
- The sector definition is not appropriate
- The boundaries are not appropriate
- Other

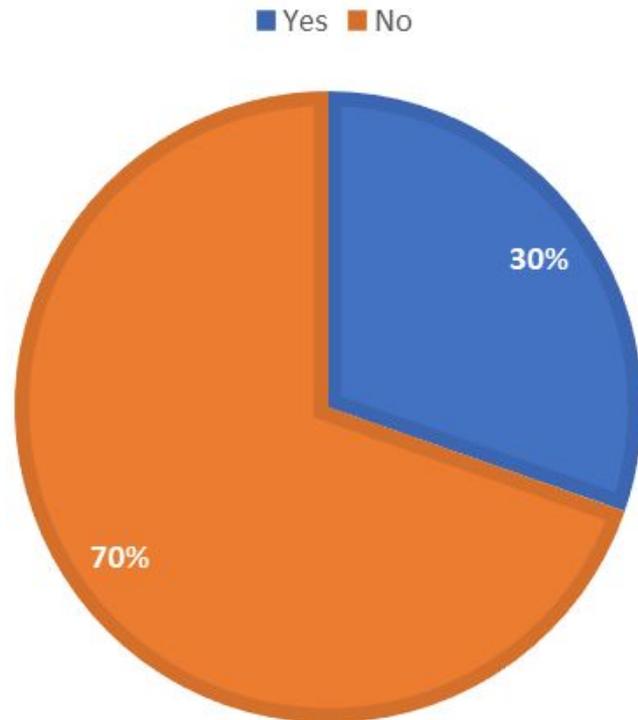


'OTHER' RESPONSES

- Agree with the choice of IEA NZE if all levers (recarbonation, waste-derived fuels...) are taken into account (17 responses).
- Demand projections too high (1 response).
- Demand projections too low for some regions (12 responses).
- A steeper carbon reduction path should be targeted (1 response).
- Does not take existing achievements into account. / Companies with a low base-year intensity would have to reach unachievable target (2 responses).



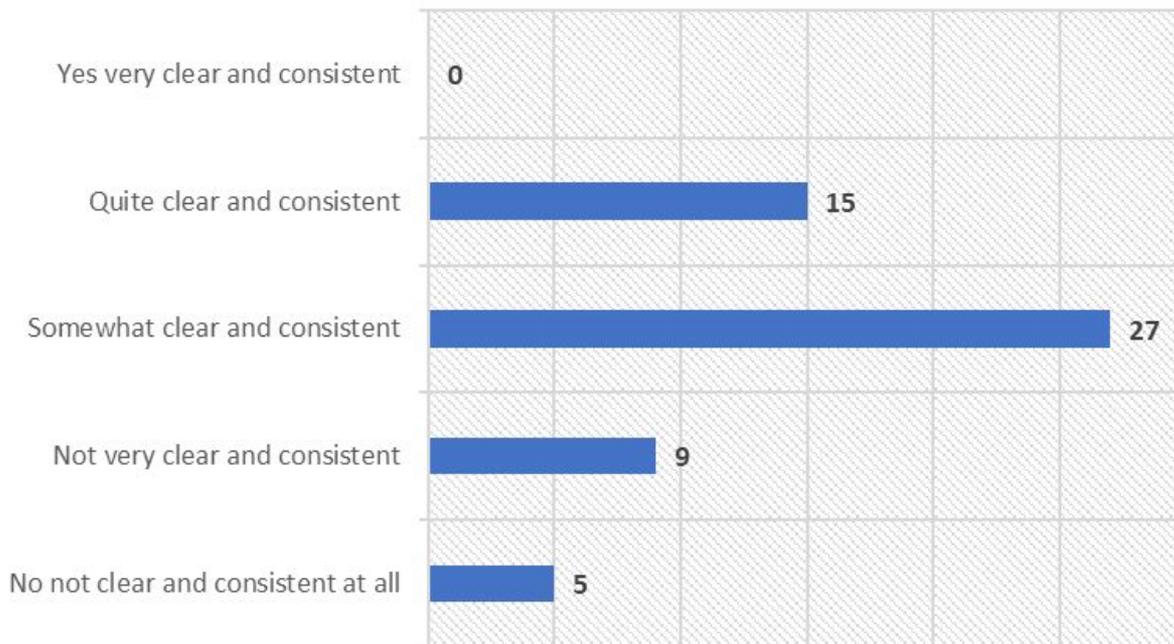
DO THE GUIDANCE AND PATHWAY CHOSEN SUFFICIENTLY INCENTIVISE NEAR-TERM EMISSIONS REDUCTIONS IN THE CEMENT INDUSTRY?'



PLEASE BRIEFLY EXPLAIN YOUR ANSWER TO THE PREVIOUS QUESTION

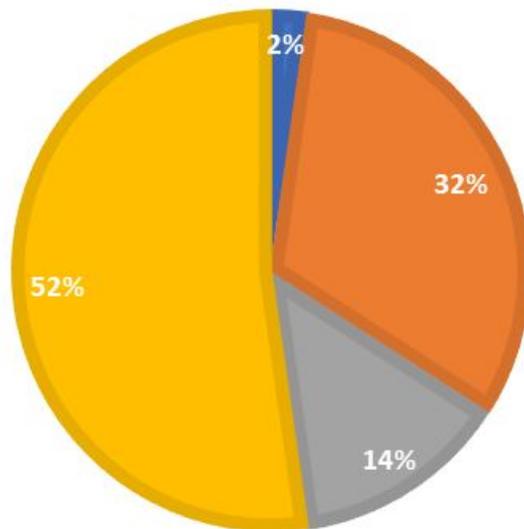
- Comments about decarbonisation levers (as above).
- The recommendation for scope 3 category 1 emissions could be strengthened.
- The IEA scenario assumes that mitigation in the cement sector is more costly than average. This is not true when political costs are included when it comes to actions by consumers/households. Considering all factors there are not enough arguments to allow the cement sector to have weaker decarbonization targets than the average.
- The chosen pathway seems suitably ambitious, but the fact that the target is an intensity one means that there is a risk that there will be less scrutiny on companies increasing production levels compared to other sectors where companies commit to an absolute emissions reduction target.
- Cement companies may also consider publishing absolute reduction science-based targets - this should be mandatory to promote transparency and absolute emissions reductions.

THE GUIDANCE DOCUMENT PROVIDES CRITERIA FOR GHG ACCOUNTING IN ADDITION TO THOSE PROVIDED BY THE GHG PROTOCOL AND THE SBTi GENERAL CRITERIA THAT ARE SPECIFIC TO THIS SECTOR. ARE THESE CLEAR AND CONSISTENT IN YOUR VIEW?



IF YOU DO NOT THINK THE ABOVE IS CLEAR AND CONSISTENT, WHY?

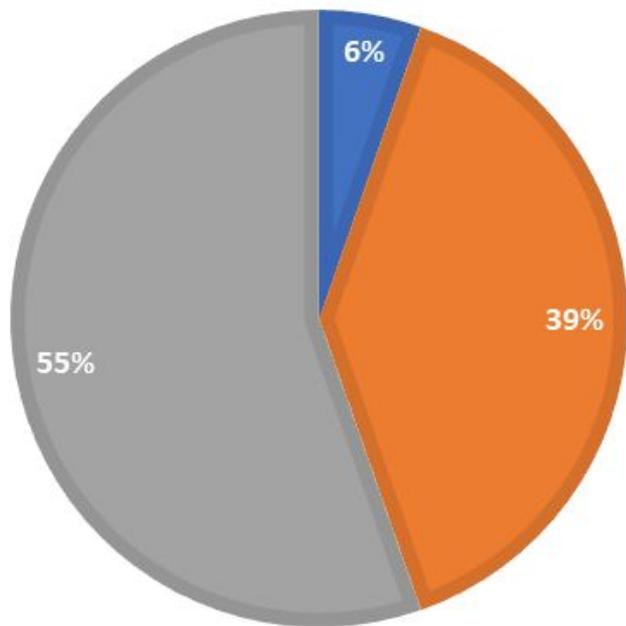
- They introduce requirements that are not in line with the GHG Protocol
- They introduce requirements that are not in line with industry practice
- Further industry-specific accounting criteria are needed
- Other



'OTHER' RESPONSES

- Comments about decarbonisation levers (as above).
- 58% of cement is produced in China and China has its own measurement protocols.
- SBTi documents could be clearer.
- Please refer to Cement CO₂ Protocol and Scope 3 guidance.
- The paragraph explaining that CO₂ emissions from the combustion, processing and distribution phase of bioenergy and the land use emissions and removals associated with bioenergy feedstocks shall be included in the target boundary when setting a science-based target does not seem in line with the GHG Protocol. Per the GHG Protocol, biogenic CO₂ emissions are not included in the total scope 1 emissions, but reported separately as a memo item. It's standard practice to report CO₂ emissions from biofuel/biomass combustion for informational purposes, but not include in the totals.

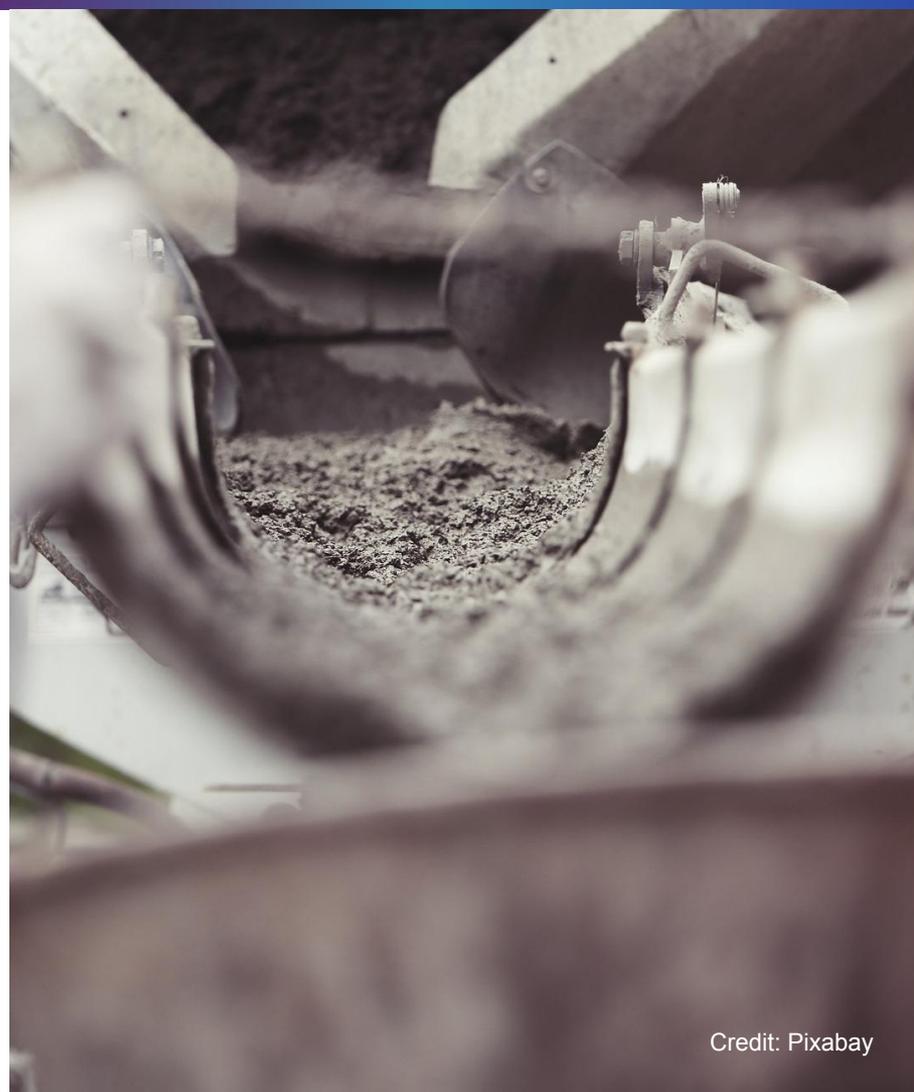
PLEASE INDICATE YOUR VIEW ON HOW/IF NATURAL CEMENT RECARBONATION COULD BE DEALT WITH (SEE CEMENT GUIDANCE DOCUMENT FOR DETAILS)



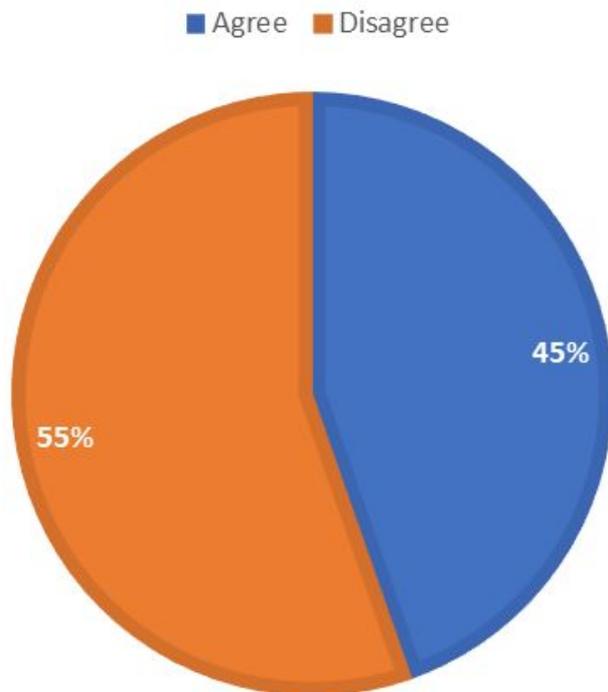
- Do not allow for accounting for natural recarbonation as part of science-based target-setting of companies
- Do not allow for accounting for natural recarbonation as an emission reduction to meet SBTs, but instead allow it to be cited by cement companies as a way to neutralize residual emissions to reach net zero once a long-term target SBT is met
- Other

'OTHER' RESPONSES

- 18 respondents advocate for natural recarbonation to be included in clinker emissions.
- 5 respondents point to the fact that natural recarbonation should be excluded from science-based targets as it does not change the challenge or opportunity to decarbonise.



TO HARMONIZE WITH OTHER SECTORS THIS GUIDANCE INTRODUCES MANDATORY NEAR-TERM SCOPE 3 TARGETS COVERING UPSTREAM EMISSIONS FROM FUELS FOR CEMENT COMPANIES. DO YOU AGREE WITH THIS APPROACH?

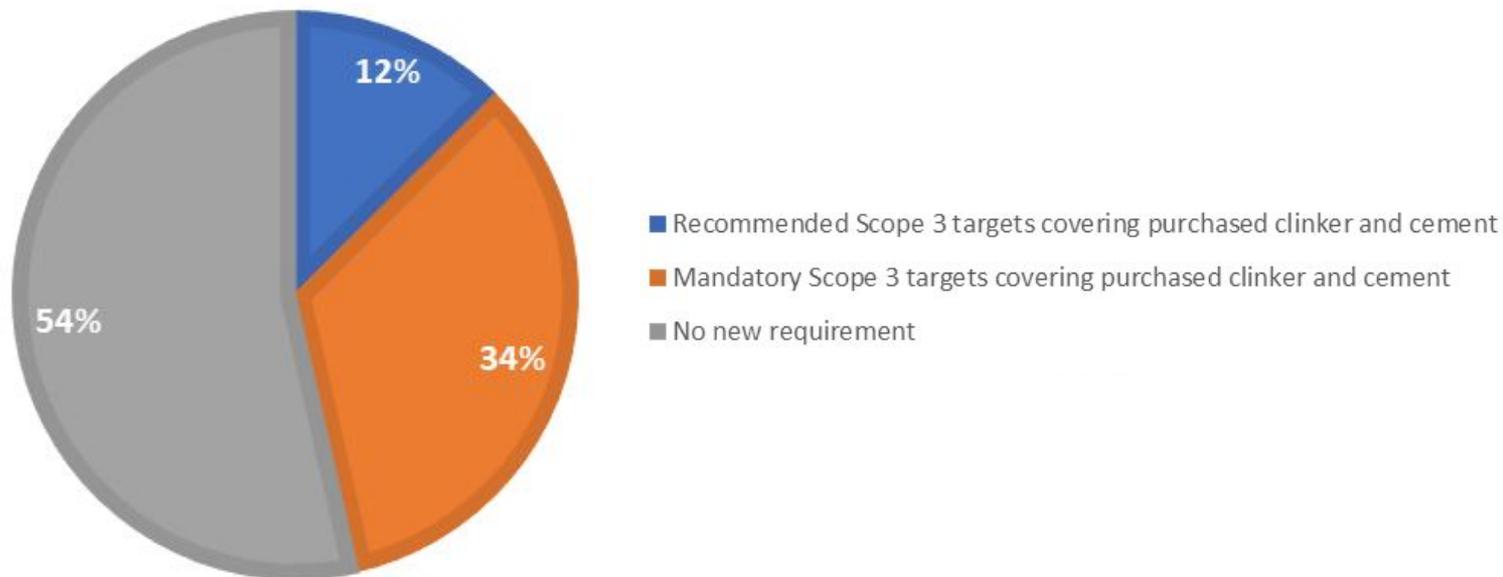


IF YOU DISAGREE, WHY?

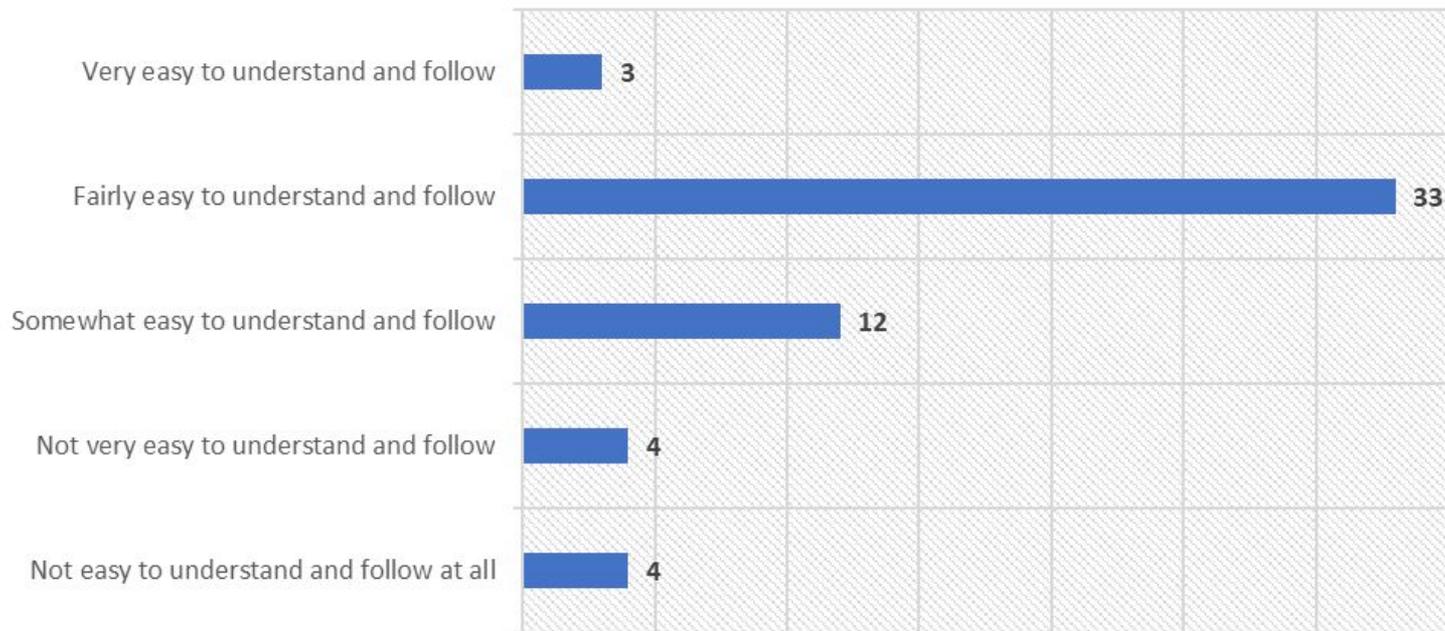
- “Only agree if the 40% limit is kept as for all sectors” (most responses).



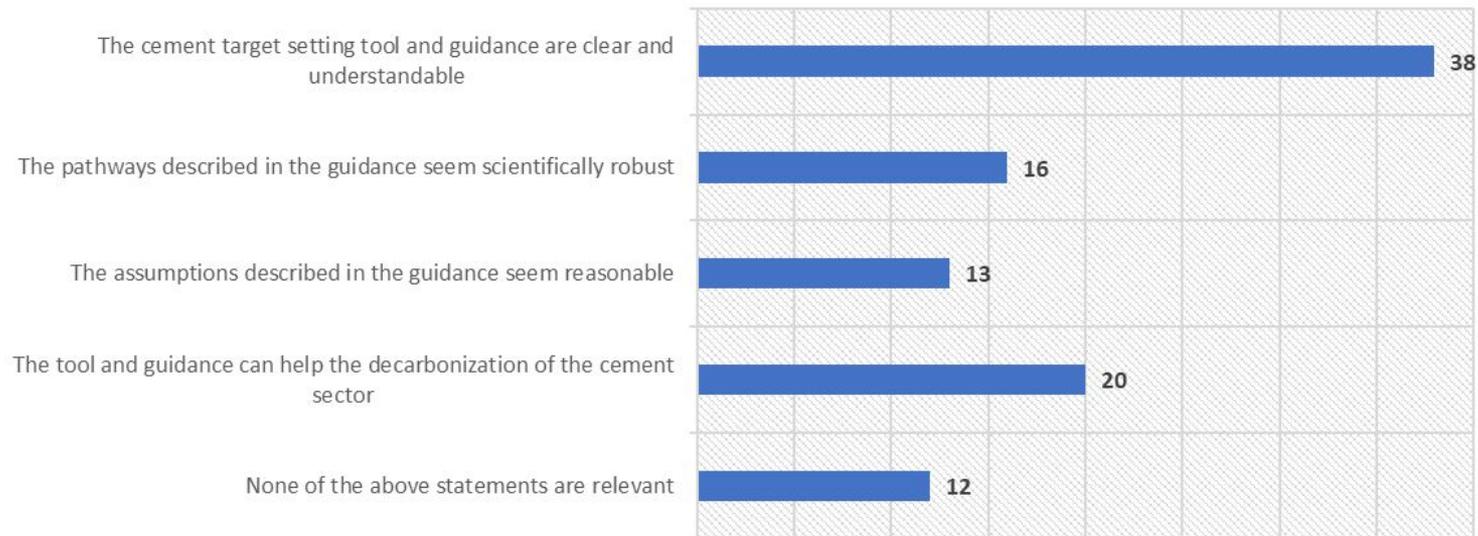
TO HARMONIZE BETWEEN COMPANIES THAT PRODUCE MOST OF THEIR CLINKER AND CEMENT AND THOSE THAT MOSTLY BUY IT, AND TO AVOID INVISIBLE “LEAKAGE” OF EMISSIONS FROM SCOPE 1 TO SCOPE 3, THIS GUIDANCE INTRODUCES RECOMMENDED NEAR-TERM SCOPE 3 TARGETS COVERING EMISSIONS FROM PURCHASED CLINKER AND CEMENT. IS YOUR PREFERENCE FOR:



THE INSTRUCTIONS IN THE TOOL ARE EASY TO UNDERSTAND AND FOLLOW?

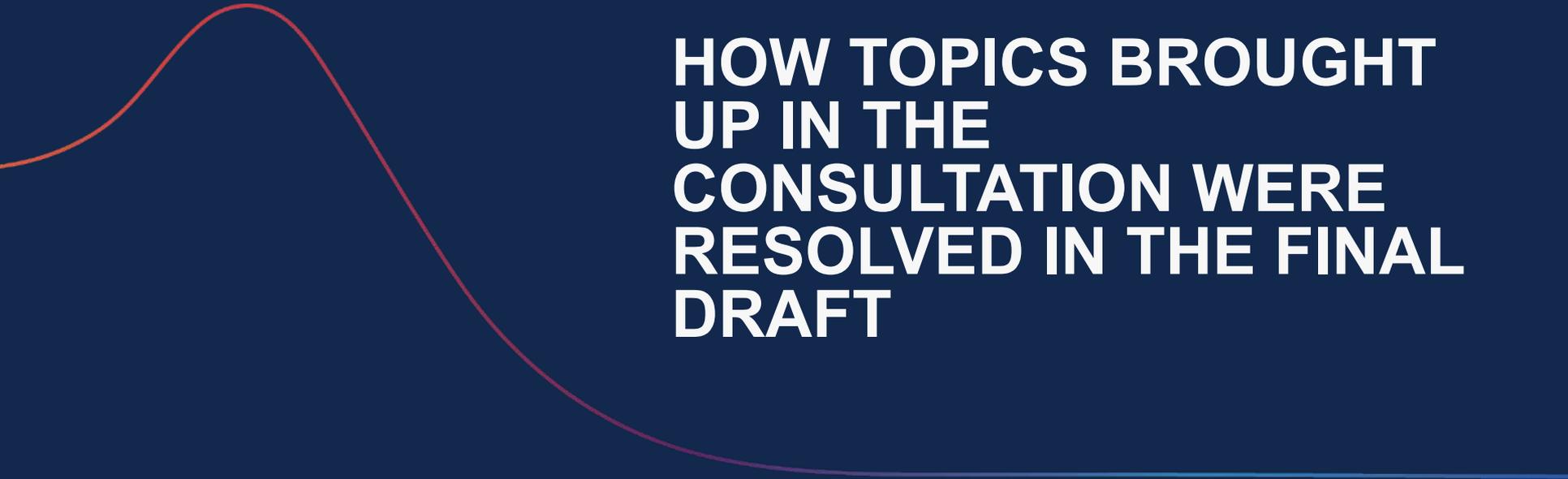


GENERAL COMMENTS



CONSULTATION RESPONSES SUMMARY

- Most responses came from industry (70%), followed by NGOs (23%).
- There was good geographical coverage, but further outreach can improve awareness.
- The topics of recarbonation, CCU, mineralisation, waste-derived fuels and biomass were the main reasons for comments suggesting major changes. These comments came mainly from industry.
- Aside from these topics, there was overall support for the choice of the pathway from all types of stakeholders.
- Relevant comments were made about improving clarity.



HOW TOPICS BROUGHT UP IN THE CONSULTATION WERE RESOLVED IN THE FINAL DRAFT

NATURAL CEMENT RECARBONATION

- Consensus was not reached in the Expert Advisory Group on this topic.
- Therefore, the SBTi internal technical team made a recommendation:
 - “Recarbonation is a relevant phenomenon for global carbon balances (mentioned by IPCC) and product carbon accounting.
 - “Natural recarbonation is not appropriate to be included in (cement scope 1) reductions towards meeting a target, or base year emissions, for multiple reasons:
 - It does not change the challenge or opportunity to decarbonise, i.e., it is not an action that the SBT incentivises a company to take.
 - It is not included in emissions scenarios used to develop pathways.
 - It would introduce accounting issues as it is not part of current accounting protocols used by companies.
 - “This does not mean that *industrial* recarbonation is not relevant to science-based targets (covered under CCU).
 - “Natural recarbonation may be relevant in the context of neutralization of residual emissions to reach net-zero.
 - “Both natural and industrial recarbonation should be an area for further work.”
- Therefore, natural cement recarbonation may not be included in base or target year emissions in the final guidance.

- Many comments received in the publication draft pointed out that the guidance on CCU was too restrictive and went beyond current GHG accounting practice.
- Therefore, it was decided to leave this topic open, with wording similar to the following used in the final guidance:

“Carbon capture and use can contribute to reducing the accumulation of GHGs in the atmosphere (Mac Dowell et al. 2017, Strunge et al. 2022). CCU applications are not yet fully covered by GHG accounting methods as questions surrounding the permanence of CO₂ sequestration, allocation of emissions savings between different actors, and capture and transport efficiency, amongst others, are not yet settled. Depending on the permanence of storage and the allocation of the savings, different types of CCU would be classified as either an emission reduction or Beyond Value Chain Mitigation.

“Where CCU is not considered an emission reduction towards meeting an SBT (due to its non-permanence, or due to a sharing of the CO₂-saving benefit between different entities), CCU could still be a relevant form of Beyond Value Chain Mitigation, whereby the benefit of having captured CO₂ for later use is allocated to the capturing company through unique credits, for example. As these emissions reductions or avoidance occur ex-post, industry participants are expected to participate and contribute to future technical discussions and research on defining best practices to appropriately account for these measures.”

WASTE-DERIVED FUELS

- Some consultation responses, and some EAG members, expressed a preference for excluding emissions from combustion of waste-derived fuels in cement kilns in emissions accounting.
- However, such exclusion of these emissions could only be appropriate as a kind of “avoided emission”, which is outside the scope of science-based targets.
- Therefore, the final guidance maintains the criterion of the consultation draft - that emissions from waste derived fuels must be included (as is current SBTi practice).
- Nevertheless, wording was added to discuss this topic in the guidance:

“The use of waste-derived fuels in cement kilns, which avoids emissions in another sector of the economy through reducing landfill or incineration emissions, cannot count as an emission reduction towards meeting an SBT, but could potentially be a relevant form of Beyond Value Chain Mitigation if accounting mechanisms and contracts were set up to allocate the credit for saving those emissions. Industry participants would be expected to participate and contribute to future discussions on this.”

BIOMASS

- Respondents to the consultation pointed out that the criteria on biomass were unclear and inconsistent
- This issue has been solved by making reference to the SBTi general criteria on this, and thus making clear that there are no sector-specific criteria to be applied here.



SCOPE 3

- In the consultation, questions were asked about whether there should be a mandatory requirement for scope 3 near-term targets for upstream emissions from fuels, and purchased clinker and cement, which would go beyond the SBTi's current general requirement for near-term scope 3 targets only when these make up over 40% of scope 1, 2 and 3 emissions.
- Consultation responses to these questions were a mix of those in favour or against (see previous slides).
- During the SBTi review process of the guidance, the review team noted that the 40% threshold is cross-sector, and that sector projects should consider setting sector-specific criteria for emissions that are material.
 - The review resulted in a recommendation to include mandatory near-term scope 3 target for purchased cement and clinker for cement companies.
 - This recommendation has been implemented in the final guidance.
 - A near-term scope 3 target covering upstream emissions from fuels remains recommended, rather than required.

THANK YOU

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