

# CBSR: CORPORATE NET ZERO WORKING GROUP

## **TARGET SETTING**

Friday, March 4<sup>th</sup>, 2022  
1:30 – 3:00 pm EST

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# VIRTUAL HOUSEKEEPING



**Adjust your Zoom display name to show:**  
[Your Name, Company Name]



**Encouraged to switch on video & actively  
Participate in the chat box and discussions**



**Chatham House Rules**  
**Take care of your needs**



**Tech questions?** Ask them in the **CHAT**

# AGENDA

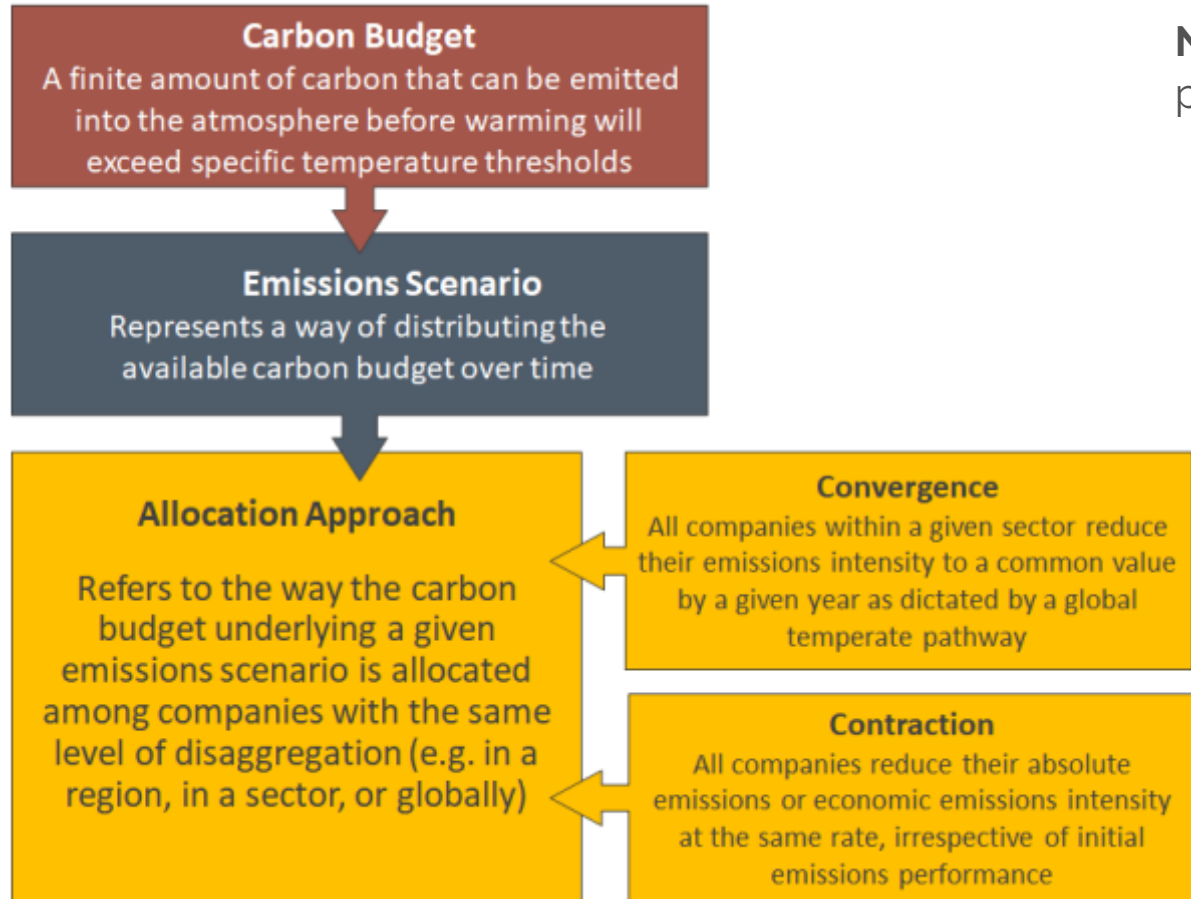
Timing (EST)	Agenda Item
1:30 – 1:40 PM	Introductions
1:40 – 2:55	<b>Target Setting:</b> <ul style="list-style-type: none"><li>• Net Zero Targets</li><li>• A company-wide effort<ul style="list-style-type: none"><li>• Are you a point and shoot kind of company, or methodical and calculated style of target setting culture?</li></ul></li><li>• Plan first or plan later?<ul style="list-style-type: none"><li>• How are you preparing to set a target?</li></ul></li><li>• Methodologies</li><li>• Decision Making</li><li>• Frameworks<ul style="list-style-type: none"><li>• What external frameworks are you using to set your target?</li></ul></li><li>• Gaps in the Value Chain</li></ul>
2:55-3:00	Closing & next steps

# Meet the CBSR Corporate Member Net Zero Working Group

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# NET ZERO TARGETS



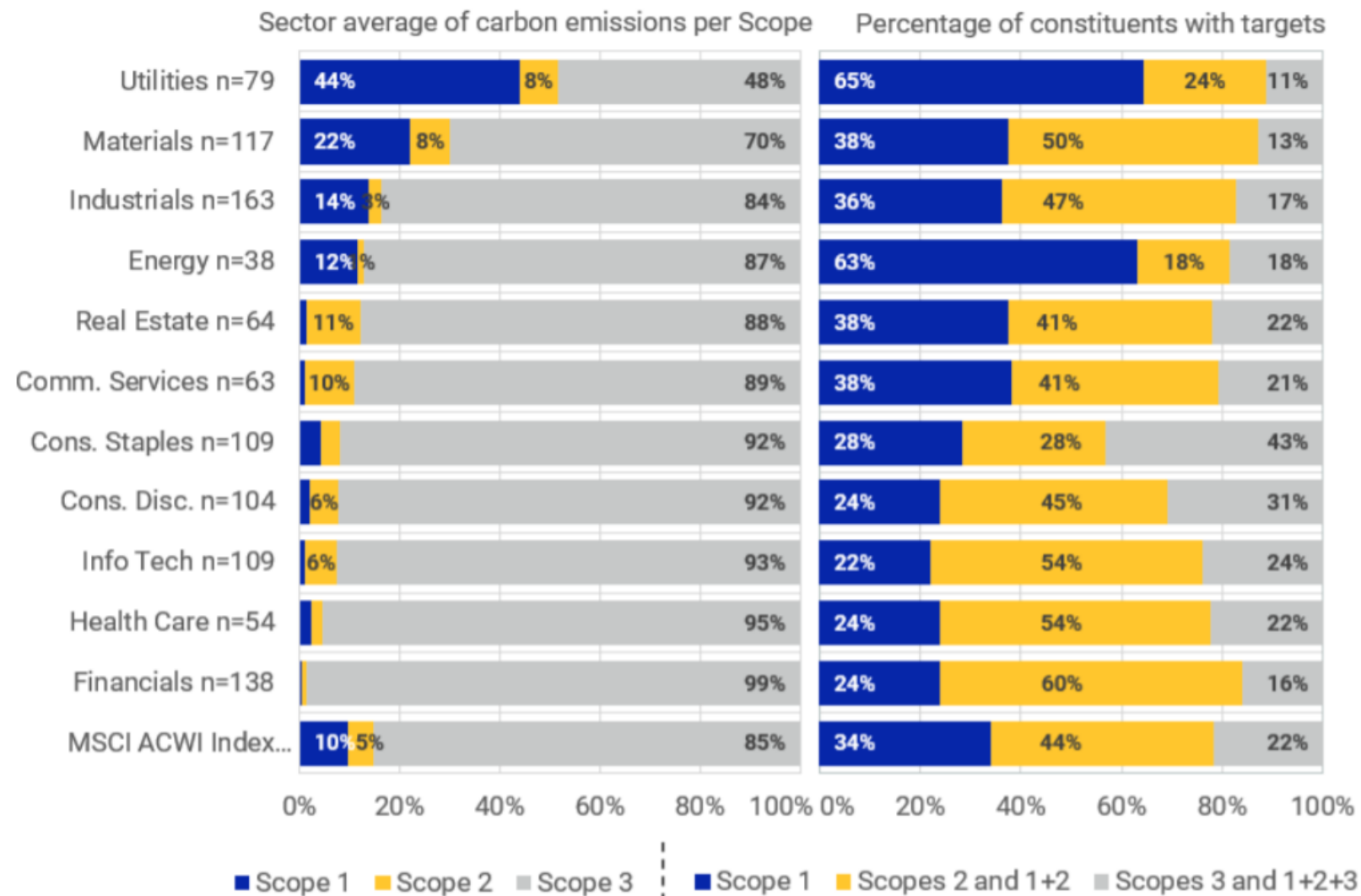
**Net Zero:** achieving a balance between emissions produced and emissions taken out of the atmosphere.

- Emerged from The Paris Agreement, which states that “global carbon emissions should reach net zero by mid-century (2050).”
- A standardized definition does not yet exist, however, it generally refers to corporate targets that are in line with global efforts to limit warming to 1.5 degrees C.
- Global efforts are underway to define net-zero, including work from the **Science Based Targets initiative, UN Convened Net Zero Asset Owners Alliance, Net Zero Asset Managers Initiative.**

\* 2021 MSCI data

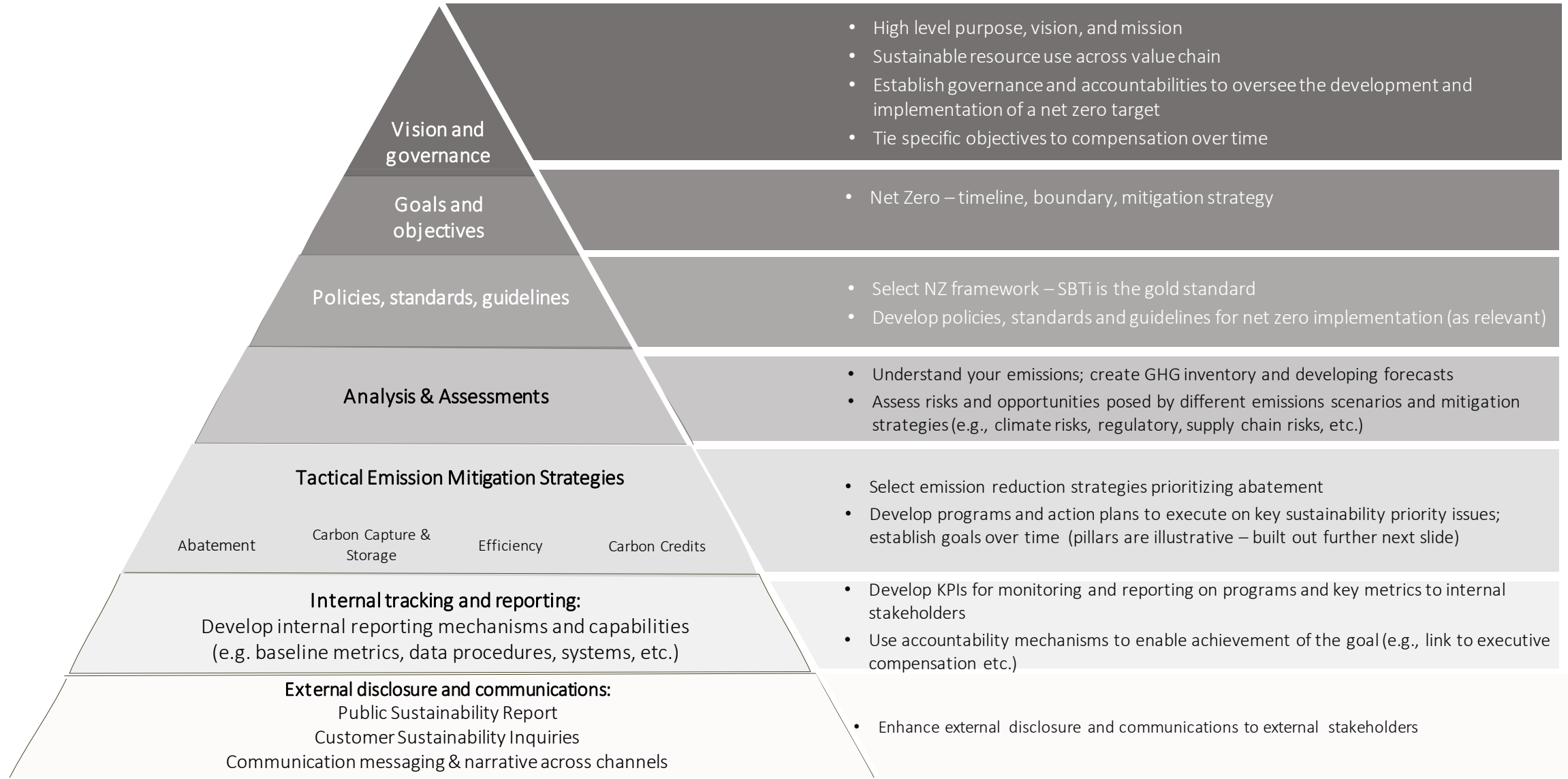
# NET ZERO TARGETS

Exhibit 4: Scopes of Carbon Emissions (left) and Targets (right) by GICS Sector



\* 2021 MSCI data

# NET ZERO IS A COMPANY-WIDE EFFORT







**Discussion question:**

Are you a point and shoot kind of company, or methodical and calculated style of target setting culture?



# NUANCES OF TARGET SETTING

## PLAN → SET TARGET

- Net-zero pledges that are built upon robust plans for the real reduction of an actor's emissions and incorporate interim targets offer the greatest clarity in terms of their contribution to global decarbonization
- However, up front analysis is time-consuming and may result in more conservative targets.

OR



## SET TARGET → PLAN

- Time is scarce - the IPCC AR6 Report of 2021 indicates that the remaining carbon budget to remain within 1.5° of global warming is 400 billion tonnes CO<sub>2</sub>. For an average country, its share of the carbon budget will run out in 9 years
- Only a limited number of subnational governments and companies have developed action plans towards their net-zero targets or incorporated them into binding legislation
- Increased potential for greenwashing



**Discussion question:**

How are you preparing to set a target?

# TARGET SETTING METHODOLOGIES

## 1

### Understand Your Emissions

- Develop a GHG Emissions Inventory
  - Resources to help:
    - [GHG Inventory Development Process and Guidance](#)
    - [Scope 1 & 2 GHG Inventory Guidance](#)
- Use current activity data to forecast emissions
- Analyze pathway options (e.g., NZ by 2030, 2040, 2050)
- Select pathway that aligns with corporate strategy

## 2

### Set a Target

Must include:

- **Boundary:** Will your target focus on CO<sub>2</sub> or all GHG emissions? Will it cover emissions from all company activities or only within direct operations?
- **Mitigation strategy:** Tactics include abatement, neutralization, avoided emissions, carbon finance, etc.
- **Timeframe:** Define a target year by which the company is expected to operate in a state of net-zero emissions.

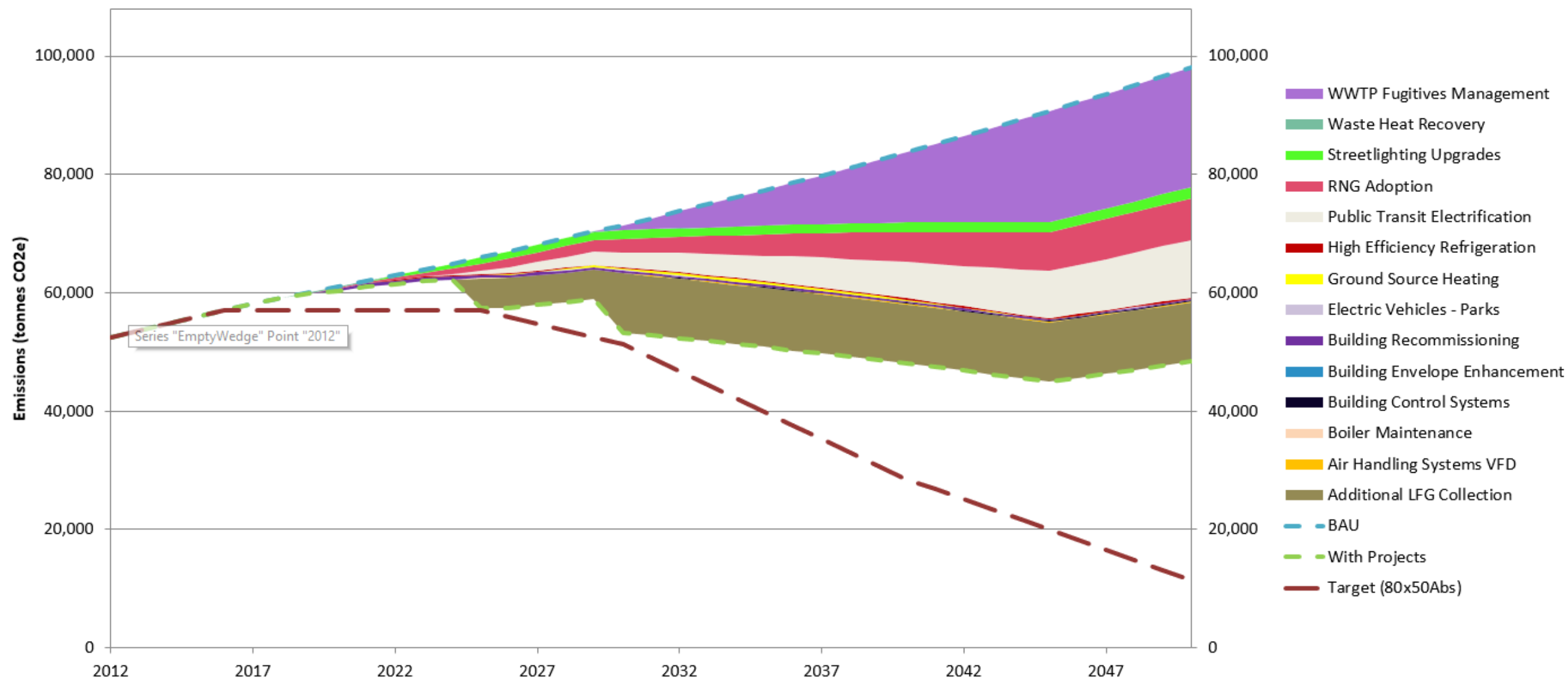
## 3

### Explore Mitigation Options

- Much like the first of the 3 Rs of waste management, the focus should first be **reducing** generated carbon emissions.
- Reductions are achieved through a **range of energy efficiency initiatives and emission-reducing technologies and processes** (e.g., fuel switching).
  - Next **look to internal opportunities to sequester carbon** (e.g., nature-based solutions, carbon capture, utilization & storage).
- Remaining emissions that can't be eliminated can be netted out by purchasing **carbon offsets**.

# TARGET SETTING DECISION MAKING

Emissions Wedge Diagram for Selected Elements of the Org Structure





**Discussion question:**

What external frameworks are you using to set and meet your target?

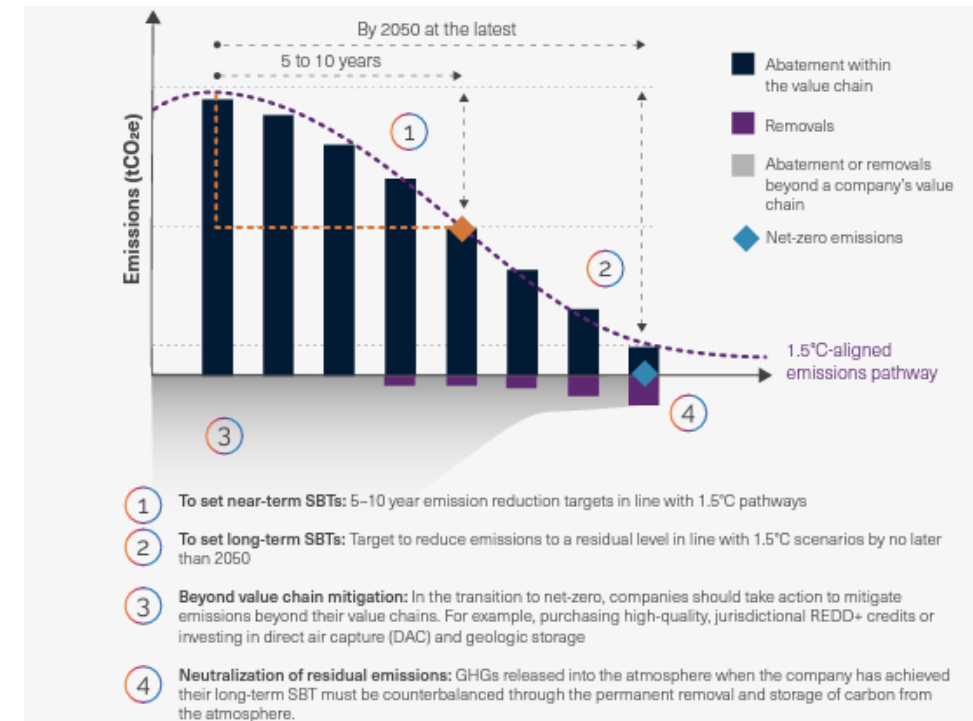
# NET ZERO FRAMEWORK: SBTi

## Science Based Targets Initiative (SBTi)

- Launched the **SBTi Net-Zero Criteria** process to develop the first science-based global standard for corporate net-zero targets.
- Released a [paper](#) in 2020 outlining the **conceptual foundations for credible, science-based net zero targets** that includes a set of guiding principles, target setting approaches & mitigation strategies.
- Developed sector-specific and cross-sectoral methods for setting full-value chain net zero targets and a corresponding validation system.

## Net Zero Standard

Defines the net-zero target as rapid action to halve emissions before 2030 and long-term deep emissions cuts of 90-95% before 2050



Recent update (2021/10/28)

**The Net-Zero Standard**



# NET ZERO FRAMEWORKS: OTHER INITIATIVES



**Benchmark** provides guidance about investor expectations of focus companies and evaluates company ambition and action in tackling climate change.



As part of the UN Race to Zero, Business Ambition for 1.5°C is a **global coalition** of UN agencies, business and industry leaders to commit to setting verifiable science-based targets at 1.5°C and achieve net-zero emissions economy by 2050.

## NET ZERO ASSET MANAGERS INITIATIVE

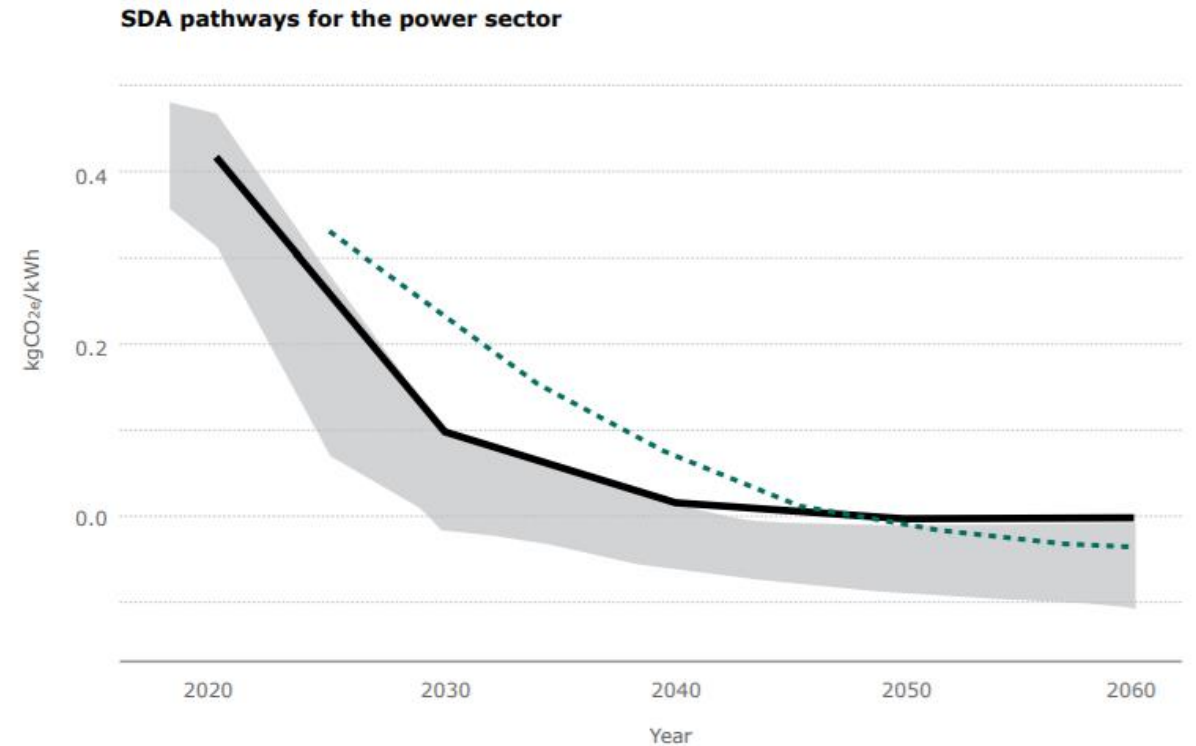
**International group** of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner

**128 signatories**

**\$43 trillion in assets under management**

# SCIENCE BASED TARGETS: **SECTORAL PATHWAYS**

- “Sectoral Decarbonization Approach”
  - Allocates the 2°C carbon budget to different sectors.
  - Accounts for inherent differences among sectors, such as mitigation potential and how fast each sector can grow relative to economic and population growth
  - Pathways for **5/13** industries are complete, the rest are in progress
- SBTi has published [sector-specific guidance](#) for NZ target setting using SDA



**Figure 5:** SDA pathways for the power sector aligned with 1.5°C (black line and shaded area) and well-below 2°C (dashed green line) based on IEA ETP B2DS with GHG emissions intensity on the y-axis.

# SCIENCE BASED TARGETS: **BEST PRACTICES**

## **Boundary**

Cover all material sources of GHG emissions within your company's value chain

## **Transparency**

Disclose the target boundary, timeframe, anticipated abatement and neutralization, and any interim targets or milestones

## **Abatement**

Aim to eliminate emissions at a pace & scale consistent with mitigation pathways that limit warming to 1.5°C with no or limited overshoot

## **Timeframe**

Reach net-zero GHG emissions by no later than 2050; earlier is encouraged but not at the expense of the abatement level.

## **Accountability**

Support NZ target with interim targets to drive action within timeframes that are aligned with corporate planning and investment cycles

## **Neutralization**

Neutralize residual GHG emissions with equivalent amount of carbon removals; involves carbon capture and storage

## **Compensation**

Consider efforts to compensate unabated emissions in the NZ transition to contribute to the global transition to net-zero

## **Mitigation hierarchy**

Prioritize eliminating emissions within the value chain of the company over neutralizing measures.

## **Environmental and social safeguards**

Adhere to robust social and environmental principles, (e.g., protection/restoration of natural ecosystems, etc.)

## **Robustness**

Compensation and neutralization measures should: ensure additionality, have measures to assure permanence of outcomes, address leakage and avoid double-counting.

# EMISSION GAPS IN THE VALUE CHAIN

- Many financial institutions have committed to net-zero emission goals by working to address **carbon emitted directly through their operations** as well as **indirectly through activities such as energy use**
- However, scope 1 & 2 emissions represent only **~1%** of financial institutions' emissions
- The real impact will come from addressing **scope 3 emissions** – emissions along a company's value chains
- **Net Zero Banking Alliance:** a commitment to aligning lending and investment portfolios to net zero by 2050
- Banks' targets shall include their clients' Scope 1, Scope 2 and Scope 3 emissions, where significant, and where data allows; coverage is expected to increase between each review period.



# NEXT STEPS

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- Register for GLOBE Forum 2022
- Next NZWG meeting: May 6<sup>th</sup>, 2022
- **NZWG Badge:** process coming soon



# Thank you!

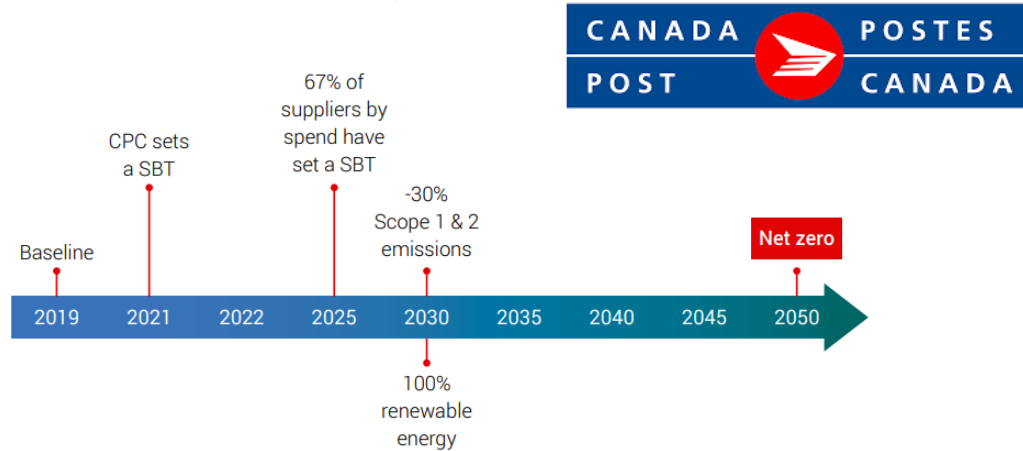
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# MEMBER SPOTLIGHTS

## Our net zero pathway



Aviva's 2040 Net Zero plan means:



- Net Zero carbon emissions from its investments by 2040;
- A clear pathway to Net Zero: a cut of 25% in the carbon intensity of its investments by 2025 and of 60% by 2030. This is ahead of the 50% cut required by the Paris Agreement;
- Net Zero carbon emissions from its own operations and supply chain by 2030.



- **Reduce its greenhouse gas emissions 65% by 2025 against base year 2010.** What's most important in the fight against climate change is to actually reduce emissions. The company's net zero goal is also accompanied by a specific, numerical target for residual emissions that are likely to remain after IBM has first done all it can across its operations to reduce.
- **Procure 75% of the electricity it consumes worldwide from renewable sources by 2025, and 90% by 2030.**
- **Use feasible technologies, such as carbon capture (in or by 2030) to remove emissions in an amount which equals or exceeds the level of IBM's residual emissions.**

# KEY TAKEAWAYS



## [Key takeaway]

- Description

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