New Resources and Criteria for Setting Science-based Targets April 30, 2019



#### DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

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## Welcome and introductions



Cynthia Cummis Director of Private Sector Climate Mitigation WRI



Heidi Huusko Senior Manager UN Global Compact



#### Agenda

#### Introduction – 20 min

- The Science Based Targets initiative
- The need for science-based targets

#### New resources and criteria – 40 min

- Paper on science-based target setting foundations
- Science-based Target Setting Manual
- SBTi Criteria and Recommendations Version 4.0
- Target Validation Protocol
- Science-based target setting tool

#### Questions and Discussion – 30 min



# **Questions?**

# Type them into the Q&A box

This webinar will be recorded and a recording will be shared within 24 hours

• • •	Q&A
	Welcome
	Feel free to ask the host and
	panelists questions
Туре уо	ur question here
Send	anonymously Cancel Send
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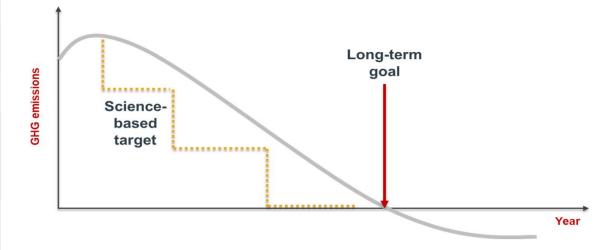
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#### Introduction | What is a science-based target?

Targets adopted by companies to reduce greenhouse gas (GHG) emissions are considered "science-based" if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement – to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.





#### The Science Based Targets initiative | Who we are

The Science Based Targets initiative (SBTi) mobilizes companies to set science-based targets and boost their competitive advantage in the transition to the low-carbon economy.



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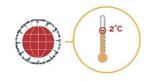
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# The Science Based Targets initiative | What we do



Champions science-based target setting as a powerful way of boosting companies' competitive advantage in the transition to the low-carbon economy.



Reduce barriers to the adoption of SBTs, offering cutting edge resources and experts guidance, as well as independently assessing and approving companies' targets.



Drive the adoption of science-based emissions reduction targets until a critical mass of companies is reached.



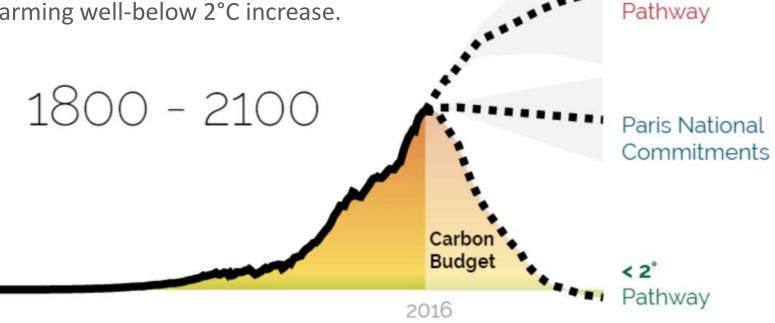
Institutionalize adoption of SBTs in a systematic and consistent way.



## The Science Based Targets initiative | Vision and mission

Science-based GHG emission reduction target setting will become <u>standard business practice.</u>

Corporations will play a major role in ensuring we keep global warming well-below 2°C increase.



> 4-6°



The rise of science-based targets

Since officially launching in June, 2015, up to April 24, 2019:



Companies have formally committed to set science-based targets



Companies with approved targets



Companies joining the Call to Action every week



## **Getting started with science-based targets**



#### **SBTi Call to Action Guidelines**



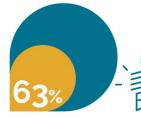
https://sciencebasedtargets.org/wp-content/uploads/2018/10/C2A-guidelines.pdf

#### Companies are seizing the opportunity to take ambitious climate action

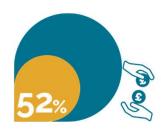


"This is about how we want to be seen as a company, about what it means to be a responsible corporate citizen; it is also what our customers expect from us. By setting science-based targets we are ensuring our own sustainability, as well as supporting the needs of businesses in the future. Our customers need to know we have their back and can help them reduce energy use in the long term."

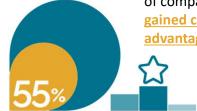
- John Pflueger, Dell's Principal Environmental Strategist



of company execs have seen increased innovation



of company execs have seen <u>investor confidence</u> <u>boosted</u>



of company execs have gained competitive advantage



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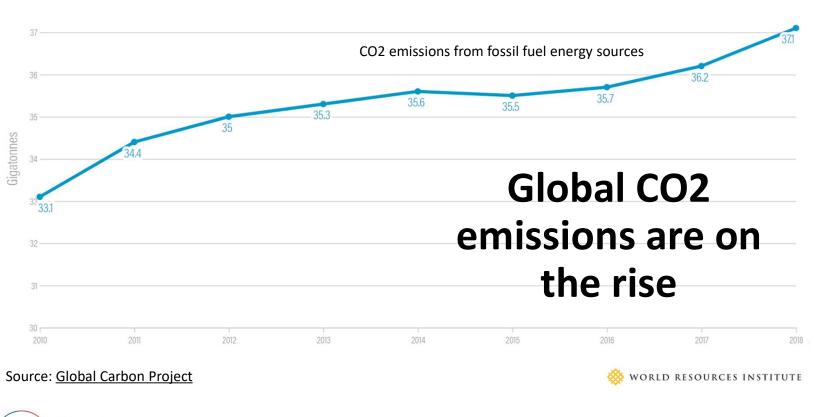
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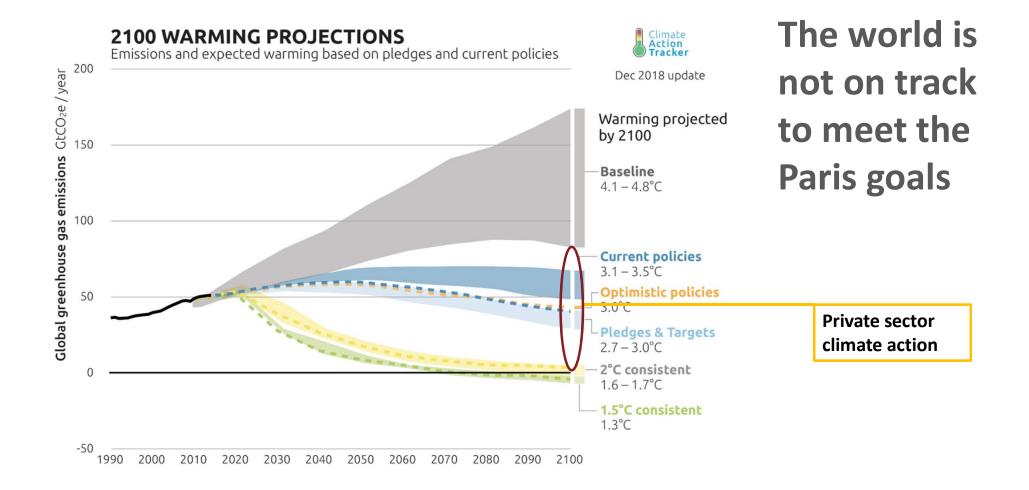


The need for science-based targets

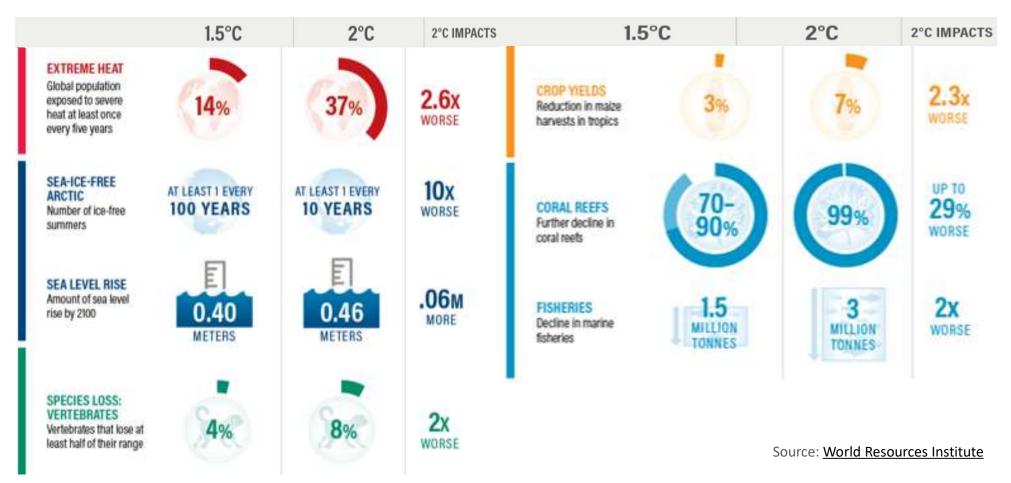




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Source: Climate Action Tracker



## Half a degree of warming makes a big difference - IPCC's 1.5 Special Report

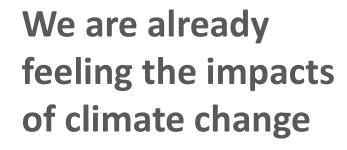




Photo: Mathias Eick EU/ECHO

## **UN Climate Action Summit 2019**



- The UN Secretary-General António Guterres is convening the UN Climate Action Summit to raise ambition to tackle climate change on 23 September 2019 in New York City.
- Driving **business ambition and innovation** ensures meaningful private sector contributions to the Summit preparation.
- For more information, please visit: <u>https://www.un.org/en/climatechange/</u>





## **UN Climate Action Summit 2019**



# CLIMATE ACTION SUMMIT CLIMATE A RAGE WE CAN WIN

Mitigation Strategy	Social & Political Drivers	Youth & Mobilization	Energy Transition	Infrastructure Cities & Local Action	Industry Transition	Resilience & Adaptation	Nature-based Solutions	Climate Finance & Carbon Pricing
Chile Patricia	Peru Spain	Marshall Islands Ireland	Denmark Ethiopia	Kenya Turkey	India Sweden	United Kingdom Egypt	China New Zealand	Jamaica France Qatar
Espinosa Achim Steiner Paul Polman	DESA ILO UN Global Compact WHO	Youth Envoy	SEforAll	UN-Habitat	WEF	UNDP	UNEP David Nabarro	World Bank



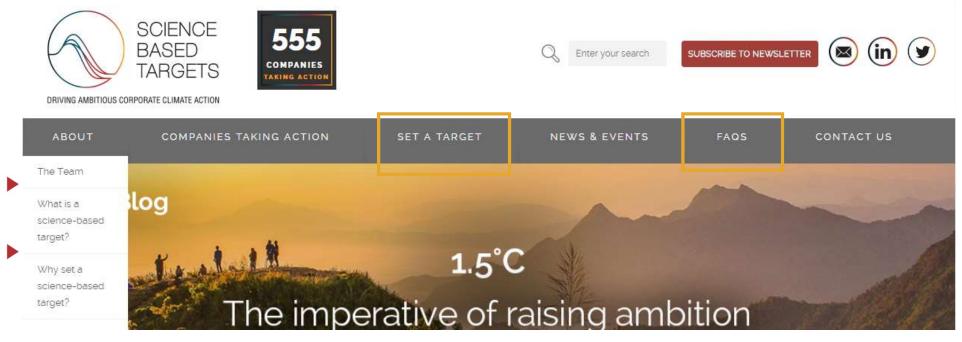
On the occasion of the UN Climate Action Summit: A Global Call for Raised Business Ambition and Innovation

- 1. All companies to raise ambition and align with 1.5°C through their mitigation and adaptation measures to deliver a Net-Zero economy by 2050
- 2. Engage in a new mitigation strategy pathway **measuring carbon removal** to foster innovation and nature-based solutions
- 3. Engage in **Ambition Loops** to enhance national climate policies and scale local publicprivate partnerships and a **just transition**



#### Explore our website to learn more

The SBTi has produced new resources to help companies set targets with the most ambitious goal of the Paris Agreement to limit temperature increase to 1.5°C





Set a target > New resources: <u>https://sciencebasedtargets.org/resources/</u> FAQS: https://sciencebasedtargets.org/faq/

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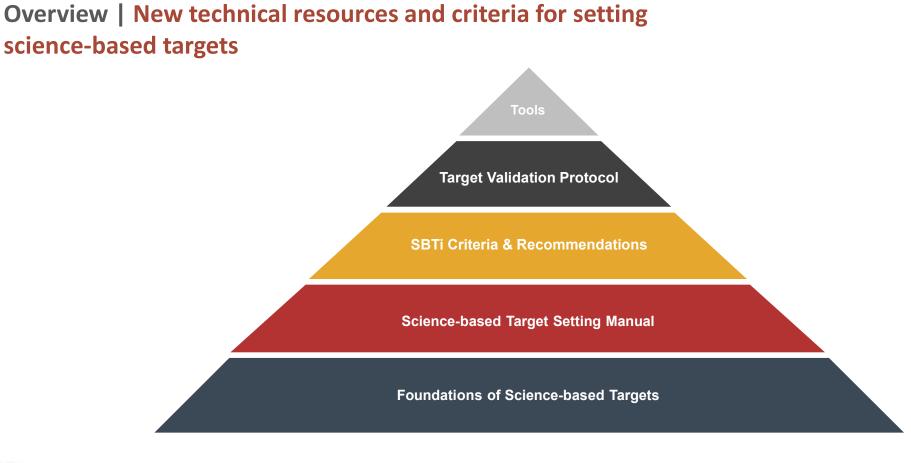
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Available now at <u>sciencebasedtargets.org/resources/</u>.

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#### Foundations of science-based target setting

The Foundations of Science-based Target Setting paper explains how the SBTi has leveraged newly available science to align its methods with 1.5°C and well-below 2°C pathways.

It reflects an in-depth consultation with the SBTi's **Scientific Advisory Group**, composed of leading scientists from international agencies such as the Intergovernmental Panel on Climate Change (IPCC), International Institute for Applied Systems Analysis (IIASA), and International Energy Agency (IEA), as well as leading academic institutions and state climate agencies.

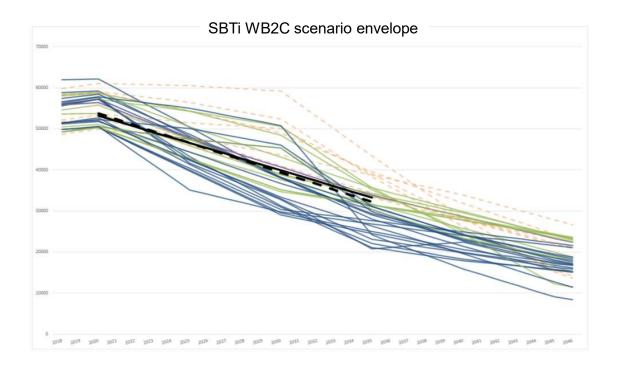
Available now at sciencebasedtargets.org/resources/.







#### Foundations of science-based target setting | Absolute Contraction Approach\*



Scenarios drawn from the Integrated Assessment Modeling Consortium (IAMC) are used to construct a scenario envelope for **1.5°C** and **well-below 2°C** (WB2D) Compliance.

Four-step selection process to ensure that the combined set of scenarios is aligned with the principles of **plausibility, responsibility, objectivity, and consistency**.

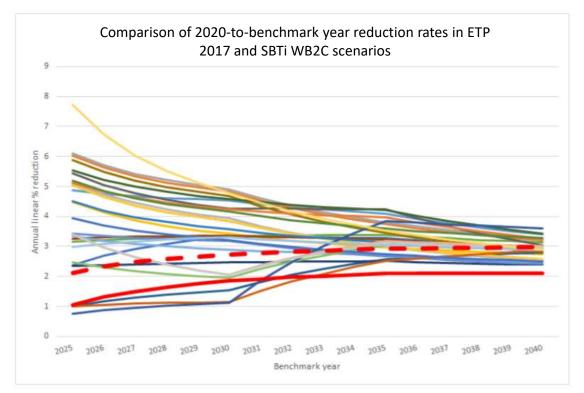
Reduction rate calculated 2020-2035.



\*Companies are assigned absolute percentage reductions in line with reductions required at a global level.

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#### Foundations of science-based target setting | Sectoral Decarbonization Approach\*



Comparison between ETP 2017 2DS (solid red) and B2DS (dashed red) pathways and new, IAMC scenario envelopes.

- B2DS aligned with well-below 2°C ambition
- Neither scenario meets 1.5°C ambition
- Near-term technical development will prioritize the determination of a 1.5°C-aligned SDA pathway



\*The global carbon budget is divided by sector and then allocated to individual companies.

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#### **Survey questions**

What does it mean well-below 2°C?

- The Paris Agreement mandates that the global average temperature must be held "well below 2°C" above preindustrial levels, as well as aiming to limit the increase to 1.5°C.
- Although "well below 2°C" is not strictly defined in the Paris Agreement, it is commonly understood to be analogous to the IPCC's 'likely chance' terminology, which is equivalent to a 66% probability of keeping temperature rise below a certain limit.
- A 66% probability of limiting warming to 2°C is equivalent to a median warming (50% probability) of about 1.7-1.8C.
- This is why the SBTi uses the 66% likelihood associated with 2°C warming as a WB-2°C budget.
- The Beyond 2°C Scenario (BD2S) of the IEA used in the SDA method, is consistent with a 50% chance of limiting average future temperature increases to 1.75°C.



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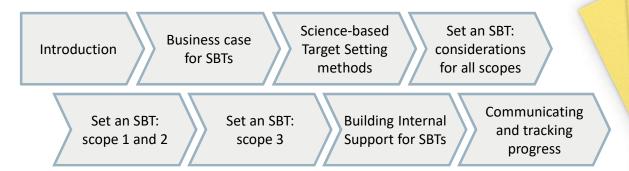
**Questions and Discussion** – 30 min



#### Science-based target setting manual | Version 4.0

The manual provides stepwise guidance and recommendations for setting SBTs.

#### Chapters



Available now at <u>sciencebasedtargets.org/resources/</u>.

SCIENCE BASED TARGETS Note: The manual incorporates SBTi's most recent criteria and recommendations (V4) as best practices. However, it does not necessarily describe criteria as requirements. When SBTi criteria are not described as requirements in the main text, they are noted in the footnotes.

For target validation by the SBTi, companies should also consult the SBTi Criteria (version 3 or version 4) and Target Validation Protocol.

#### **Survey questions**

#### How can companies account for early mitigations actions if they are not eligible to use the SDA approach?

- One of the benefits of using the SDA method is that it takes into account the company's base year emissions intensity in the modeling of the targets, in contrast with the sector's intensity pathway.
- The absolute contraction approach does not account for early mitigation action.
- The SBTi does not have criteria on base years, companies can choose the base year of their preference. Early base years can reflect early actions. However, companies must take into account that the level of ambition of targets is assed for both the timeframe ambition and forward-looking ambition (most recent year to target year).
- Also, companies that are already procuring a significant percentage of renewable electricity have the option to submit renewable electricity targets.

Company name] commits to increase active sourcing of renewable electricity by [percent]% between by [target year] from a [base year] base-year.

Or companies with 100% RE can commit to maintain this levels during the target period.

• More guidance to choose a base year can be found in section 4.1 in the SBTi Manual.



#### **Survey questions**

#### Can a company apply the GEVA method to set targets?

- Companies can only use GEVA for scope 3 target-setting since it may not constrain global emissions to a specified budget in its current formulation.
- More information on GEVA method formulation can be found in section 3.1 of the SBT Manual.

# What are recommendations for companies at various levels of sophistication and completeness with their scope 3 inventories and target setting

- A useful approach to calculating scope 3 emissions is to first calculate a high-level screening inventory. Such an inventory can be used to directly set a target or to identify high-impact categories for which more accurate data are needed. Over time, companies should strive to develop complete inventories and improve data quality for high-impact categories (e.g. collect primary data) to better track progress against targets. If yearly calculation of scope 3 emissions is not possible, companies should estimate scope 3 emissions every 2 or 3 years to check if there are significant changes in total scope 3 emissions.
- <u>Chapter 6 in the SBTi Manual provides information about the importance of scope 3 target setting, main</u> <u>challenges when developing a scope 3 inventory, and options to model a scope 3 target.</u>



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#### SBTi Criteria & Recommendations | Version 4.0

Version 4.0 will be in effect as of October 15<sup>th</sup>, 2019.

All submissions received by the SBTi prior to October 15<sup>th</sup>, 2019 can be assessed against the criteria version 3.0 or 4.0.

Available now at <u>sciencebasedtargets.org/resources/</u>.







# SBTi Criteria & Recommendations | Version 4.0

The main criteria remain the same.

- ✓ S1+2 target in line with science, up to 5% exclusions from the GHG inventory and target combined
- Target year 5-15 years from the date submitted to the SBTi
- Absolute and intensity targets are accepted as long as they are in line with absolute contraction approach or approved sector pathways.
- Scope 3 target required if scope 3 emissions are 40% or more of total scope 1, 2, and 3 emissions
- ✓ Scope 3 targets must be ambitious
- ✓ Offsets and avoided emissions cannot be counted in base year emissions and/or progress against an SBT





# SBTi Criteria & Recommendations | Version 4.0

#### Main changes



#### Level of ambition of scope 1 and scope 2 targets - upgrade

C7 - Level of ambition: At a minimum, scope 1 and scope 2 targets will be consistent with the level of decarbonization required to keep global temperature increase to **well below 2°C compared to pre-industrial temperatures**, though companies are encouraged to pursue greater efforts towards a 1.5°C trajectory. Both the target timeframe ambition (base year to target year) and the forward-looking ambition (most recent year to target year) must meet this ambition criteria.



#### Reference to sector-specific guidance - new

C20 - Requirements from sector-specific guidance: Companies should follow requirements for target setting and minimum ambition levels as indicated in relevant sector-specific methods and guidance at the latest, 6 months after the sector guidance publication. A list of the sector-specific guidance and requirements is available in the **Target Validation Protocol**.



# SBTi Criteria & Recommendations | Version 4.0 main changes

#### Main changes (continued)



#### Mandatory target recalculation - new

C22 - Mandatory target recalculation: To ensure consistency with most recent climate science and best practices, targets must be reviewed, and if necessary, recalculated and revalidated, at a **minimum every 5 years**. The latest year in which companies with already **approved targets must revalidate is 2025**. Companies with an approved target that requires recalculation must follow the most recently applicable criteria at the time of resubmission



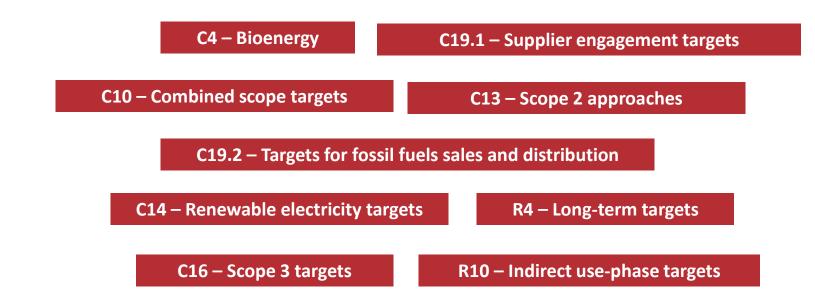
#### Reference to target validity after approval - new

C23 - Target validity: Companies with approved targets must announce their target publicly on the SBTi website within 6 months of the approval date. Targets unannounced after 6 months must go through the approval process again, unless a different publication time frame has been agreed with the SBTi.



### SBTi Criteria & Recommendations | Version 4.0

**Refinements & additions to clarifications of pre-existing criteria and recommendations** 





More questions? Please write to info@sciencebasedtargets.org

#### Has the criteria for scope 3 changed in the new version of the criteria?

No the scope 3 criteria remain the same. Scope 3 targets are considered ambitious if they fulfill any of the following:

- Absolute: Absolute emission reduction targets that are consistent with the level of decarbonization required to keep global temperature increase below 2°C compared to pre-industrial temperatures.
- Economic intensity: Economic intensity targets that result in at least 7% year-on-year reduction of emissions per unit value added.
- Physical intensity: intensity reductions aligned with the relevant sector reduction pathway within the Sectoral Decarbonization Approach; or targets that do not result in absolute emissions growth and lead to linear annual intensity improvements equivalent to 2%, at a minimum.

Supplier engagement targets in line with the criteria are also an acceptable formulation.

#### Do companies who have already had their targets approved need to revise their targets?

No. Companies with approved targets will be encouraged to review their targets to be in line with the new criteria, but are not obliged to do so. Companies essentially that set pre or in 2020 will have a mandatory review in 2025. Companies that set in 2021 and beyond it will be five years from that date. i.e. set in 2021, revise in 2026.



#### How does the SBTi Criteria treat indirect use-phase targets?

- Category 11 of the GHG Protocol distinguishes between direct and indirect use-phase emissions.
- Indirect-use phase emissions are for <u>voluntary reporting</u> in the GHG inventory. These refer to products that indirectly consume energy (fuels or electricity) during use (e.g. Apparel (requires washing and drying), food (requires cooking and refrigeration), pots and pans (require heating), and soaps and detergents (require heated water).
- Scope 3 indirect use-phase emissions are not required, but are encouraged when these emissions are significant. However, these targets are considered additional. The SBTi assesses the <sup>3</sup>/<sub>3</sub> scope 3 emissions target coverage without considering indirect use-phase emissions or targets.

#### Does criteria vary according to the regions and country regulations?

The SBTi Criteria does not vary per region or country. Current methods and tools use global emissions reduction trajectories. We only have criteria for specific sectors.

We recommend that companies align their targets to national goals when these are more ambitious than the average global emissions reductions or sector-specific reductions specified in the sbt methods and tools.



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### **The Target Validation Protocol**

#### How does the SBTi assess targets?

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Outline

- 1. Validation process overview (from submission to approval)
  - Overview of Initial screening/LR/AA/TWG stages
- 2. Target classification
  - Minimum ambition thresholds for 2°C, well-below 2°C, and 1.5°C
  - Protocol for classifying scope 1 and 2 targets
- **3.** Target recalculation: procedure for target resubmissions
- 4. Assessment of SBTi criteria
  - Validation requirements and recommendations for each criterion
  - Conditions for criteria to be met/not met
- 5. Sector specific requirements
  - Specific requirements on methods and minimum ambition thresholds for some sectors

Available now at <u>sciencebasedtargets.org/resources/</u>.

# **Criteria assessment table**

Criteria	Validation requirements, and recommendations	Criterion assessment			
C1 – Scopes The targets must cover company-wide scope 1 and scope 2 emissions, as defined by the GHG Protocol Corporate Standard.	<ul> <li>At least one target covering scope 1 (S1) and scope 2 (S2) must be submitted (can be a combined target or separate targets), regardless of the size of each scope's emissions.</li> <li>Either percentage-based emission- reduction targets or renewable energy procurement targets are acceptable for S2 emissions.</li> </ul>	<ul> <li>Criterion met if:         <ul> <li>Targets cover both S1 and S2 separately or as a combined target</li> </ul> </li> <li>Criterion not met if:         <ul> <li>No S1 or S2 target is set, regardless of the scale of these emissions</li> </ul> </li> </ul>			
<b>C2 – Significance thresholds</b> Companies may exclude up to 5% of scope 1 and scope 2 emissions combined in the boundary of the inventory and target.	<ul> <li>The GHG inventory must account for at least 95% of corporate-wide emissions.</li> <li>All exclusions (e.g., activities, facilities) must be clearly justified with estimates of associated emission value.</li> <li>Specific regions/business activities can be excluded if they represent less than 5% of</li> </ul>	<ul> <li>Criterion met if:</li> <li>No GHG emissions are excluded from the S1 and S2 inventory or target boundary, <u>OR</u></li> <li>GHG exclusions of S1 and S2 combined in the inventory and target boundary represent less than 5% of total S1 and S2 emissions, <u>AND</u></li> <li>If exclusions include specific regions or business,</li> </ul>			



## **Target classification overview**

#### Ambition thresholds and process

Target classification describes the ambition of a company's scope 1 and scope 2 emissions reduction target, relative to a long-term temperature goal.

Long-term temperature goal	Ambition range (global emissions pathway)	Ambition range (sector emissions pathway)				
2°C Approx. 50% chance of limiting warming in 2100 to below 2°C	1.23% ≤ X < 2.5% annual linear reduction rate over target period	SDA 2DS pathway ≤ X < SDA B2DS pathway				
Well below 2°C Approx. 66% chance of limiting peak warming between present and 2100 to below 2°C	2.5% ≤ X < 4.2 % annual linear reduction rate over target period	$X \ge SDA B2DS pathway$				
1.5°C Approx. 50% chance of limiting peak warming between present and 2100 to below 1.5°C	X ≥ 4.2 % annual linear reduction rate over target period	N/A				



Is there a cost associated with resubmission?

Do companies need to pay every time they submit their new/revised targets?

We submitted before the end of January and there was no charge for the review. Will be there a charge for the review of the resubmitted target?

- From February 2019 onwards, all companies must use the target validation service to have their science-based targets validated (USD 4950 + applicable VAT).
- Subsequent resubmissions cost USD 2490 (+ applicable VAT) per submission.
- The resubmission price is available to companies that 1) have submitted at least once using the paid target validation service, 2) already have approved targets but need to update them, and/or 3) were approved through a preliminary validation under the free service.
- Section 7 of the Target Validation Protocol refers to two situations where a company with approved targets resubmits targets for validation to the SBTi:



	Target Revalidation	Voluntary target ambition update
When can it occur?	When changes could compromise the relevance and consistency of the existing targets (e.g. scope 3 emissions become 40% or more of scopes 1, 2 and 3 emissions; significant changes in company structure and activities (e.g., acquisitions, divestitures, mergers), significant changes in data used to calculate the targets such as growth projections)	When a company intends to increase its target ambition in order to comply with most recent climate science or has achieved its target ahead of time
SBTi process	Regular submission form - resubmission cost	New form for "voluntary target ambition update" – no cost
Conditions	Not applicable.	<ol> <li>Base year and target year of the updated target remains unchanged;</li> <li>The assumptions used to model the original target continue to be valid</li> </ol>



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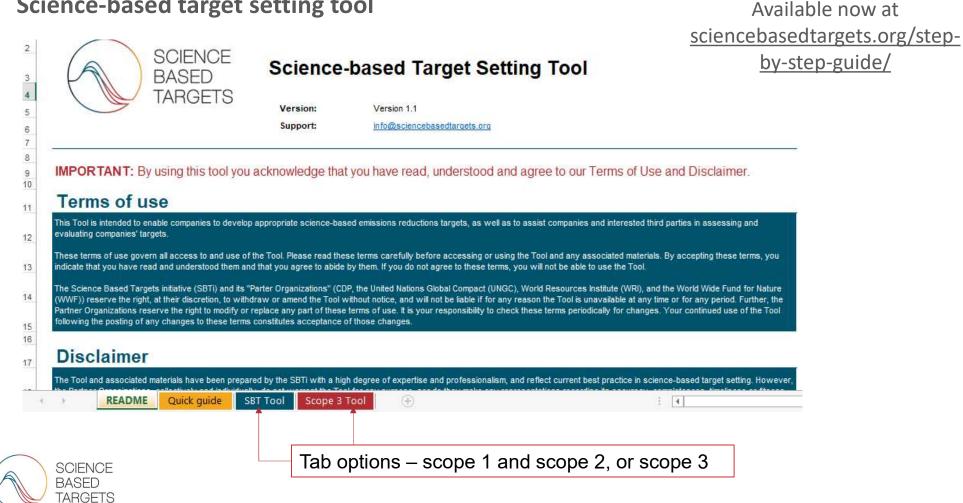
### Science-based target setting tool

- Allows companies to model scope 1 and scope 2 targets with two SBT approaches: Absolute
   Contraction Approach & Sectoral Decarbonization Approach
- Includes new updated pathways: Well-below 2°C and 1.5°C for absolute contraction, and IEA ETP
   2017 B2DS scenario with convergence to 2060\* for the sector approach
- Allows companies to model scope 3 targets: in line with the SBTi Criteria
- Contains new features: to facilitate the user's experience (e.g. activity growth calculation)
- Provides more year data points in the results: to allow companies to visualize their decarbonization trajectory

\*Available sectors: Power, Iron and steel, Cement, Aluminum, Pulp and paper, Services - Buildings



Available now at <u>sciencebasedtargets.org/resources/</u>.

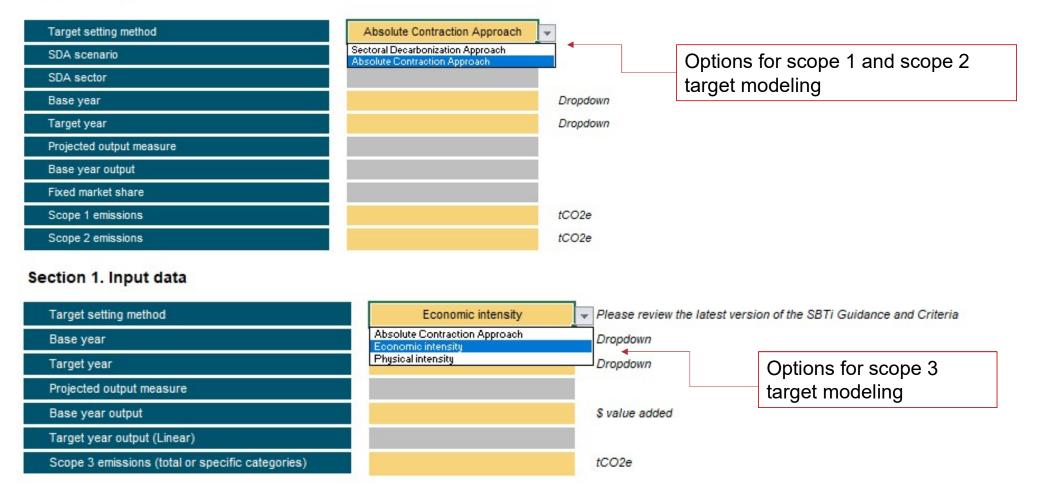


### Science-based target setting tool

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# Science-based target setting tool | Inputs and options

#### Section 1. Input data



## Science-based target setting tool | Outputs

Example: Target modeled using absolute contraction approach

Base year (2014)

200

600

800

Base year (2014)

200

600

800

% reduction and target year emissions (scope1, scope 2) aligned with well-below 2°C and 1.5°C pathways

Section 3. Absolute Contraction Approach

Well below 2 degree scenario (WB2C)

Review all target modelling data

Scope 1 emissions (tCO2e)

Scope 2 emissions (tCO2e)

pe 1+2 emissions (tCO2

1.5 degree scenario (1.5C)

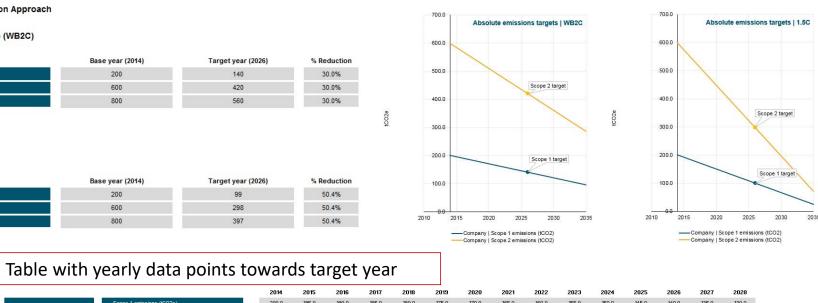
Review all target modelling data

Scope 1 emissions (tCO2e)

Scope 2 emissions (tCO2e)

Scope 1+2 emissions (tCO2e

#### Visuals of base year, target year and trajectories



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				2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
			Scope 1 emissions (tCO2e)	200.0	195.0	190.0	185.0	180.0	175.0	170.0	165.0	160.0	155.0	150.0	145.0	140.0	135.0	130.0
	SCIENCE	Absolute contraction   WB2C	Scope 2 emissions (tCO2e)	600.0	585.0	570.0	555.0	540.0	525.0	510.0	495.0	480.0	465.0	450.0	435.0	420.0	405.0	390.0
6			Scope 1+2 emissions (tCO2e)	800.0	780.0	760.0	740.0	720.0	700.0	680.0	660.0	640.0	620.0	600.0	580.0	560.0	540.0	520.0
	BASED																	
	TARGETS		Scope 1 emissions (tCO2e)	200.0	191.6	183.2	174.8	166.4	158.0	149.6	141.2	132.8	124.4	116.0	107.6	99.2	90.8	82.4
	IN TOETO	Absolute contraction   1.5C	Scope 2 emissions (tCO2e)	600.0	574.8	549.6	524.4	499.2	474.0	448.8	423.6	398.4	373.2	348.0	322.8	297.6	272.4	247.2
DRIVING AMBITIOUS C	ORPORATE CLIMATE ACTION		Scope 1+2 emissions (tCO2e)	800.0	766.4	732.8	699.2	665.6	632.0	598.4	564.8	531.2	497.6	464.0	430.4	396.8	363.2	329.6

Target year (2026)

140

420

560

Target year (2026)

99

298

397

The new SBT tool does not include the "Other industry" sector. Should my company use the absolute contraction approach instead?

The SDA tool is still available for companies until October 15, 2019. Companies still can use the Other industry in the SDA tool.

The Other industry sector in the SDA tool uses an absolute contraction approach, but instead of using the minimum threshold determined by the IAMC analysis, it uses a residual budget (Industry budget – homogenous sectors budgets) of the IEA ETP model.

Whether you decide to use Other industry or the absolute contraction approach, make sure your target is in line with the minimum emissions reductions thresholds, as per the version of the criteria you are using.



## Agenda

Introduction – 20 min

- The Science Based Targets initiative
- The need for science-based targets

New resources and criteria – 40 min

- Paper on science-based target setting foundations
- Science-based Target Setting Manual
- SBTi Criteria and Recommendations Version 4.0
- Target Validation Protocol
- Science-based target setting tool

#### **Questions and Discussion – 30 min**



**Questions and Discussion (30 min)** 

# Type your questions into the Q&A box

This webinar will be recorded and a recording will be shared within 24 hours

Learn more: www.sciencebasedtargets.org

More questions? Contact the SBTi corporate engagement team at info@sciencebasedtargets.org

• •	1	Q&A	
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	panelis	ts questions	
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Send	anonymously	Cancel	Send

