

ESG Strategy Series

The process and benefits of The Science Based Target Movement

Introduction

It has long been established that **climate change** is a global problem, with the impacts clearly evident, and human factors known to be the main cause. Since the monumental moment at the 2015 Conference of the Parties (COP) 21 in Paris, where 196 governments pledged to limit temperature rise globally to well below 2°C, preferably 1.5°C, followed in 2018 by Intergovernmental Panel on Climate Change (IPCC) warning in its '[Global Warming of 1.5°C](#)' Special Report that global warming must be kept to below 1.5°C, climate change has been on the agenda, for politicians, business leaders and society. It is clear that in order to reach this goal, Greenhouse Gas (GHG) emissions must be reduced by 50% by 2030 and net zero by 2050.

Organisations have since been under pressure from local governments, policymakers, clients (downstream supply chain and/or direct consumers), and investors to take actions to measure, disclose and reduce their emissions and contributions to global warming to support with the transition to a greener economy and build resilience as we transition.

So what are the key steps on the path to emission reduction?

1. Quantifying

Quantifying emissions allows organisations to measure their footprint, establish an emissions profile, and pinpoint areas to focus on; and is therefore the first step to developing a meaningful approach to reducing an organisation's GHG emissions.

2. Reporting

Consistent and clear reporting of GHG emissions detailing the boundary of the footprint and what is included and what isn't, in the same manner as financial performance reporting, ensures that organisations are open and transparent with regard to their contribution to global warming and their performance towards reducing their impact and building resilience. It also demonstrates an organisation's commitment to the cause, where an organisation's risk and opportunities exist, subsequently building stakeholder trust, as well as meeting specific regulatory disclosure requirements such as Streamlined Energy and Carbon Reporting (SECR) and the EU Emissions Trading Scheme (EU ETS).

What's next?

3. Committing

As part of this journey, committing to GHG reduction target is key, as it sets the direction of travel for an organisation, forms the basis an emission reduction strategy, and allows stakeholders, partners and clients to hold the organisation accountable based on its reporting and targets.



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With greenwashing accusations on the rise, how can an organisation ensure its emission reduction strategy and target is meaningful and will stand up to scrutiny?

A number of options do exist, but Science-Based Targets (SBTs) is quickly starting to claim the title of the most credible route to net zero, as it helps organisations set GHG emission reduction targets backed by science in line with COP21 and IPCC recommendations.

What are Science-Based Targets?

In 2015 the [Science Based Targets initiative \(SBTi\)](#) was set-up by the Carbon Disclosure Project (CDP), United Nations Global Compact, World Resources Institute (WRI), and the World Wide Fund for Nature (WWF). The SBTi was created to “*drive ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets*”.¹

The aim of the SBTi is to set a clear pathway to accompany organisations in their GHG reduction journey by setting emissions targets based on climate science. This means that an emission target is only considered ‘science-based’ if it supports the goals of the Paris Agreement (i.e. limiting global warming to well-below 2C and pursue efforts to limit warming to 1.5°C).

The SBTi Process (Overview)

The process to set SBTs is as follows:

- 1. Commit** - This is done by submitting a letter committing the organisation to set a SBT within 24-months from the issue of the commitment letter to the SBTi. A streamlined route to setting a SBT exists for Small and Medium sized Enterprises.
- 2. Develop a Target** - The SBTi has developed guidance for organisations in their target setting journey. For some industries/sectors the SBTi has also developed specific guidance. The target setting approaches used by organisations includes the Absolute Contraction Approach or Sectoral Decarbonisation Approach and since November 2021 organisations can now also set net zero targets through the SBTi. Organisations are advised to commit to the highest level of ambition and commit to net zero.
- 3. Submit** - Organisations submit the relevant form(s) to the SBTi and book their validation session.
- 4. Communicate** - Once the target is approved the SBTi will add the organisation to their ‘Companies taking action page’ and partner websites.
- 5. Disclose** - The organisation must then disclose its emissions annually and monitor progress against the target set.

¹At the time of writing this post “the SBTi does not currently assess targets for cities, local governments, public sector institutions, educational institutions or on-profit organisations.”



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Is SBTi the only approach?

The SBTi's definition of net zero is highly specific, as there is limited room for companies to adjust their emissions targets to different target levels or within different timeframes. An alternative target setting approach might be more suitable for organisations which may not be able to realistically meet the standards set by the SBTi or wish to achieve an alternative target under different timeframes, for example, achieving carbon neutrality² (exclusive or as part of a net zero strategy) within a shorter timescale.

Examples of this include the PAS2060 approach which is an internationally recognised specification established by the British Standards Institution (BSI) to provide a common definition and recognised method for achieving carbon neutrality in accordance with internationally recognised carbon reporting methodologies (GHG Protocol and ISO 14064-1).

Similar to the specifications outlined in the SBTi, the PAS2060 defines a consistent set of measures and requirements for businesses to achieve carbon neutrality which includes:

- An outline of emissions scopes to be included
- Carbon Management Plan outlining time scale, specific reduction targets, the planned means of achieving reductions and how residual emissions will be offset.
- Use of verified and accredited carbon offsetting schemes that generate genuine additional carbon reductions.

The key elements where PAS2060 differs from SBTi are:

- Carbon offsetting dependence - companies can offset a larger proportion of their carbon emissions relative to cutting their direct carbon reductions.
- Target setting - the level of ambition in setting targets is left more to the discretion of the company as to the proportion of emissions reduced vs offset and the target date.
- Emissions scope boundary – more leniency is allowed in excluding some emissions sources from the scope of the target.

² Carbon neutrality is defined by PAS 2060 as: "condition in which during a specified period there has been no net increase in the global emission of greenhouse gases to the atmosphere as a result of the greenhouse gas emissions associated with the subject during the same period."



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The key difference between PAS2060 and SBTi lies in the definition of carbon neutrality which is the PAS2060 approach and net zero which is the SBTi approach.

Carbon neutrality relates to no increase in carbon emissions and carbon reduction being achieved through offsets. Net zero however focuses on carbon emission reductions to the lowest amount possible with limited to no offsetting.

The net zero approach is therefore the only realistic route to ensure the goals set during the COP21 are met. As such, the SBTi framework for net zero is quickly becoming one of the most credible approaches to achieving net zero and an industry standard for setting net zero objectives and strategies for businesses and corporates.

There are of course other climate action initiatives which can be considered depending on the organisation's circumstances and sector.

The Benefits of Setting SBTs

There are many reasons why organisations should consider setting a SBT, these include but are not limited to:

- Futureproofing your organisation by aligning your business strategy with climate science
- Builds organisational resilience to climate change
- Saves money - GHG emission reductions often result in cost reductions and improved efficiency
- Boosts stakeholder trust and investor confidence
- Acts as a catalyst for innovation and opportunity
- Ensures that your GHG reduction claims are science-backed and have received third-party review and sign-off

As of May 2022, the SBTi reported having 1,393 approved SBTs and 3019 organisations committed to taking climate actions. These includes large companies such as

Banks and Financial institutions such as BNP Paribas, LSE; Retail giants M&S and Sainsbury's; hospitality companies such as Accor, Hilton; Consumer goods manufacturer Colgate Palmolive, L'Oreal and more; but also Small and Medium Enterprises (SMEs).

In short... setting SBTs is both good for the planet and good for business!

Should you have any questions or queries about GHG footprinting, emission reduction, ESG strategy, or SBTs, please contact us at esg@itpennergised.com to discuss how we can best assist you in your GHG emission reduction journey.

