

What's in Scope?

Update from the SBTi on Corporate
Net-Zero Standard V2.0

April 2025



SCIENCE
BASED
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



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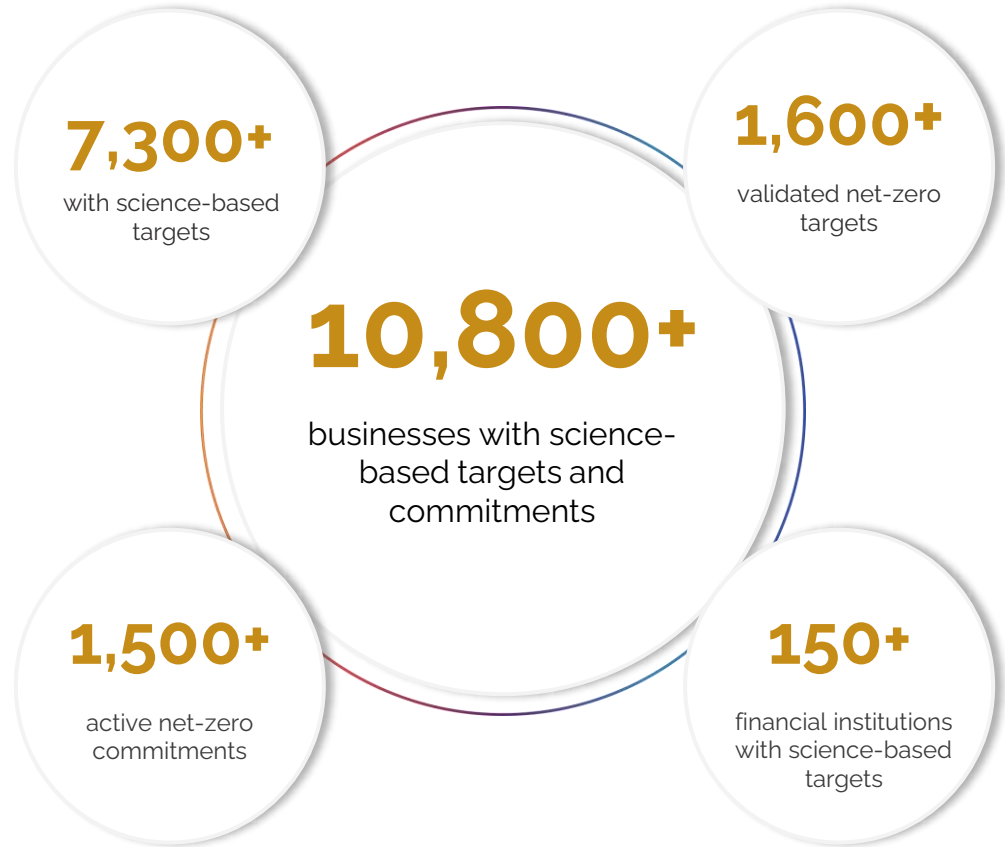
The Science Based Targets initiative (SBTi) is a corporate climate action organization that enables companies and financial institutions worldwide to play their part in combating the climate crisis.

We develop standards, tools and guidance that allow companies to set greenhouse gas (GHG) emissions reductions targets in line with what is needed to keep global heating below catastrophic levels and **reach net-zero by 2050.**



OUR IMPACT

10 years of the SBTi



AGENDA

1. Corporate Net-Zero Standard V2.0 (CNZS V2)
2. Key Proposed Changes
3. Engagement Opportunities
4. Q&A

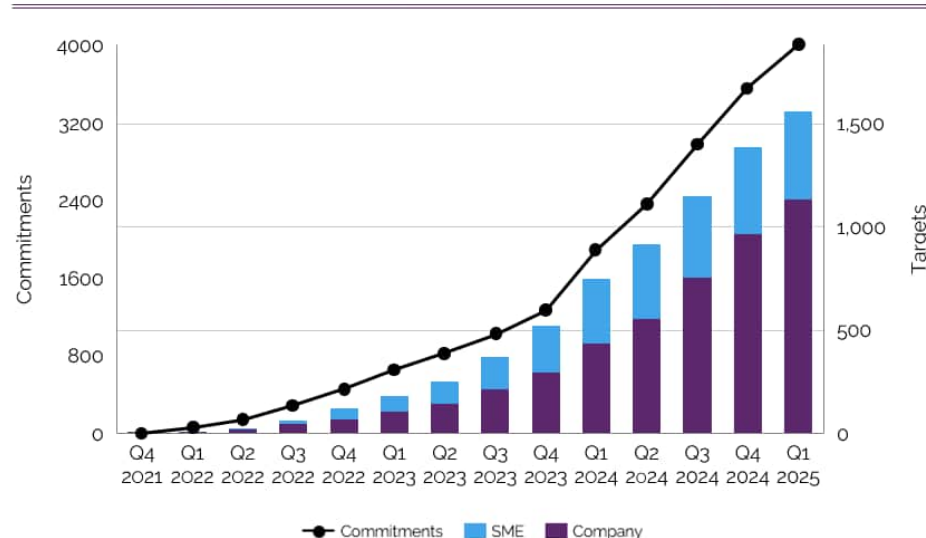
Overview | SBTi Corporate Net-Zero Standard Revision

SBTi's Corporate Net-Zero Standard (CNZS) has been the gold standard for credible net-zero targets since 2021, with **1,600+** net-zero targets validated today.

Why is the standard being revised now?

- 1 This is the **first major revision*** in alignment with SBTi's Standard Operating Procedures (SOP) that all standards must be updated every 2-5 years
- 2 To ensure the standard is aligned with the latest climate science and best practice, and **addresses key challenges** to implementing and achieving net-zero emissions targets

Cumulative net-zero targets and commitments published since the launch of the Corporate Net-Zero Standard



Where we are | Corporate Net-Zero Standard revision to date



Project formally initiated
informed by assessment of
stakeholder feedback



**Stakeholder feedback on key
topics** through workshops, focus
groups and consulting with
advisory groups

May
2024



**Research and thought
leadership**, including scope
3 paper, evidence on
environmental attribute
certificates, & synthesis
report on carbon credits

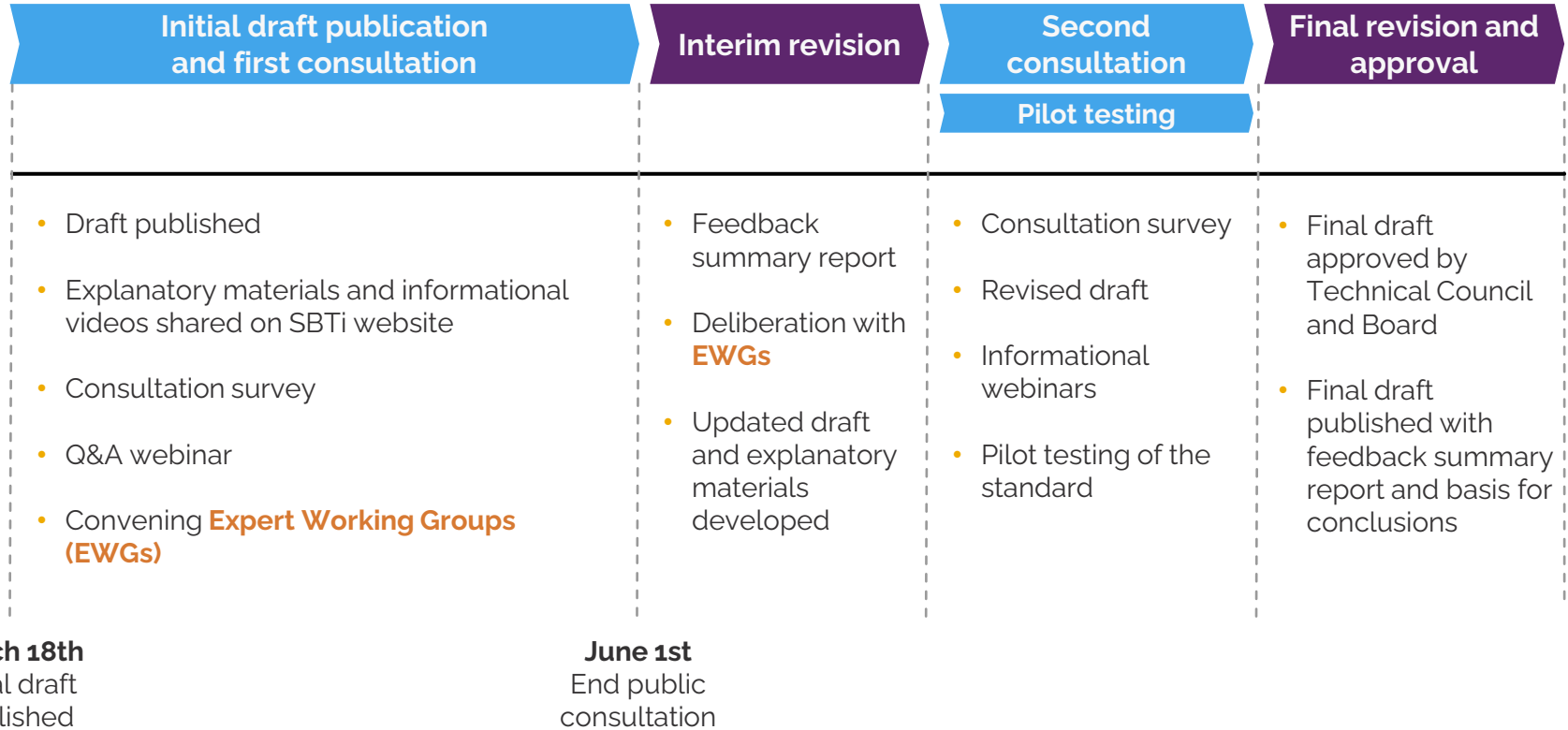


**Consultation draft review
and approval** by SBTi's
independent Technical
Council

March
2025

Where we're going | Timeline for consultation


Timeline subject to revision



DISCLAIMER

All proposed changes or modifications to the SBTi standards discussed herein are speculative and subject to the process outlined in the SBTi's *Standard Operating Procedure for Development of SBTi Standards*. This includes, but is not limited to: research, public consultation and pilot testing, evaluation and approval by the SBTi Technical Council, and final adoption by the SBTi Board.

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CORPORATE NET-ZERO STANDARD V2 KEY CHANGES

Overview of key changes in the revised CNZS V2.0

Commitment

Public **commitment to net-zero** (when starting process) and disclosure of **transition plan** (after setting targets)

Scope 1

Separate scope 1 and 2 targets

Updated scope 1 absolute contraction method accounting for historical performance

Updated pathways in line with IPCC AR6 and IEA NZE scenarios

Scope 2

Two separate scope 2 targets:

- **Location-based**
- **Market-based OR zero-carbon electricity**

Clearer guidance on use of **energy attribute certificates** (e.g., RECs)

Scope 3

Updated target boundary based on emissions relevance

Greater emphasis on alignment targets and metrics (e.g., % of net-zero aligned procurement)

Activity pools and indirect mitigation for hard to trace emissions

Removals

Role of removals in lead up to net-zero target year

Minimum durability requirements

BVCM

Option to obtain additional recognition for beyond value chain mitigation (BVCM) activities

Categorization

New system to tailor requirements based on company size and geography

Validation Cycle

End-to-end framework to enhance accountability and recognition

Clear guidance on assessing progress against targets and target renewal process

Data quality and assurance

New mechanisms incentivize gradual shift toward higher data quality

Limited assurance required for some companies



CORPORATE NET-ZERO STANDARD V2 | GENERAL CHANGES

CNZS V2.0 | General Requirements

Introduction of company categorization

FROM

Currently, SBTi criteria applies equally for all companies of a certain size, regardless of region - and supplies a separate route to validation for small and medium companies (SMEs)

TO

Unique approach with differentiation of companies based on **location and company size**. Requirements and applicability of criteria will be based on company categorization to enhance equity and feasibility.

General Requirements | Company Categorization

	Company Size				Company Location	
	Number of employees	Net annual turnover (\$ or €)	Balance Sheet (\$ or €)	S1&2 Emissions (tCO ₂ e)	High and upper-middle ¹ income countries	Low and lower-middle ¹ income countries
Large At least 1 criteria is met	>1,000	>450M	n/a	n/a	A	A
Medium At least 2 criteria are met	250 – 1,000	50 – 450M	>25M	n/a	A	B*
Small At least 2 criteria <u>and</u> under CO ₂ e threshold	<250	<50M	<25M	<10,000	B*	B*

KEY CHANGE

All criteria is mandatory for **Category A** companies.

Some criteria is optional for **Category B** companies.

¹ Based on World Bank classification

* A medium company is considered to be based in low or lower-middle income country if its HQ is in a low or lower-income country and its turnover derived from high or upper-middle income countries is <50M (\$ or€)



CNZS V2.0 | General Requirements

Public commitment requirement

FROM

Commitment Letter submitted to the SBTi, with 24 months from the date of the commitment to submit targets for validation.

TO

Companies must publicly state their intentions to achieve net-zero emissions before 2050 and set science based targets within...

- A 12 months
- B 24 months

CNZS V2.0 | General Requirements

Disclosure of Climate Transition Plan

FROM

Companies are not required to substantiate targets through the submission of a climate transition plan.

TO

All companies would be required to publicly report transition plans within **12 months** of target validation.

A Required

B Required

CNZS V2.0 | General Requirements

Base year selection

FROM

Companies can select any base year back to 2015 and must draw organizational boundaries as allowed by GHGP

TO

Companies choose a base year no more than three years prior to their Initial Validation. Organizational boundaries can be based on GHGP or consistent with consolidated financial statements.



CNZS V2.0 | General Requirements

Data quality & assurance

FROM

No incentives to increase data quality and no requirements for assured GHG data, making accurate measurement and consistent progress tracking difficult

TO

Mechanisms that incentivize companies to gradually shift toward higher data quality while recognizing current constraints.

Exploring feasibility of activity-level emissions reporting and assurance requirements.

A Required

B Optional

CNZS V2.0 | General Requirements

Introduction of new validation cycle

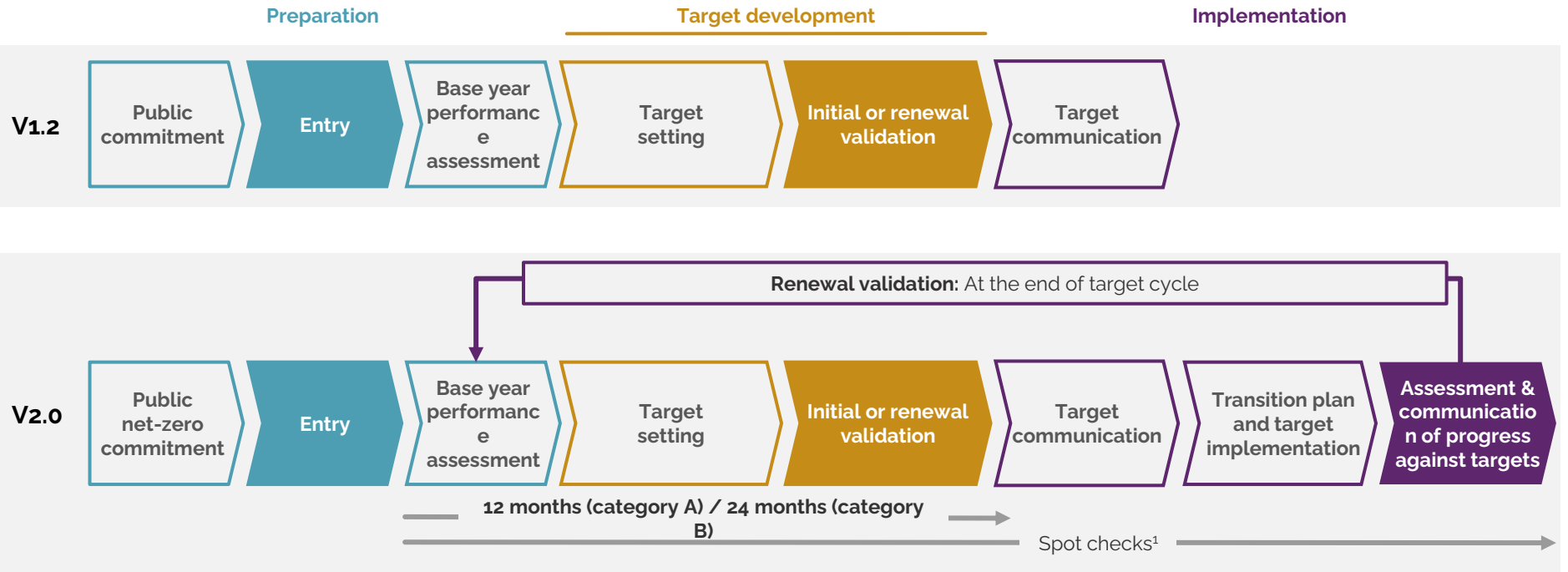
FROM

A validation and target renewal process that does not incentivize continuous improvement

TO

An end-to-end validation model that provides **clear guidance through initial and renewal target- setting** and that addresses under-delivery against targets

Updated end-to-end framework for validating and recognizing progress against targets



CNZS V2.0 | General Requirements

Claims

FROM

Companies can make claims related to SBTi commitments or having a validated near-term or net-zero target validated by the SBTi, including the level of ambition in terms of temperature alignment

TO

An expanded set of claims designed for different stages of the target-setting process, and designed in line with evolving regulatory frameworks

CNZS V2.0 | General Requirements

Beyond Value Chain Mitigation (BVCM)

FROM

Recommendation for companies to address ongoing emissions by mitigation of emissions beyond their value chain

TO





Option for companies to obtain additional **recognition** for beyond value chain mitigation if they meet necessary criteria





CNZS V₂ | TARGET- SETTING UPDATES

Target-setting | Key updates across scopes

Topic	From	To
 Underlying pathways	Emission reduction benchmarks derived from IPCC AR5 pathways	Emission reduction benchmarks derived from IPCC AR6 pathways
 Near-term target timeframe	5-10 years with no standardization of target years	Standardized to five years, with the option to align with fixed milestone years (e.g., 2030, 2035)
 Near-term targets	Required across scopes 1, 2, and 3 (if 40% or more of GHG inventory); SMEs not required to set scope 3 targets	<ul style="list-style-type: none">A Required across all scopesB Required across scopes 1 and 2
 Long-term targets	Required across all scopes	<ul style="list-style-type: none">A Required across scopes 1 and 2 (long-term scope 3 targets under consultation)B Optional



Scope 1 | Key Updates

1 Updated Absolute Contraction Approach¹

Introduces a “reference year” to ensure the cross-sector pathway aligns with carbon budgets in IPCC modeling.

Two approaches are proposed to account for the emissions gap between the reference year and the company-selected base year.

1. **Option 1** (Budget- conserving contraction):
Conserves carbon budget
2. **Option 2** (Linear contraction): Ensures path to net-zero by 2050 for all companies

2 Separate scope 1 and scope 2 targets are required

¹ Two options are to be considered in the consultation process including an approach that considers historical emissions performance

Scope 2 | Key Updates

- 1 Companies must set two separate scope 2 targets:**
 - 1) One location-based target and;
 - 2) Either a market-based target or a zero-carbon electricity target

- 2 More guidance on use of scope 2 mitigation mechanisms**

Introducing more stringent guardrails on the use of Environmental Attribute Certificates, specifically around time- and spatial-matching of energy consumption and production.

Scope 3 | Key Updates

- 1 Updated target boundary**

Boundary based on relevance of emissions, rather than a fixed threshold (i.e. elimination of 67% boundary)
- 2 Greater emphasis on alignment metrics and targets**

Enhanced used of alignment target-setting metrics and methods focused on outcomes
- 3 A more nuanced approach to substantiating progress**

Acknowledgement of the use of interventions at the activity pool level (e.g., supply shed) and recognition of the role of indirect mitigation (e.g., book-and-claim) for limited traceability emissions



CNZS V2.0


Addressing residual emissions

- 1 Neutralization required at net-zero year**
Neutralization of scope 3 emissions may be addressed by value chain partners
- 2 Removal targets**
Scope 1 residual emissions will be proactively addressed either through interim removal targets, or through additional abatement or removals
- 3 Minimum durability requirements**
Requirement for either gradual transition to high-durability removals or matching durability of removals to residual GHGs
- 4 Quality criteria**
Requires removals to adhere to high-integrity standards


Get involved in shaping the Corporate Net-Zero Standard V2



Learn more about the new draft
on our [website](#)



Respond to the [public consultation survey](#) through **June 1st**



[Register](#) and submit questions for Q&A webinar on **April 9th**



Pilot testing, expected in H2 2025



Spread the word, and **ask others to share feedback**

Thank you!

Sign up for the SBTi newsletter
to receive updates on the Corporate
Net Zero Standard V2.0



**Learn more & participate in the
formal public consultation**
*Initial Public Consultation closes on
June 1st, 2025*





THANK YOU