SBTi Net-Zero Standard v2.0 – all you need to know about SBTi's interim removal targets

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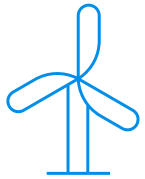
SBTi has released the first draft of its updated Corporate Net-Zero Standard (CNZS) v2.0

Focus of this document

Overview of key updates to the standard



Scope 2

Requires use of direct procurement of zero carbon energy or high integrity electricity market instruments from the same grid (with appropriate spatial and temporal matching)

Scope 3

Re-scoping of target boundary (prioritize most emission intensive industries and Tier 1 suppliers); greater emphasis on non-emissions metrics and targets; focus on chain of custody models but allowance for temporary use of market-instruments where critical to scale in-value chain techs (e.g., SAF certificates)

Interim removal targets

Interim removal targets starting in 2030 introduced, and ramp-up until 100% of residual scope 1 emissions are compensated at net-zero; defines durable removals as >1,000 years

Ongoing emissions and BVCM

Additional recognition for companies that address ongoing emissions through BVCM

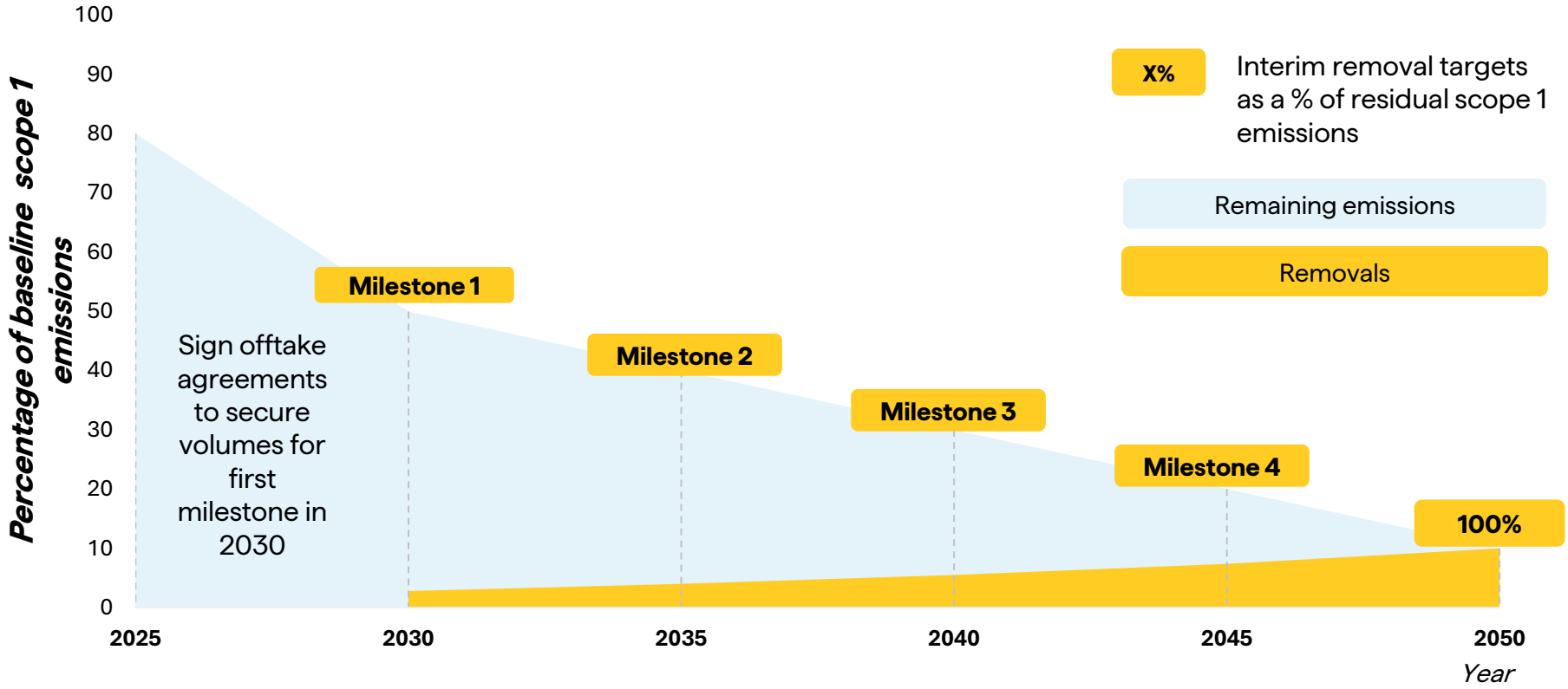
Progress and transparency

New reporting guidance on the process for setting updated targets; and reporting progress against current targets

Source: CNZS V2.0_Consultation Draft with Narrative

The draft standard for the first time provides guidance on near-term carbon removals

Illustration of interim removal targets for a company with a 2050 net-zero target



Source: CNZS V2.0_Consultation Draft with Narrative

SBTi introduces the concept of **interim removal targets** to incentivize carbon removal in the near-term

Interim removal targets start in 2030 and **ramp-up to 100% of residual scope 1 emissions** in the net-zero target year

Companies are required to **work with their value chain partners** to neutralize residual scope 3 emissions with permanent CDR at net-zero

SBTi defines the duration of CO2 in the atmosphere as 1000+ years, requiring CDR storage of 1000+ years under the **like-for-like principle**

How do interim removal targets support your net-zero strategy?

Ensure net-zero is in reach: like emission reductions, removals cannot be scaled to the 10GtCO_2 required in 2050 overnight. A gradual ramp up is required – SBTi is providing clarity

1

Accelerate the CDR scale-up: mandating the need for CDR already in the near-term will allow CDR supply to scale more rapidly, creating a more robust supply base with less price volatility

2

Bring costs down: an accelerated CDR scale-up will bring costs downs – minimizing overall costs of removals. Driving demand now can result in 30-50% lower prices at net-zero

3

Hedge regulatory risk: several countries are exploring compliance requirements for CDR – removal milestones will prepare companies for these. ISO is also expected to reflect similar requirements in their upcoming net-zero standard

4

Closer look - what will meeting interim removal targets entail?

When do interim removal targets start?

The first interim removal target will be in 2030**, with 5-year intervals between targets and an ongoing glide path**

What emissions are in scope and what are the target levels?

Removal **targets are based on a % of a company's projected scope 1 emissions at net-zero.** The volume of residual emissions at **net-zero is typically** 10% of a company's baseline emissions for fossil-fuel emissions, and 28% of company's baseline emissions for land-use emissions.

The volume of residual emissions at net-zero should be **multiplied by the interim removal factor** for that year – for a company with a 2050 target this ranges from **5-28% in 2030** based on scenarios shared.

Which types of CDR credits can be used to meet these targets?

Two options for removal durability requirements are proposed:

- **Option 1:** following the **like-for-like principle** (matching the lifetime of the GHG in the atmosphere with the lifetime of storage)
- **Option 2:** a gradual **shift to more durable removals** over time

Durable removals are defined by SBTi as those **storing CO_2 for >1,000 years** e.g., BECCS, DACCS and Enhanced Weathering

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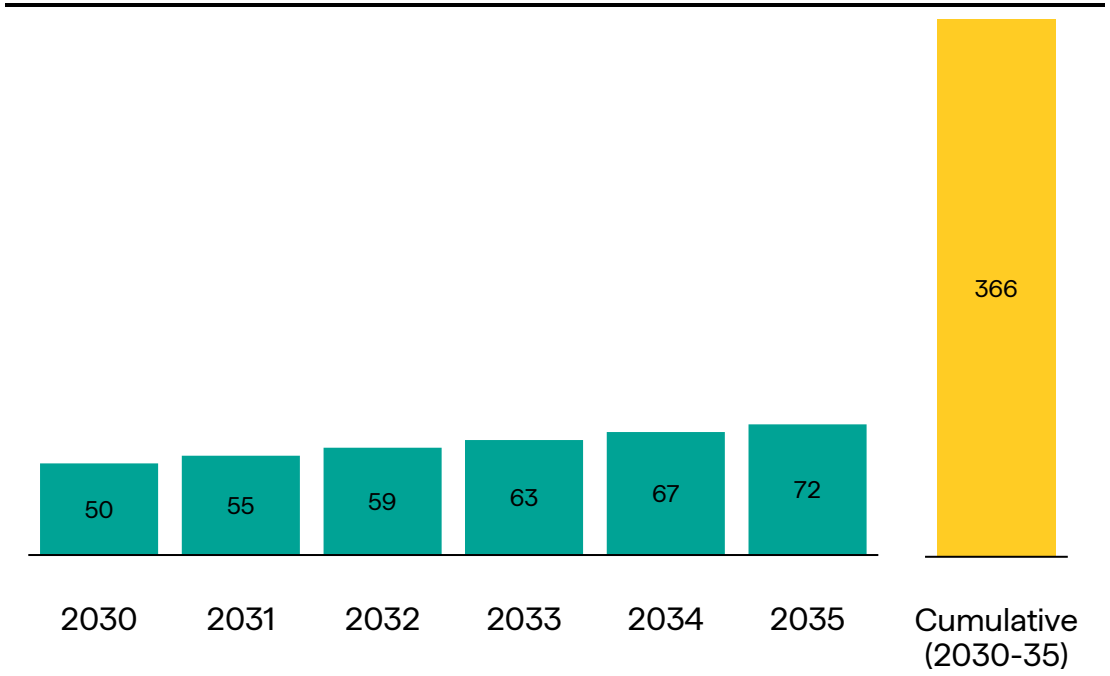
Source: CNZS V2.0_Consultation Draft with Narrative; https://sciencebasedtargets.org/resources/files/Documentation-of-target-setting-methods.pdf

Removal targets are expected to sharply increase demand

Estimated demand for removal credits from SBTi interim removal targets, $MtCO_2$[1]



1. Assumes SBTi net-zero targets cover 2.7Gt of scope 1 and 2 emissions – projecting 2023 monitoring report based on 2025 growth and assuming 33% of emissions covered under net-zero targets; remove scope 2 emissions, assuming accounts for 34% of this as per global electricity emissions; assumes average residual emissions to be 10% in 2050 and Option 1B ramp-up in removals as per SBTi draft guidance (28% of residuals in 2030, and 40% in 2035)

...companies should already secure offtake today

Lead times from CDR offtake signature to delivery can be up to 5 years depending on technology

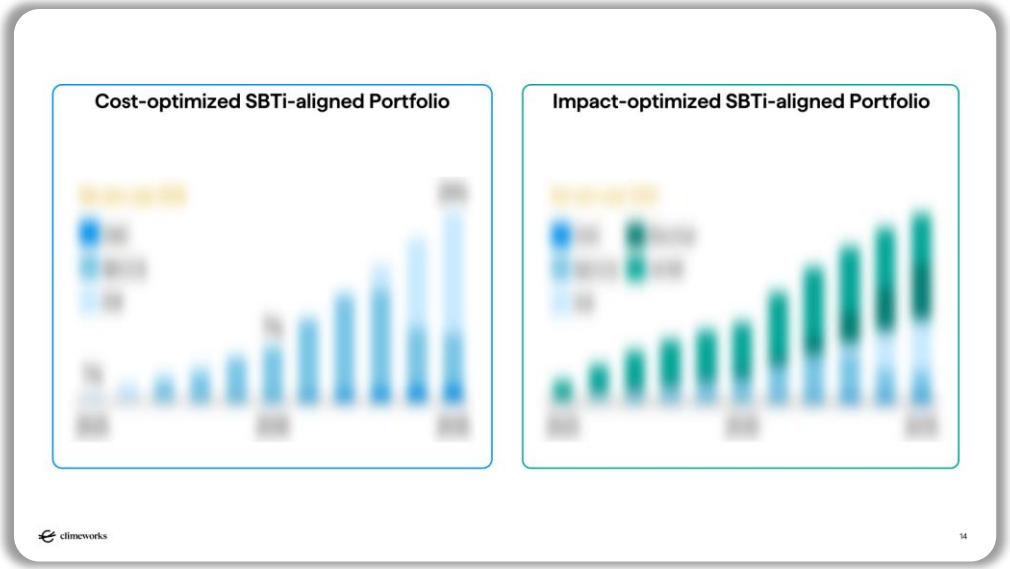
Securing offtake today **locks in entry price point and avoids price spikes** from future supply-constraints and exposure to the spot market

Becoming involved today **establishes presence in a future trillion-dollar industry**

Planning today can **hedge regulatory risks** from anticipated post 2030 policy (e.g., compliance markets integration, transition plan requirements)

1 Work with us to meet your targets

We have developed optimal SBTi compliant portfolios that can be customized to meet your needs



2 Learn more

- You can find the full standard release here
- Follow SBTi's webinar on the standard on the 9th of April

3 Engage with SBTi in the public consultation

- SBTi's public consultation will run until the 1st of June and you can respond here
- Climeworks can share our response to the public consultation with you

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