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Submitted to: The Science-Based Targets initiative (SBTi)
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IETA RESPONSE TO SCIENCE-BASED TARGETS INITIATIVE (SBTi) NET ZERO PRE-LAUNCH PUBLIC CONSULTATION

The [International Emissions Trading Association \(IETA\)](#) appreciates this opportunity to share input on the [Science Based Targets initiative \(SBTi\) Net Zero Pre-Launch Public Consultation](#), specifically on [The SBTi Net-Zero Manual & Criteria \(“the Draft”\)](#). We commend the SBTi on the dedication and hard work that has gone into this latest version of the draft Net Zero Criteria, including actively engaging technical experts and stakeholders. IETA is encouraged to see this increased activity to support and formalise the setting and implementation of corporate net zero targets that are aligned with Paris Agreement targets to “holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels”. Our comments provide high level input on the SBTi draft net zero criteria, and detailed comments on specific sections of the manual and criteria.

IETA represents a broad and diverse group of stakeholders, with over 170 members worldwide – including many multi-national companies in a variety of sectors, offsets developers and standards, banks, assurance providers, and law firms. Our members collectively have vast and broad experience in the carbon and climate space, and many have set ambitious climate targets, or are helping others meet both compliance and voluntary objectives. We thank the SBTi and contributors for their hard work on establishing a Net Zero Criteria, including the NetZero Foundations Paper from September 2020, the previous version of this draft criteria and this draft Net Zero Criteria under consultation that will be a building block for the completion of the upcoming Net-Zero Standard.

Our comments are presented in two sections, see a brief overview of both sections below:

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1. HIGH-LEVEL COMMENTS

In this section, IETA provides high-level comments on specific sections of the draft criteria.

1A. THE ROLE OF CORPORATE NET ZERO IN A GLOBAL CONTEXT

While IETA strongly supports corporate net zero ambition and recognises the critical role that the private sector needs to play to help to achieve global net zero, we do have some concerns with the proposed approach to corporate target setting put forward in the net zero criteria draft. It is critical that the SBTi designs criteria that are simple and easy to follow – while driving the necessary ambition to meet science-based Paris-aligned targets. Overly complicated criteria may risk discouraging corporate action if it is overly burdensome or time consuming. The criteria must also allow for and encourage greater flexibility of solutions and strategies. To encourage corporate climate action, companies must have flexibility in order to realistically meet Paris-aligned net-zero requirements.

The optimal approach for society is to drive the most efficient and cost-effective GHG reductions economy-wide, paired with negative emissions from technological and natural sources. It is critical that markets incentivize the most efficient and least carbon intensive producers, driving toward global net zero.

1B. THE ROLE OF NATURE AND OFFSETS IN ACHIEVING NET ZERO

IETA urges the SBTi to consider the important role that natural climate solutions (NCS) and all offset types will need to play to reach net zero by 2050. **A science-based Paris-aligned decarbonization trajectory for the planet requires aggressive action to support abatement from NCS and technological solutions**, including avoided emissions and reductions, alongside decarbonisation of companies' scope 1-3 emissions. Using credits to reduce land use change emissions, which often fall outside of major corporate value chains, is not just a tool to trade off against corporate emissions, it is necessary abatement that the world needs. Action on NCS cannot wait for companies to have reduced other emissions – that will not lead to a science-based net zero trajectory for the planet.

SBTi should recognize the role of purchasing high-integrity offsets to reduce deforestation and other near-term climate priorities as one of the highest value actions that companies can take for the climate and the health of the planet this decade, as part of achieving global net zero. This must be seen as part of necessary actions in addition to internal decarbonization plans, rather than as an offset or compensation mechanism only for hard-to-abate emissions. One way that SBTi could incentivize investment in these activities is through the introduction of compelling claims (e.g., carbon neutral) that corporates who compensate residual emissions through the purchase of high-quality carbon credits can make on the pathway to net-zero. Alternatively, if SBTi does not want to take this on, it could refer to the work being completed by the International Standard Organization (ISO) and/or Voluntary Carbon Market Initiative (VCMI) to define these types of claims.

The acceptance by the draft net zero criteria of neutralising the impact of any source of residual emissions that cannot feasibly be eliminated, by permanently removing an equivalent volume of atmospheric CO₂, is a positive statement. SBTi should proactively encourage companies to use offsets to

increase ambition and thereby help other sectors, driving reductions globally that are most economical. Scientifically, there is no difference to the atmosphere if a company helps another economic sector to reduce or prevent its emissions. IETA does recognise the need to ultimately address costly and difficult reductions but urges the SBTi to design the draft criteria to ensure it does not discourage action on deforestation and other near-term climate priorities and allows for offsets as a part of the overall strategy.

2. COMMENTS ON PROPOSAL SECTIONS

In this section, IETA provides high-level comments on specific sections of the draft criteria.

2A. BACKGROUND (PART 1)

Part 1.3: The SBTi is undertaking further work to understand its role in incentivising beyond value chain mitigation. There is a need for a clearly defined and meaningful claim such as “carbon neutral,” that can be used by companies that compensate their residual emissions after abating emissions in alignment with 1.5°C on the pathway to net zero. This would help drive significant investment in much needed NBS projects. IETA supports the concept of a “mitigation hierarchy” and appreciates the role that a hierarchy of mitigation would play at the heart of the SBTi Net Zero standard. Current best practice is to have a Paris-aligned trajectory, and to compensate or neutralise residual emissions, but hard-to-abate sectors need flexibility, including through offsetting from removals, reductions, and avoided emissions. We also appreciate that “the SBTi recognises that there is an urgent need to scale up near-term climate finance” and that the SBTi is undertaking research to understand what their role in incentivising these investments should be. While we are pleased to see mention of high quality, jurisdictional REDD+ credits, this also raises some concerns: 1) NCS credits, avoided emissions credits, and emissions reductions credits should all be recognised as legitimate elements of a company’s net zero pathway – these credits have equal integrity and will play an important role in meeting climate targets. Furthermore, focusing on removals while failing to avoid emissions can negate the benefit of the removals, this plays out especially in the context of forest carbon, where standing forests absorb more carbon than newly planted trees. Recognising credits from avoided emissions solely as outside of a company’s net zero pathway is insufficient and not backed by IPCC science (cite); 2) we strongly urge the SBTi to recognise project-based REDD+ credits in addition to jurisdictional REDD+ credits. While we support jurisdictional programs and recognise the important role they play in the context of the Paris Agreement, they can be slow to design and implement due to their size and complexity; project-based REDD+ allows for finance to be channeled into forest protection, and to encourage forest conservation, quickly, when most needed. Restricting this finance therefore risks perpetuating deforestation.

IETA does not support the requirement to neutralise residual emissions being pushed into the long term. IETA strongly supports the use of offsets – and recognises the importance of the “net” in “net zero”. As stated by the IPCC, all forms of carbon sequestration and negative emissions technologies are needed to meet the Paris targets and achieve net zero. Heavy industrial sectors and the aviation sector, for example, will require carbon offsets and negative emissions technologies to achieve global net-zero emissions. IETA urges the SBTi to accept carbon offsets and negative emissions technologies as companies set their near-

term targets and allow companies to supplement internal emissions reductions with carbon offsets and negative emissions technologies even during the short-term emissions reductions period. There is no scientific basis to discourage or prevent the use of offsets throughout the timeline to net zero, including the first 10-15 years, emission reductions from any sector will contribute to achieving Paris aligned targets.

IETA looks forward to further guidance for corporate land use and removals accounting, and to engaging with the SBTi as this guidance is developed and finalised.

2B. TERMINOLOGY AND UPDATES TO CURRENT SBTI CRITERIA (PART 2)

Part 2.2: Changes to near-term SBT criteria. IETA supports the increased ambition described in the draft net zero criteria. See the [IETA Council Guidance on Net Zero Climate Ambition](#), released in June 2020, for more details on IETA’s position.

2C. MITIGATION PATHWAYS IN THE NET ZERO STANDARD (PART 3)

Part 3.1.1: Overview of pathways and which companies should use them. IETA appreciates the variety of pathways set out by the SBTi, including the sector-agnostic mixed sector pathway and sector specific pathways. We support criteria that recognises the variety of pathways that can be taken to meet science-aligned net zero targets, and appreciate the flexibility provided by the draft SBTi net zero criteria. IETA requests clarity on when the oil and gas guidance is expected to be finalised. The currently stated delivery date of 2021 is not reflected in the consultation documents. For the benefit of other sectors that need to utilise CCS, BECCS or DACCS as a decarbonisation tool this issue should be closed out in a timely manner to ensure as earlier publication as possible.

2D. SETTING NEAR-TERM AND LONG-TERM SCIENCE-BASED TARGETS (PART 4)

As described above, there are many scenarios that can lead to mitigating climate change, resulting in various emission profiles by sector. In all sectors, the most efficient activities and companies should be incentivised. Both absolute and intensity targets should be eligible to fulfill the emissions abatement criteria described in this section.

Emissions Abatement: Target Boundary. IETA appreciates the importance of the range of emission sources covered within the boundary of the target. IETA suggests that companies should set targets along the value chain, aligning with the company’s scope of influence and/or control.

Use of Offsets & Avoided Emissions. IETA strongly supports the use of offsets – and recognises the importance of the “net” in “net zero”. As stated by the IPCC, all forms of carbon sequestration and negative emissions technologies are needed to meet the Paris targets and achieve net zero. Heavy industrial sectors and the aviation sector, for example, will require carbon offsets and negative emissions technologies to achieve global net-zero emissions.

Furthermore, technical solutions and reductions should not be encouraged at the expense of avoided emissions and NCS. NCS removals are low risk and low-cost tools to remove GHGs on the near term. IETA is concerned that this criteria will devalue NCS credits and other activities where increased investment is needed. There is no solution to the climate crisis without eliminating tropical deforestation and avoiding loss of other irrecoverable natural carbon stocks this decade. The issue of permanence of removals should be addressed by specific standards, not by SBTi.

Near-Term Science-Based Targets. IETA supports the consideration by SBTi to allow for near-term targets to be within a 15-year timeframe. IETA recommends that the near-term science-based targets (formerly interim science-based targets) should be made sufficiently flexible to allow for carbon offsets and negative emissions technologies. Otherwise, the power of the carbon markets are not fully utilized as intended in Article 6 of the Paris Agreement. The minimum ambition (scope 1+2) of interim SBTs in the Net-Zero Criteria should be well-below 2°C, where certain hard-to-abate sectors should be allowed temporary exemption.

2E. NET ZERO CRITERIA & RECOMMENDATIONS (PART 5)

Long-term science-based targets. IETA is concerned with the language used in section 5.2 on long-term science-based targets, that removals cannot “safely replace” emission reductions. While we support and understand the importance of reducing emissions as much as possible on site, removals must be recognised for their important role in meeting net zero targets, particularly when on site emissions reductions are not yet technically or financially feasible.

Beyond value chain mitigation. IETA supports mitigation activities and investments beyond the value chain of a company, however some of the activities described in this criteria have a place within net zero pathways, including high quality REDD+ credits (both project-based and jurisdictional), other NCS credits including avoided emissions, emissions reductions, and removals, and other high quality offsets that are currently used in both compliance markets to meet regional (including national) climate targets, and in the voluntary market.

Neutralisation. Once again, IETA is disappointed to see that neutralisation is only allowed under the SBTi Net Zero criteria once a long-term science-based target is achieved. This is a requirement that may ultimately do more harm than good, leaving many viable solutions on the table and unfunded while companies struggle to meet very stringent emissions reductions on site. See more on IETA’s position in sections 2A and 2D of this response. We are also concerned with the inclusion of this phrase, “leaving only a maximum of 10% of a company’s base year emissions to be addressed through neutralisation”. This implies that companies may only be allowed to address 10% of their emissions through neutralisation. Subjective quantitative limits on neutralisation restrict cost-containment opportunities and other co-benefits that should otherwise come from climate action. IETA requests clarification from the SBTi on whether this 10% limit will be required, and urges the SBTi to avoid these types of arbitrary restrictions.

Target formulation and reporting criteria. IETA supports the requirements related to target formulation and reporting criteria. We applaud the SBTi for requiring this level of transparency, including the requirement for companies to make their commitments publicly and with a level of detail that allows for easy assessment.

2F. APPENDIX 3: FURTHER GUIDANCE FOR COMPANIES WITH SIGNIFICANT FLAG EMISSIONS

IETA recognises the challenges that come with evaluating emissions, removals and reductions in the AFOLU sector, and appreciate the importance of companies with land-intensive operations being able to clearly report on their AFOLU emissions, removals and reductions. However, significant progress has been made in quantifying the carbon associated with many landscapes and associated activities that should inform the work that SBTi is doing to quantify land sector emissions. Specifically, IETA urges the SBTi to

look closely at the work being done by standards and verification bodies in the voluntary market who have decades of experience measuring and quantifying carbon in the AFOLU sector. We urge the SBTi to avoid “reinventing the wheel” and ensure that the important work underway is not duplicative.

IETA looks forward to the progress made by the SBTi, its members and partners, in creating clear guidance and pathways for companies with land sector emissions and hopes to stay engaged in this process as this work develops.

CONCLUSION

IETA appreciates this important opportunity to record our response to the SBTi’s consultation on the Net Zero Criteria draft. We look forward to further engagement with SBTi as the Net Zero Criteria is finalised – and further opportunities to provide feedback on behalf of our Members. We welcome the SBTi to reach-out directly with any questions or follow-up requests related to the recommendations shared above by contacting **IETA Senior Policy Associate & NCS Lead, Ellen Lourie, at lourie@ieta.org**.

APPENDIX 1: ICROA GUIDANCE ON VOLUNTARY ACTION

IETA supports the latest guidance from ICROA on voluntary action. The below ICROA guidance supports many of IETA’s points in the above response, specifically the importance of high quality carbon credits in meeting corporate net zero targets.

The role of the VCM

- The VCM exists to enable non-state actors to take climate action ahead of and beyond regulation.
- By doing so, it contributes to closing global climate policy gaps (mitigation, finance, time) and enables climate leadership. It channels finance to mitigation and adaptation projects now, through a transparent, third-party verified and results-based approach.
- The VCM helps countries and non-state actors achieve greater climate ambition and therefore accelerates the transition to *net zero emissions* (balance between anthropogenic emissions by sources and removals by sinks of GHGs) globally, as required by the Paris Agreement.

Best practice guidance to ensure the environmental integrity of voluntary corporate action

- The VCM delivers high quality carbon credits which enable critical finance. In order to raise ambition, these carbon credits must be used with integrity:
 1. Corporates must start by measuring and publicly reporting their emissions, covering the 3 scopes, following recognized standards such as ISO/GHG Protocol, as per ICROA’s Code of Best Practice.
 2. They must also commit to abating their emissions in line with science and the goals of the Paris Agreement, adopting a transparent and third-party verified roadmap focused on bringing down their emissions to net-zero by 2050 or earlier at a pace that aligns to a 1.5 degree pathway and with interim short- and medium-term targets that ensure action now and along the way.
 3. Progress towards these targets is monitored and publicly reported on an annual basis.

4. To do so, some corporates may choose to implement the Science Based Targets Initiative (SBTi) methodology, while others may consider alternative credible options – either way the method must be considered ‘science-based’ and publicly referred to as such. Corporates from hard-to-abate sectors should adopt science-based sector pathways that are considered best practice should these be available.
 5. Following the above steps, corporates are encouraged to use carbon credits from ICROA-approved standards for the following uses:
 - To offset emissions to help achieve a 1.5 degree linear reduction between interim science-based target years,
 - To offset some/all residual emissions beyond a science-based reduction pathway,
 - To offset residual emissions in the net zero year through removals.
- Corporates are encouraged to comply with the ICROA Accreditation Scheme.
 - Carbon credits from ICROA-approved standards may represent the *avoidance and reduction* of emissions at their source, or the *removal* of carbon from the atmosphere through biological or technological sequestration. Over time, as we get closer to 2050, companies should invest increasingly in removals to support the end goal of net-zero (balancing emissions and sinks).
 - Retiring carbon credits on the way to net zero allows corporates to make claims of *neutrality*, representing a state achieved for a defined period of time, through the *compensation* (avoided and reduced emissions) or *neutralization* (carbon removed from the atmosphere) of residual emissions.
 - Any corporate claim implies that the steps described above are followed. A product claim implies adherence to the carbon mitigation hierarchy such as following BSI’s PAS 2060.