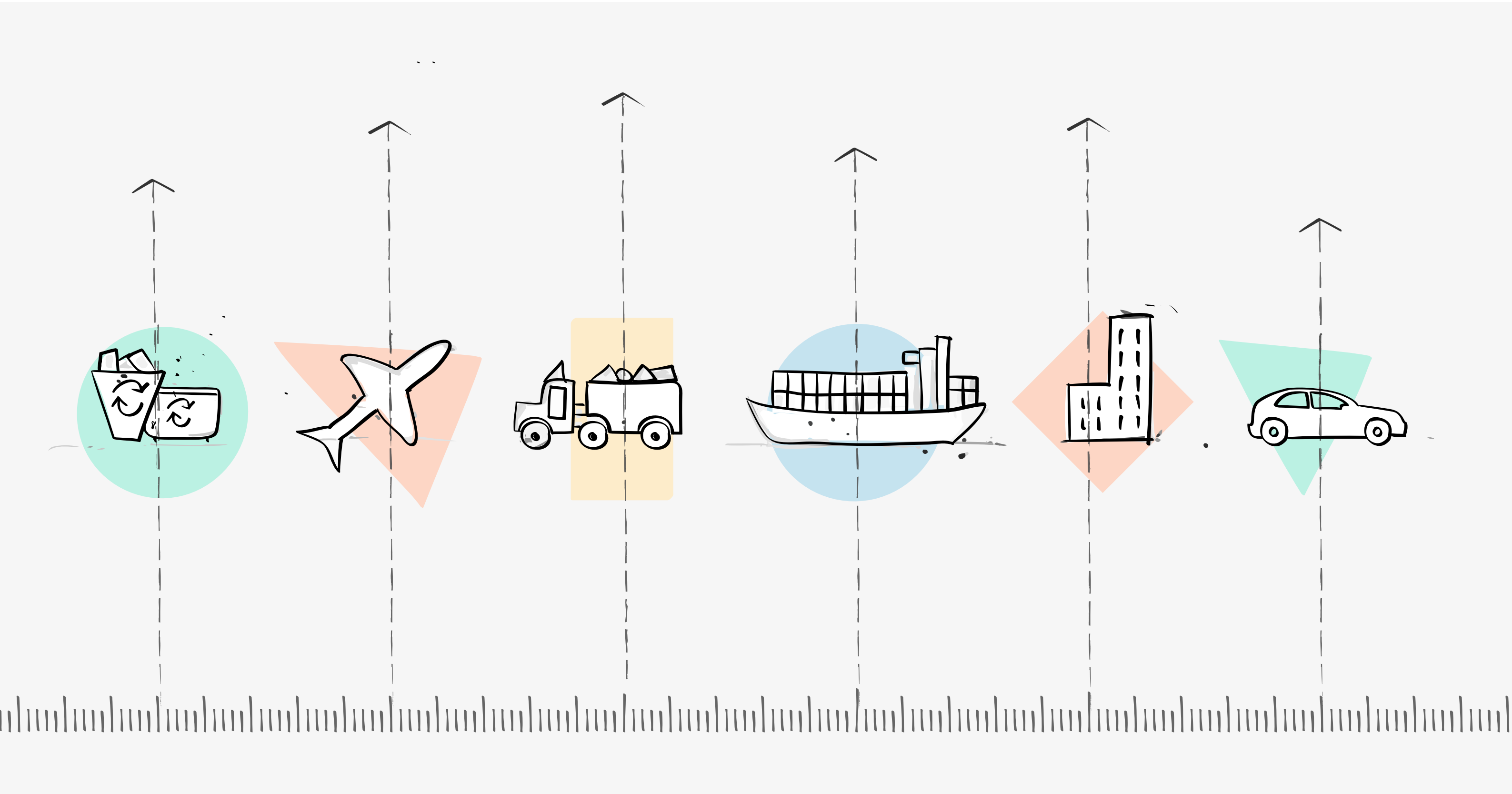
From guidelines to global impact: Guaranteeing consistent net zero claims

November 2024



The world is awash with claims that companies are 'net zero' aligned – but what does it really mean? Behind most corporate net zero claims are different standards and guidelines. Three of the most well-known are:

1. UN High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities (UN HLEG)
2. SBTi Corporate Net-Zero Standard
3. ISO IWA 42:2022 Net Zero Guidelines (ISO IWA 42)

These methods all aim to help companies establish their climate transition pathways in line with the target of limiting global warming to 1.5°C by the end of the century – but they aren't all the same.

The UN HLEG recommendations are the best practice. Neither ISO IWA 42, nor the SBTi Corporate Net-Zero Standard, fully live up to them – but they could. ISO IWA 42 will soon become a standard and the SBTi Corporate Net-Zero Standard is being revised. This presents an opportunity to ensure consistency between them.

How must ISO IWA 42 and the SBTi Corporate Net-Zero Standard evolve to align with UN HLEG recommendations and be net zero-aligned? Read our recommendations to find out.

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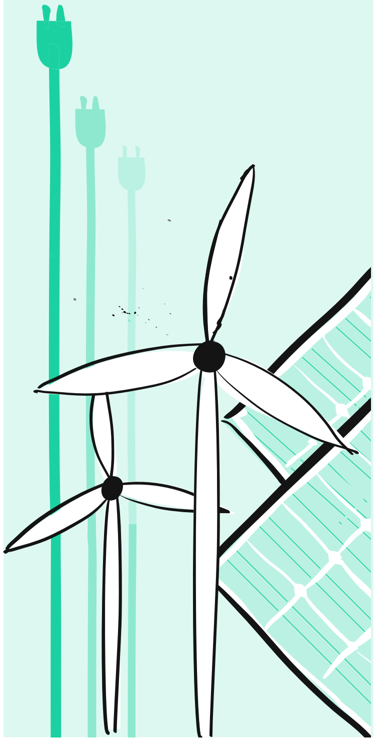
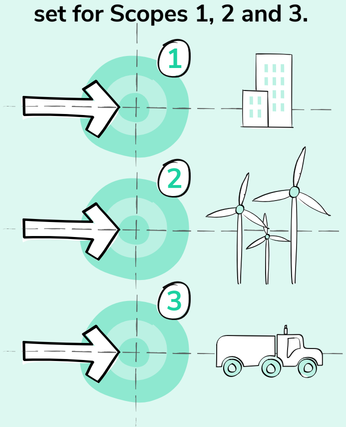
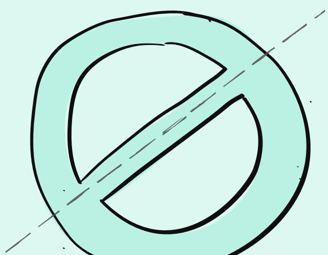
UN HLEG Recommendations – Best practice	What is in the ISO IWA 42:2022 Net Zero Guidelines?	What is in the SBTi Corporate Net-Zero Standard?	Recommendations for ISO and SBTi
Targets should be set to end support of fossil fuels and make a full transition to renewable energy. 	Companies should transition away from fossil fuels to 100% renewable energy, setting targets to reduce energy consumption and increasing the share of renewables by 2030. Companies should also create and disclose their financial policies to phase out fossil fuels. Any certificates used to purchase indirect emissions for electricity, heating, and cooling (Scope 2) should avoid a mix of non-renewable energy sources. Every purchase should ensure the further development of renewable energy. Certificates purchased under Scope 2 need to adhere to quality criteria in ISO 14064-1 on carbon accounting and the Greenhouse Gas (GHG) Protocol's Scope 2 Guidance – two other standards in this field.	SBTi will not validate targets of companies in the fossil fuel industry, nor those with 50% or more of their revenue connected to their sale of fossil fuels (or more than 5% revenue from their assets). For companies with less than 50% of their revenue from fossil fuels, separate reduction targets for indirect emissions (Scope 3) are required. There is no declining threshold, but targets need to align with 1.5°C. Renewable energy targets are not mandatory. Certificates purchased under Scope 2 need to adhere to quality criteria in the Greenhouse Gas (GHG) Protocol's Scope 2 Guidance.	Fossil fuels account for over 70% of greenhouse gas emissions worldwide. To prevent an increase of 1.5C, we must stop using them. SBTi and ISO must make mandatory near-term and long-term targets for companies to end their dependency on fossil fuels, complimented by near- and long-term targets to massively invest in and rely on renewable energy. The SBTi must also require companies to establish publicly available financial policies to phase out fossil fuels. Neither the greenhouse gas (GHG) Protocol nor ISO 14064:1 criteria adequately* guarantee the quality, additionality, or transparency of renewable energy purchased. Both SBTi and ISO must include stronger criteria if certificates in Scope 2 are used alongside mandatory location-based reporting.
Separate targets should be set for Scopes 1, 2 and 3. 	Companies should ensure targets (both interim and long term) are set separately for Scope 1, Scope 2, and Scope 3.	Setting an interim target for indirect (Scope 3) emissions is not manda-tory, unless they make up more than 40% of emissions. It is optional to set a sin-gle target for Scopes 1, 2 and 3, but companies may do so for all.	Separate and mandatory targets for each Scope is necessary because emission sources and actions to reduce them are different. SBTi must make separate targets for Scope 1, 2 and 3 mandatory - for both interim and long-term targets, regardless of the amount of emissions in Scope 3.
Carbon removals and credits should not be used to meet interim or long-term reduction targets. 	Removals and credits can neither be used to meet interim nor long-term reduction targets. Only residual emissions can be counterbalanced by removals or offsetting.	Removals and credits can neither be used to meet interim nor long-term reduction targets. Only residual emissions can be counterbalanced by removals or offsetting.**	ISO and SBTi must ensure the mitigation hierarchy contin-ues to be respected when they update their standards. Companies must reduce their emissions to align with 1.5C. Removals and credits should not be permitted to meet emissions reduction targets. Residual emissions should be clearly defined - for instance maximum 5% of a company's baseline emissions.

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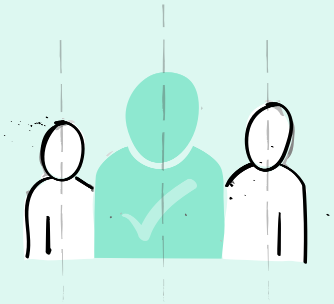
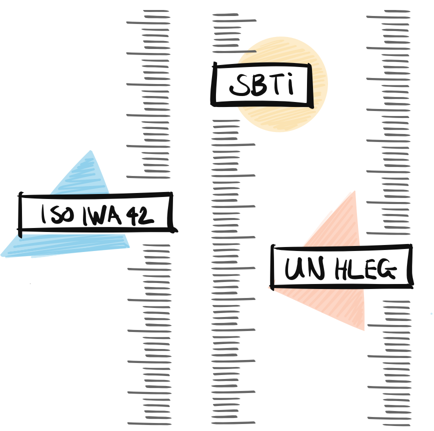
Where the use of carbon credits for residual emissions is permitted, carbon credits should abide by minimum quality criteria. At a minimum, that means that credits should adhere to additionality and permanence. The highest environmental and social integrity should be in place at projects generating carbon credits. Credits should also be transparently reported, and claims verified. 	Guidelines provide a list of criteria for what is considered high-quality removal and credits, including additionality, environmental, and social integrity. This needs to be third-party verified. A company's leadership should establish quality criteria for the use of carbon removals and credits.	There are no overarching quality criteria for carbon credits and removals.	If ISO and SBTi permit the use of credits and removals for a company's residual emissions, mandatory criteria for these instruments must be established. IWA 42 criteria must remain in the new standard. SBTi must include at least the following: proof of additionality, permanence, inclusive participation, and do no harm to the environment and people. It must also be third-party verified.
A company's targets, pathway, claims and GHG reporting should be third-party verified. 	Targets, associated data, and claims of net zero status must be verified through a credible and competent third party. However, third-party verification of the GHG inventory is not mandatory.	SBTi validates the targets and pathway. Third-party verification of GHG inventory is not mandatory.	Third-party verification is essential to provide accountability. Third-party verification of the company's GHG inventory is key as it is the backbone of a company's transition plan. Both ISO and SBTi must make third-party verification of the GHG inventory mandatory.
An update of the transition plan should be required at least every five years. 	Updating transition plans every five years is not mandatory.	Transition plans must be updated every five years.	ISO must go further and require transition plans to be updated at least every five years.



* See our factsheet on ISO 14064-1 and the GHG Protocol

** SBTi is considering changing this approach to allow the use of credits within the value chain. We recommend that they do not make this change.

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