



## What does the SBTi's Draft Corporate Net-Zero Standard Version 2.0 mean for companies?

In 2021, the Science Based Targets Initiative (SBTi) launched its first Corporate Net-Zero Standard, aimed at providing a clear and consistent definition of science-based net-zero targets for companies. Recently, SBTi has released a draft of its revised Corporate Net-Zero Standard for public consultation.

This revision comes at a crucial time, as the initial companies that set targets have now completed their validation cycles, requiring a reassessment and update of their goals. Moreover, the disparity between current global emissions and the necessary reductions remains alarming, making it more critical than ever to accelerate our efforts. The new standard aims to enable more companies to advance further and faster towards achieving net-zero emissions by addressing key issues in target setting and emission performance management.

# What are the key changes in a nutshell?

The revised Corporate Net-Zero Standard introduces several key changes aimed at enhancing the rigor and practicality of emissions reduction efforts:

## Governance and accountability

To enhance credibility and accountability, SBTi is introducing stricter governance measures such as a new governance model or tracking and communication requirements. These measures aim to prevent greenwashing and ensure that companies remain on track to meet their commitments.

## Tracking and communication

The validation cycle now includes requirements for companies to assess and disclose their progress regularly. This enhancement aims to improve transparency and accountability, ensuring that stakeholders are well-informed about the companies' advancements towards their net-zero goals in line with latest developments in the reporting space.

## Target settings for scope 3 emissions

Scope 3 emissions, which include indirect emissions from a company's value chain, have long been a significant challenge for corporations. The revised standard addresses this by using an impact-based prioritisation process rather than a minimum coverage as is currently the case: all significant categories (any categories representing more than 5% of total scope 3 emissions) or emissions intensive activities such as energy- and land-use-intensive industries will have to be considered. It places greater focus on non-emission metrics and targets without mandating specific coverage. This balanced approach aims to help companies concentrate on the most substantial sources of emissions within their value chains, striking a balance between feasibility and ambition.

## Separate scope 1 and 2 targets

The standard now requires companies to set distinct targets for scope 1 and scope 2 emissions. Additionally, it includes guidance on scope 2 mitigation mechanisms and updates the absolute contraction approach to consider historical data. These changes enhance the robustness of the targets and provide a clearer path for companies to follow.

## Climate removal and climate finance

The new standard continues acknowledging the importance of Beyond Value Chain Mitigation (BVCM) and climate finance, while maintaining a strong focus on the mitigation strategy by prioritising emission reduction. BVCM refers to mitigation actions or investments that fall outside a company's value chain, including activities that avoid, reduce or greenhouse gas emissions from the atmosphere. The draft standard aims to incentivize companies to set science-based targets for reducing emissions within their operations and value chain, and to address the impact of emissions released during their net-zero transformation. Through consultation, the SBTi seeks to identify effective mechanisms to recognize and shape this leadership practice, to potentially drive increased investment in carbon removal technologies.

SBTi is currently collecting feedback from corporations, NGOs, policymakers, and other stakeholders until June 1, 2025. After this consultation phase, the team will release a second draft, with final approval expected by 2026.

Companies setting new near-term targets in 2025 and 2026 can use the existing Corporate Net Zero and Near-Term Criteria methods. However, starting in 2027, all targets must comply with Version 2.0.

For companies with existing targets due for renewal or review in 2026, SBTi will provide further details on the renewal process in the second public consultation, scheduled for later this year.

### **But what does that mean for companies?**

The revised Corporate Net-Zero Standard introduces several significant changes that, while challenging, are designed to drive more effective climate action. These changes include a more stringent commitment model, enhanced tracking, and communication requirements. These new requirements necessitate greater involvement from the board, as well as new skills and resources, which might initially deter some companies from embarking on their net-zero journey.

However, the standard also provides new guidance to help companies navigate the complexities of implementation. This includes tailored requirements based on company size and geography, an enhanced Scope 3 target-setting framework, and a nuanced approach to substantiate progress against targets. Additionally, it will define approaches on how to integrate direct and indirect carbon removal, as well as Beyond Value Chain Mitigation (BVCM) in the standard.

The primary goal of these changes is to make the net-zero standard more practical and accessible, thereby encouraging broader adoption and more effective action. Many of these challenges align with the evolving voluntary and regulatory landscape, including the Corporate Sustainability Reporting Directive (CSRD), which increasingly demands greater transparency from companies. Therefore, addressing these challenges will not necessarily require additional work but rather an adaptation to the new norms.

Moreover, companies will have the opportunity to showcase their proactive efforts in emissions reduction, particularly in Scope 3 emissions and beyond value chain mitigation. This proactive stance can enhance their reputation and demonstrate their commitment to sustainability.

## How to prepare for the new standard?

To effectively prepare for the new Corporate Net-Zero Standard, consider the following steps:

- **Stay updated on changes in reporting requirements (e.g. CSRD, SBTi) and integrate them into your sustainability strategy to ensure compliance and showcase proactive efforts.**
- **Evaluate your organisation's decarbonisation readiness by assessing your governance, processes, and skills to identify gaps and areas for improvement.**
- **Perform a tailored impact analysis across the highlighted changes, especially if you have already submitted targets, while awaiting additional guidance, scheduled for later this year.**
- **Offer your comments to the consultation once you have determined its implications for your organisation.**

The new voluntary standard offers companies a chance to examine their energy footprint and value chain dependencies. This can enhance resilience, as seen with recent power outages in Iberia, and provide long-term benefits like reduced costs through energy efficiency and value chain optimization.

Additionally, it helps mitigate risks such as price fluctuations and power outages, fostering sustainability and resilience throughout their operations and partnerships.

## How can dss+ help?

dss+ is uniquely positioned to support clients with comprehensive, end-to-end solutions for their decarbonisation challenges. We excel in identifying material risks and developing effective mitigation strategies.

### We support our clients with:

- Defining their decarbonisation pathways and roadmap, including the technical and financial planning
- Enabling the implementation of scope 1 & 2 emissions reduction
- Managing physical climate risk, including mitigation and emergency response plans
- Enabling them to be “climate change-ready” by supporting the adaption of their organisational and governance model, empowering their leadership, ensuring the operating model is adapted and upskilling the workforce
- Preventing climate transition risks by anticipating and adapting to evolving framework conditions such as compliance and reporting requirements
- Identifying and developing value creation opportunities for the business along the decarbonisation journey

At dss+, we take pride in achieving sustainable results by addressing both practical and cultural challenges within organisations. Building on our legacy of sustainable transformation capabilities, our holistic approach ensures that we not only meet regulatory requirements but also foster a culture of sustainability that drives long-term success.

# Overview of the main changes

| Objectives  | Current version v1.2  | Example of changes introduced   | Impact on clients   |
|---|---|---|---|
| <b>Broader participation</b>                                  | <ul style="list-style-type: none"> <li>Separate validation process for SME</li> </ul>   | <ul style="list-style-type: none"> <li>New categorisation system based on company size and geography</li> </ul>   | This categorization aims to promote climate action across diverse companies, recognizing their varying sizes, resources, and operating contexts.  |
| <b>Accountability and governance consideration</b>            | <ul style="list-style-type: none"> <li>Commitment made through SBTi via commitment letter</li> <li>Lack of standardised assessment of target progress and communication</li> </ul>  | <ul style="list-style-type: none"> <li>Commitment model</li> <li>Requirements for tracking and communicating progress, including disclosure of transition plan</li> </ul>   | Increased requirements for governance and communication will necessitate greater management and board involvement. This might deter clients that are a bit hesitant to commit publicly while they are still developing their plans                            |
| <b>Enhance robustness for target calculations</b>             | <ul style="list-style-type: none"> <li>Older version of IPCC (AR5 pathways)</li> <li>Scope 1,2 and 3 target may be combined</li> <li>Requirement for location- or market-based targets, with the option of renewable electricity targets</li> </ul> | <ul style="list-style-type: none"> <li>Updated pathways (IPCC AR6)</li> <li>Separate scope 1 and 2 targets</li> <li>Separate targets for location-based and market-based</li> <li>New mechanisms incentivise towards higher data quality</li> </ul> | The changes are logical and address the limitations of previous methodologies, such as the possibility to transfer reductions from Scope 2 to Scope 1. However, some of the changes such as double targets for scope 2 might introduce additional complexity. |
| <b>More practical target setting requirements for Scope 3</b> | <ul style="list-style-type: none"> <li>Fixed minimum coverage requirement (67% for near-term, 90% for long-term)</li> <li>Primary focus on emission reduction targets</li> </ul>  | <ul style="list-style-type: none"> <li>Focus on relevant scope 3 emissions for annual reporting</li> <li>Greater emphasis on non-emission metrics and targets for scope 3</li> </ul>  | The flexibility in addressing Scope 3 emissions empowers companies to concentrate on areas where they have the greatest impact, significantly enhancing their ability to meet their targets.  |
| <b>Increased recognition for Climate Action</b>               | <ul style="list-style-type: none"> <li>Recommendation for companies to support mitigation outside their value chains</li> </ul>   | <ul style="list-style-type: none"> <li>Stronger incentives by recognising companies supporting mitigation outside their value chains</li> </ul>   | While additional options will be allowed to help reduce residual emissions, their implementation, including traceability and justification, will introduce complexity.  |



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### About dss<sup>+</sup>

dss<sup>+</sup> is the operational transformation partner for complex and high-hazard industries. Driven by our purpose, we help organisations achieve breakthroughs in safety, performance and sustainability that build business endurance and ensure long-term success.

We engage deeply within organisations to empower teams to shift mindsets, shape cultures, and establish the capabilities required at every level. We combine technical expertise and operational experience with a people-centred approach and data-driven insight.

Find out more at [www.consultdss.com](http://www.consultdss.com)

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