

SBTi Launches World-First Net-Zero Corporate Standard

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About this update

This dated news record has been reorganised for clear reading and connected to current guidance.

Publication date: November 4, 2021.

Status note: Present-tense statements, market figures, deadlines and program details in the archived record belong to its publication date. Check current official sources before making a decision.

What this article reported

Net-Zero Emissions is the buzzword of 2021 and, in the lead, up to COP26 in Glasgow, companies, cities, and countries are setting and announcing net-zero targets.

There is broad recognition, that in order to avoid the worst effects of climate change, global temperatures need to stay below 1.5 degrees C. In order to have a 50% chance of not exceeding 1.5 degrees C, global emissions need to halve by 2030 and reach net zero by 2050.

Whilst the science is clear, what isn't clear is what it actually means to set a net-zero target.

"The Net-Zero Standard gives companies a clear blueprint on how to bring their net-zero plans in line with the science, which is non-negotiable in this decisive decade for climate action. Because we are running out of time." Johan Rockstrom, Director of the Potsdam Institute for Climate Impact Research (PIK) and Professor in Earth System Science at the University of Potsdam

The IPCC defines net-zero emissions as being when "anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period", however, this is net-zero emissions as defined from a global level, and there is a lack of consistency about what it means on an individual organisation level.

It is seen that net-zero emissions targets being adopted by businesses don't align on the timeframe for reaching net-zero, the inclusion of other greenhouse emissions than CO₂e, and the extent of the emissions boundary. A critical piece of science-based target setting is halving emissions by 2030.

But wait, why is it important to immediately and rapidly reduce emissions now or within next 10 years?

We are given a carbon budget to limit temperature warming and the longer we wait to act, the wider the temperature range. The IPCC AR6 Report determined that we have a total carbon budget of 500 Gtonnes of CO₂ to give the world a 50% chance of keeping temperatures below 1.5 degrees C - we need urgent action now to reduce emissions and must reach net-zero carbon emissions no later than 2050.

On 28 October, the Science-Based Targets Initiative (SBTi) launched the world's first-ever corporate framework for net-zero target setting. This standard provides guidance, criteria, and recommendations companies need to set science-based net-zero targets consistent with limiting global temperature rise

to 1.5 degrees C.

Here are the four key elements of the Net Zero Standard Framework:

To set near-term science-based targets: 5-10 year emission reduction targets in line with 1.5 degrees C pathways

To set long-term science-based targets: Target to reduce emissions to a residual level in line with 1.5 degrees C scenarios by no later than 2050

Beyond value chain mitigation: In the transition to net-zero, companies should take action to mitigate emissions beyond their value chains. For example, purchasing high-quality, jurisdictional REDD+ credits or investing in direct air capture (DAC) and geologic storage

Neutralization of residual emissions: GHGs released into the atmosphere when the company has achieved their long-term SBT must be counterbalanced through the permanent removal and storage of carbon from the atmosphere

This is exciting news as it's the first time the SBTi has clarified the acceptable level of genuine decarbonisation and carbon offsets permitted within a science-based net-zero target. The SBTi is also committing to working closely to set standards for monitoring, reporting and verification, with more expected policies around what and how to report.

The difficulty for many companies is the strategic process behind emissions reduction, both in planning and implementation. At Northmore Gordon, we will get you started on the right foot and can provide ongoing support to make sure that you reach your target goals. We're all in this together, you can feel confident that support is available to assist you on your Net-Zero journey.

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What is the SBTi Net-Zero Standard and why does it matter for companies?

The Science Based Targets initiative (SBTi)—a partnership between CDP, the United Nations Global Compact, the World Resources Institute, and the World Wide Fund for Nature—launched the world's first corporate net-zero framework on 28 October 2021. The Net-Zero Standard provides guidance, criteria, and recommendations for companies to set science-based net-zero targets aligned with limiting global temperature rise to 1.5°C. It addresses inconsistencies among businesses regarding timeframes for net-zero achievement, greenhouse gas scope, and emissions boundaries. The standard is important because it gives companies a clear blueprint to align their net-zero plans with climate science during this critical decade for climate action.

What are the four key elements companies must address under the SBTi Net-Zero Standard?

The framework requires: (1) near-term science-based targets reducing emissions within 5–10 years in line with 1.5°C pathways; (2) long-term targets reducing emissions to a residual level by no later than 2050 consistent with 1.5°C scenarios; (3) beyond value chain mitigation through actions such as purchasing high-quality jurisdictional REDD+ credits or investing in direct air capture and geologic storage; and (4) neutralization of residual emissions by counterbalancing remaining greenhouse gases through permanent carbon removal and storage from the atmosphere. These elements ensure companies address both direct reductions and the permanent removal of unavoidable residual emissions.

Why is halving global emissions by 2030 a critical milestone in net-zero target setting?

The IPCC AR6 Report indicates a remaining carbon budget of 500 gigatonnes of CO₂ to give a 50% chance of keeping temperatures below 1.5°C. To stay within this budget, global emissions must halve by 2030 and reach net zero by 2050. This means urgent action is required immediately, not deferred to later decades. For companies, this translates to a critical piece of science-based target setting: establishing aggressive near-term emission reduction targets for the next 5–10 years rather than relying solely on long-term 2050 commitments. Delaying action reduces the feasibility of achieving 1.5°C alignment.

What is the difference between IPCC's global definition of net-zero and how companies should interpret it?

The IPCC defines net-zero emissions as when 'anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period.' However, this definition applies at a global level. At the individual organizational level, consistency about what net-zero means has been lacking—creating confusion about scope, timeframes, and eligible mitigation approaches. The SBTi Net-Zero Standard addresses this gap by providing specific corporate guidance on boundary definitions, target timeframes (near-term 5–10 years, long-term by 2050), and required inclusion of beyond-value-chain mitigation and residual emission neutralization. This clarification helps companies avoid greenwashing and ensure their net-zero claims align with science.

How can companies get started on a net-zero transition aligned with the SBTi Standard?

We support companies pursuing net-zero targets through strategic planning and implementation support. We help companies establish the right starting position by clarifying the strategic process behind emissions reduction—both planning and implementation. We offer transition planning work packages that define options, assumptions, dependencies, ownership, and financial implications related to decarbonization pathways. We can conduct emissions inventories, opportunity assessments, feasibility studies, and climate-risk analysis to support organizations in defining near-term and long-term targets aligned with science. Ongoing support helps companies track progress toward their net-zero goals and adjust strategies as implementation proceeds.

What role do carbon credits and beyond-value-chain mitigation play in meeting net-zero targets?

Under the SBTi Standard, companies cannot rely solely on direct emissions reductions. Beyond-value-chain mitigation requires investments in external projects such as high-quality jurisdictional REDD+ credits (forest protection) or direct air capture technology with permanent geologic storage. After companies achieve their long-term emissions-reduction target through physical reductions and operational changes, they must neutralize any remaining residual emissions through permanent carbon removal mechanisms. This two-step approach—physical reductions first, then offsetting unavoidable residuals—prevents companies from claiming net-zero status without demonstrating measurable cuts in their own operations and verified removal of atmospheric carbon.

What inconsistencies in business net-zero targets does the SBTi Standard aim to resolve?

Before the Standard, companies adopted net-zero targets without alignment on three critical dimensions: timeframes for reaching net-zero (varying from 2030 to 2080), the inclusion of greenhouse gases beyond CO2 equivalent, and the extent of the emissions boundary (some companies excluded Scope 3 value-chain emissions). These inconsistencies made it difficult to compare corporate climate commitments and created risk of greenwashing—targets that appear ambitious but lack scientific rigor. The SBTi Net-Zero Standard resolves this by mandating specific timeframes (long-term by 2050 at the latest), requiring all material greenhouse gases, and establishing clear boundaries including beyond-value-chain mitigation. This standardization allows stakeholders to assess and compare corporate net-zero claims credibly.

How does the SBTi Net-Zero Standard connect to Australian reporting obligations and corporate planning?

While the SBTi Standard is a voluntary global framework, it aligns with mandatory Australian reporting requirements. Companies subject to ASRS (Australian Sustainability Reporting Standards) or planning under NSW Climate Change Mitigation and Adaptation Plans (CCMAPs) benefit from understanding SBTi's science-based approach. The Standard's requirement for near-term targets (5–10 years) and transition planning mirrors work required for CCMAP opportunity registers and ASRS transition pathways. We support organizations in mapping voluntary net-zero strategies against current regulatory requirements, ensuring that internal commitments align with both science and compliance obligations. This integration strengthens credibility and reduces the risk of conflicting targets across voluntary and mandatory frameworks.