IMS

Coffee Break Briefing

SCIENCE BASED TARGETS

IMS CBB #3

Level of prior knowledge of subject recommended

Our Coffee Break Briefing series are designed to provide clients with some quick guidance on key sustainability topics.

These briefings are supported by our detailed, 32-page, Sustainability Handbook available on request: info@imsplc.com

Instant Expert

(read this bit while your coffee is brewing)

Why do we need Science Based Targets for greenhouse gas emissions reduction?

Most large companies, many cities and governments have historically set themselves targets for reducing greenhouse gas (GHG) emissions, particularly carbon, in an effort to mitigate climate change. Previously, these targets were mostly arbitrary. Either ambitions for the future or short to medium term reductions based on the particular commitment, vision or appetite of the individual organisation.

The Paris Agreement (CoP21, Paris 2015) calls for a global effort to reduce emissions, in order to keep within the 2oC global temperature increase model. To ensure that the target is achieved, businesses will all need to do their bit, and their emissions reduction targets will need to be set according to science, rather than individual commitment.

Doing your bit

Different industry sectors contribute more or less to emissions, depending upon their operations. And different organisations contribute more or less, depending on their current efficiency of energy use, size, product mix etc. (For example, GHG emissions from the energy supply sector are 10 times more than the aviation sector). So, meaningful emissions reduction levels need to be established across the board, that ensure that global targets are achieved in the future.

What exactly is a Science Based Target?

Targets adopted by companies to reduce GHG emissions are considered "science-based" if they are in line with the level of decarbonization required to keep the global temperature increase below 2°C compared to preindustrial temperatures, as described in the Fifth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC).

Short Summary

(hopefully, your coffee will still be hot at the end)

In order to keep global temperature increase within 2°C **we must reduce annual emissions by 2050 to 49-72%** below 2010 levels

Science Based Targets (SBT) include a long-term vision, to help think in terms of reductions beyond the near-term e.g. exploiting new technologies, market offerings, and financing options.

The **Science Based Targets Initiative** (SBTi) is a collaboration between UN Global Compact, World Resources Institute (WRI), CDP, and the World Wide Fund for Nature (WWF), which helps companies determine how much they must cut emissions to prevent the worst impacts of climate change.

Who is setting SBTs?

Over 120 global corporations are now using science-based targets to align strategies with the Paris Agreement. Companies span 23 countries. Key names include TESCO, Coca-Cola, DELL, P&G, Tetra Pak, Stora Enso and Morgan Sindall Group. Currently, it's mainly the big players and major multinationals who are leading the way in setting SBTs.

How to identify the feasibility of setting and meeting a SBT within your business

First and foremost, you will need to have calculated its current carbon emissions in order to be able to set a SBT. Therefore, making sure you have calculated your direct and indirect emissions is an important first step. If these have already been calculated, then carrying out a check, inventory or audit is a sensible approach to ensuring the data and calculations are all correct. The carbon footprint of your organisation will form the initial benchmark for your target, and therefore it's important that it is as accurate and complete as possible.

The SBTi requires that companies with Scope 3 emissions greater than 40% of their overall carbon footprint also set a target for their Scope 3 emissions, and therefore understanding and calculating these, as well as Scope 1 and 2, is important.

Scope 3 Emissions. The elephant in the room.

In order to make any impact on emissions reduction, we need to consider the indirect emissions from suppliers and customers. Of course, this is where it gets very difficult very quickly. How can you measure, let alone manage the emissions resulting from the occupancy of an office block you've built, or the use of hair shampoo you've sold? Scope 3 emissions – from your value chain- are likely to be the largest part of your organisation's overall carbon footprint, so to make any meaningful reduction to align with the 2°C world, they need to be taken into consideration.

To manage, first you have to measure. This is easier said than done for Scope 3, so a detailed analysis of which of the 15 GHG Protocol categories contain most of your indirect emissions is necessary.

The likelihood is that more than 40% of your emissions are likely to be Scope 3 and therefore you will have to take Scope 3 into account when developing a suitable SBT.

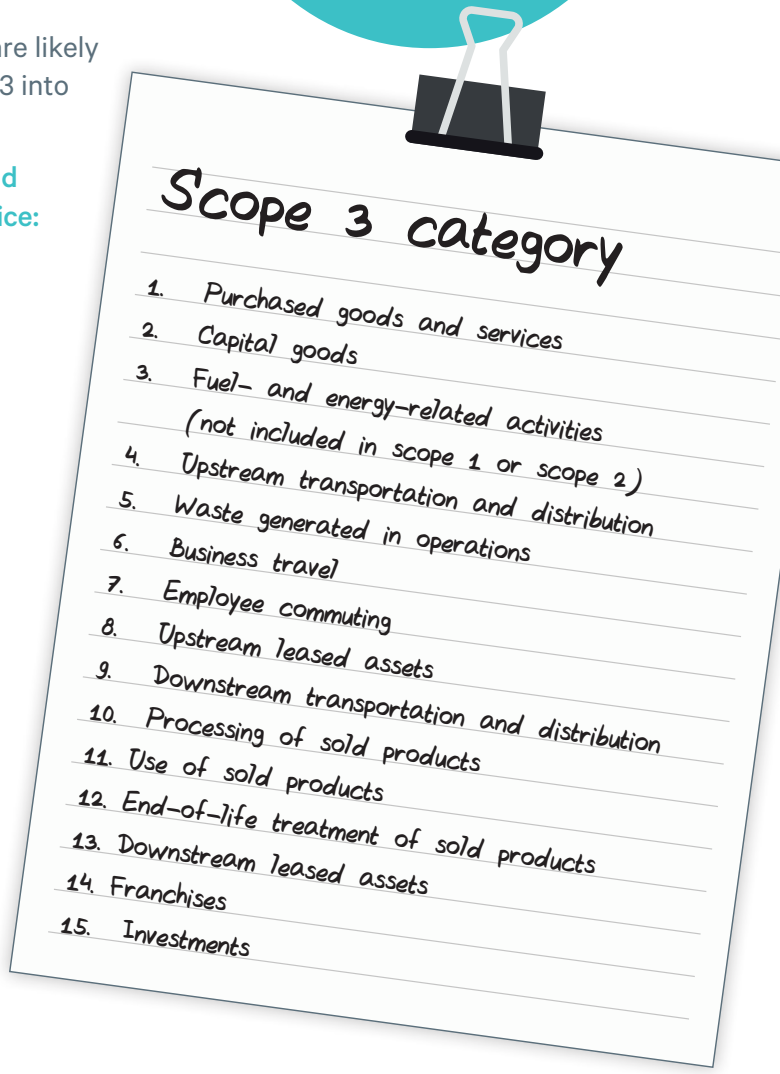
Based on IMS Consulting's experience of developing and gaining approval for SBTs, we offer three pieces of advice:

1. **DON'T PANIC!**
2. Assess the importance of each of the 15 GHG Protocol categories logically and factually
3. Appreciate that any reduction in supplier or customer emissions will involve education, behavioural change and collaboration. So it's important to include an aspect of education and communication in your future plans.

Next, understanding how ambitious to set your target - based on what is achievable within the organisation - is an important part of this initial process. Looking at the operational aspects of your business and the potential improvements will help you identify the opportunity for reduction. Key areas for improvement could be; energy efficiency, behavioural changes or greening of the supply chain.

Additionally, engaging with key decision-makers within the organisation early on is key, as internal buy-in and understanding of the SBT and why it is important for the business will help drive the process.

For key corporate sustainability external benchmarks, such as CDP, having set SBTs, even if not having had them approved, will allow your business to gain recognition and credit within the scoring process.



Furthermore, SBTi is looking to create guidance covering more sectors in the future, and therefore, having set targets already, your business will be ready to apply for approval right away, giving you some competitive advantage against your peer group.

Dive into Detail

(you may want a croissant for this bit – or maybe a biscuit...)

By this point, most companies will be considering utilising the services of a specialist consultancy such as IMS, to help with the development and submission of suitable targets for Scope 1, Scope 2 and Scope 3 emissions. The process is not straightforward, it is time-consuming and the Scope 3 assessment in particular requires careful consideration. However, if approached logically and methodically, identifying, setting and gaining approval for your SBT should take between six and nine months.

We suggest you use this section of our briefing as a guide to next steps. It's probably worth having a preliminary conversation with one of the IMS carbon experts at this stage. It will help clarify the process and should save you time and money as well.

HOW TO IDENTIFY AND TARGET THE RIGHT APPROACH FOR YOUR BUSINESS

There are a number of different approaches currently available within the Science Based Targets Initiative (SBTi). These fall into three main types:

Sectorial Decarbonisation Approach (SDA):-

The SDA divides a global carbon budget based on each sector's projected level of economic activity and potential for emissions reductions.

Absolute Emissions Contraction Method:-

This method requires all companies to reduce absolute GHG emissions at the same rate for any given carbon emission budget.

Economic Based Approach:

This method the total carbon budget is equated to global GDP and a company's share of emissions is determined by its gross profit.

Assessing the best method for your business is key to the success of the programme, and therefore analysis should be done taking into account a number of areas such as business characteristics, the projected growth of the company and whether your business wants to set an intensity or absolute emissions reduction target.

How to calculate and confirm your business's SBT

The following steps will need to be carried out in order to calculate and confirm a suitable SBT.

1	Ensure the target is achievable in the short and long term
2	Select a baseline year and a target year
3	Calculate Scope 1 and 2 emissions, and screen Scope 3 categories
4	Develop a Scope 1 and 2 emissions SBT
5	Determine if a Scope 3 Target is necessary based on the 40%rule
6	Develop an action plan for meeting the proposed target

How to get the targets approved once they have been set

In order to get your targets approved IMS would advise creating a checklist against all the criteria of the SBTi and ensure that the target(s) you have set meet all of these. These include criteria such as the target year needing to be between five and 15 years ahead, ensuing a long-term trajectory for the business. Once you have done this you will need to apply direct to SBTi for validation. Once approved the target will be showcased on the SBT website and other key communications.

How to ensure your target is achieved once it has been set

For meeting your targets, it will be important that you looked into the feasibility of them early on in the process, as suggested earlier on in this article. Sticking to your proposed action plan and frequently carrying out progress reports will be key.

Should you be falling behind with your target, based on unforeseeable business changes or current emissions reduction initiates not meeting projected carbon savings, there are a number of areas within your business that you can look at in order to achieve additional wins. These include looking at your supply chain, your energy supply, energy efficiency improvements or behavioural changes to name just a few.

CASE STUDY: Morgan Sindall Group

CHALLENGE:

Morgan Sindall Group, one of the UK's largest construction and infrastructure companies, wanted to gain approval for science-based targets, including complex Scope 3 GHG emissions, to drive emissions reductions within the business, and to show their ongoing commitment to being a responsible business.

At the outset of this process, the client had assessed Scope 3 emissions on a limited basis. IMS worked closely with the carbon team at Morgan Sindall Group to agree the appropriate methodology, assess the impact of Scope 3 emissions across all of the companies' divisions for each of the 15 GHG categories and develop a submission that was put to the Science Based Targets Initiative (SBTI).

Because no other UK construction companies had submitted, or had approved, Science Based Targets, Morgan Sindall Group and IMS were very much setting the bar for Scope 3, both with the SBTI and the industry peers.

SOLUTION:

IMS helped Morgan Sindall Group model Scope 1 and Scope 2 GHG emissions using the SDA (Sectoral Decarbonisation Approach); and screened and estimated Scope 3 emissions for 15 categories using a combination of activity, benchmark, and annual spend data.

OUTCOME:

Successful SBT submission and approval.

Morgan Sindall Group is the first amongst its industry peers, and one of only three construction companies globally, to adopt and gain approval for long-term greenhouse gas (GHG) emissions reduction targets.

IMS Consulting helps innovators and leaders achieve positive sustainable change in their own organisations and wider society.

We provoke, challenge and inspire people and businesses to aim high - by guiding, advising and educating.

IMS is a trusted partner, wherever there is a business case for positive and responsible change.

We have been shaping responsible business for over 20 years and there isn't a sustainability issue that we haven't come across or addressed.

IMS

IMS Consulting (Europe) Ltd
Offices in UK and France
info@imsplc.com | www.imsplc.com

@imsconsulting
IMS Consulting (Europe) Ltd

SHAPING RESPONSIBLE BUSINESS