Information for members

Corporate Net-Zero Standard v2.0 draft Public consultation

Science Based Targets initiative (SBTi)

Introduction

This letter sets out Smart Freight Centres response to the Corporate Net Zero Standard version 2, currently out for public consultation by SBTi.

SFC collaborates with SBTi in a formal partnership to further build on the platform they have developed to accelerate the decarbonization of the transport sector. The partnership aims to standardize greenhouse gas accounting, conventions and high-level principles to set global 1.5°C-aligned pathways for the transport industry.

The most recent IPCC annual report shows that direct ghg emissions from the transport sector were 8.7 GtCO2e in 2019, and accounted for 23% of global energy-related CO2 emissions (IPCC, 2022)1. At Smart Freight Centre, we believe that decarbonization starts with precise measurement and reporting of emissions along the supply chain. Our GLEC Framework was the first, global industry guidance to calculating and reporting greenhouse gas emissions from freight transportation. It has been the basis of the ISO 14083 standard and is recognized by the Greenhouse Gas Protocol with its “Built on GHG Protocol”-mark. Smart Freight Centre experts have been contributing to SBTi transportation sector methodologies and continue to do so through the strategic partnership between SFC and SBTi, recognizing that SBTi guidance has to be sector specific, yet applicable across sectors at the same time.

Smart Freight Centre will participate in the current open consultation process by submitting a response through the regular feedback process. We believe, that a few aspects deserve dedicated attention. After internal consultation, we decided to specifically note down these points in this separate letter to be shared with our valued members. We also held a webinar for our members, where we informed of the current draft, the consultation process and also highlighted the following points specifically for our members to support them in their own evaluation processes.

The following notes outline our opinion about key aspects of the current Corporate Net Zero Standard draft out for public consultation. The notes also details SFC survey responses to specific questions.

1 IPCC, 2022: Climate Change 2022: Mitigation of Climate Change. Contribution of Working Group III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Chapter 10: Transport. Available at: https://www.ipcc.ch/report/ar6/wg3/chapter/chapter-10/

Transportation within scope 3 is now required for a greater number of companies

We support the requirement of setting scope 3 targets for category A companies (i.e. larger companies) based on a more flexible boundary. The draft standard defines transportation in road, aviation and maritime as “emissions-intensive activities”, which means that they automatically become relevant and part of a required target boundary for companies when they either account for more than 1% of the company’s total annual scope 3 emissions or totaling more than 10,000 t CO_2e per year. Compared to the previous boundary setting, this will mean that more companies will have to include transportation related emissions in their science-based targets.

Applicable draft Standard criterion	Relevant consultation questions	SFC’s survey answer
CNZS-C7.2	**41:** To what extent do you think that the 5% significance threshold for scope 3 categories is a meaningful way to identify relevant emissions sources to be included in scope 3 targets?	The threshold should be lower to include more emissions sources within the target boundary
CNZS-C7.31	**43:** To what extent do you think the 1% significance threshold for emission-intensive activities is meaningful in identifying relevant emissions sources to be included in near term scope 3 targets?	The threshold is appropriate
CNZS-C7.3	**42:** In addition to those listed in Annex D, are there additional emission-intensive activities you believe should be considered?	Yes, Open text: Transportation in Rail
CNZS-C7.32	**44:** To what extent do you think the 10,000 tCO_2e significance threshold for emission- intensive activities is meaningful in identifying relevant emissions sources to be included in near-term scope 3 targets?	The threshold should be higher to include fewer emission sources within the target boundary
CNZS-C7	**45:** Should SBTi set a cumulative limit (as a percentage of total scope 3 emissions) on the exclusion of value chain and emission sources from the near-term target boundary? (Note: a higher percentage allows for more exclusions)	Yes,5%

The categorization of companies facilitates greater access to target setting

The draft introduces a new categorization of businesses based on the size and geography, and tiers target setting requirements accordingly. The company size categorization is guided by EU regulatory definitions and the geographical categorization is based on the World Bank classification.

SFC strongly supports the idea of differentiating requirements based on factors like company size and geographical location. This will make the standard more accessible to a wider range of companies, while not leaving smaller companies out of scope.

Applicable draft Standard criterion	Relevant consultation questions	SFC’s survey answer
Definition of company categories A&B	**26:** To what extent do you support or oppose the following elements of company categorization?	Strongly support to all sub-questions

There is an urgent need for alignment amongst various stakeholders

While SBTi is re-defining its Corporate Net Zero Standard, the Greenhouse Gas Protocol is in the process of updating their methodological guidance, as well as various voluntary market initiatives also publishing new and updated guidance. SFC recommends that harmonization and alignment between the various guidance and standards should be of the highest priority for all organizations.

Expansion to include WTW

Common standards like the ISO 14083 and the GLEC framework include emissions from the commissioning and decommissioning of power generation infrastructure. The implication is that energy sources, such as renewable energy such as solar, and wind, or nuclear power, would also have a non-zero emission factor associated with the energy delivered. Current analysis on the availability of emission factor databases to support the WTW calculation has been carried out by SFC and others, in the EU funded Horizon Europe project CLEVER[2].

SFC strongly recommends the expansion of the boundary for upstream and downstream transportation to include emissions on a well-to-wheel/well-to-wake basis. This would bring the standard inline with recommendations in the ISO 14083. Currently GHG Protocol initially only requires tank-to-wheel emissions in the minimum boundary, and well-to-tank emissions is only suggested.

Addressing scope 2 emissions

SBTi should provide clarity on the use of market-based emission factors for Scope 2 of user (e.g., EV operator) to be used as emission intensity values in the Scope 3 of a buyer. While this is allowed in the ISO 14083 as a supplement to the mandatory location-based method, it is not explicitly allowed in GHG Protocol. We recommend that this be allowed to encourage EV-based transport service providers to use their electricity procurement power to contribute to new low-carbon energy supply.

The CNZS-C15.5 requires companies to contribute to zero-carbon electricity in other grids to address scope 2 emissions when sourcing within its operated grids is not possible. SFC does not support this proposal as there are sufficient market mechanisms to support the decarbonization of the local grid, and it is feasible for companies to build up capacity for electricity generation in the medium term. We believe it would be better to keep this criteria as an option instead of a requirement.

Resource:
Smart Freight Centre. 2024. "Measuring and Reporting the Carbon Footprint of Electric Freight Vehicle Operations: Whitepaper." https://smart-freight-centre-media.s3.amazonaws.com/documents/240129_EV_Emissions_reporting_v3.0_FINAL.pdf.

Applicable draft Standard criterion	**Relevant consultation questions**	**SFC's survey answer**
Scope2 target setting; CNZS-C15.1	**63:** To what extent do you support the requirement for companies to have a location-based target as well as a market-based or zero-carbon electricity target?	Strongly support
	64: To what extent do you support the transition from renewable electricity targets to zero carbon electricity targets?	Strongly support
Scope2 target setting; CNZS-C15.5	**65:** To what extent do you support the requirement for companies to contribute to zero-carbon electricity in other grids as an interim measure to address scope 2 emissions where sourcing within the grids in which the company powers its operations is not possible?	Do not support. We believe there are sufficient market mechanisms to support the decarbonization of the local grid, and it is feasible for companies to build up one's capacity for electricity generation in the medium term. While providing flexibility, it also increases unnecessary complexity in verification processes.

2 CLEVER. (2025, January 31). Emission factor gap analysis completed. EmissionFactors.eu. Retrieved from https://emissionfactors.eu/project-updates/emission-factor-gap-analysis-completed/

The inclusion of indirect mitigation for scope 3 must be managed carefully under strict conditions

Decarbonizing transportation will be essential to reach global climate goals. As one of the hard-to-abate sector, direct and indirect mitigation measures have to be used and brought to scale as quickly as possible. Whereas parts of the required ambition can be achieved through direct mitigation, indirect mitigation measures need to play an important role. We strongly support the inclusion of indirect mitigation approaches, such as book-and-claim systems, to accelerate Scope 3 decarbonization in logistics. This sector faces significant physical and economic barriers to direct decarbonization, such as infrastructure constraints, limited end-user influence, and capital intensity.

We largely agree to the provisions of the standard draft, emphasizing that robust chain of custody models need to be in place – transparency and verification are key to increase the credibility of measures taken. We recognize that the Greenhouse Gas Protocol is also currently working on this topic in the “Actions & Market Instruments” Technical Working Group and resulting guidance should be aligned as far as possible.

Applicable draft Standard criterion	Relevant consultation questions	SFC’s survey answer
Scope 3 emission; C16.5/C16.6	For the detailed position narrative and suggested answer to respective survey questions, please see The Response Guide from the Book & Claim Community.	
	70: To what extent do you support or oppose the proposal for indirect mitigation to count towards scope 3 target achieving, under the condition that it is only used as an interim measure if direct mitigation is not possible, delivers measurable comparable outcomes and is reported separately to direct mitigation?	Strongly support

Emphasize transparency and credible verification mechanisms

SBTi CNZS Version 2.0 introduces several changes to GHG emissions inventories, with a focus on consolidation approach, base-year selection and performance, Scope 3 emissions , and ensuring data quality of the inventory, including through a new requirement for third party assurance.

We support the requirement for third-party verification of scopes 1, 2 and relevant scope 3 emissions for category A companies at a limited level of assurance. We believe that transparency and verification of emissions are necessary to substantiate claims about emissions, emissions inventories and progress. We also support the recommendation to companies to increase the level of assurance over time and aim for reasonable assurance.

Going beyond, we also recommend obtaining third-party verification for indirect mitigation and Beyond Value Chain Mitigation (BVCM) efforts.

The effort of encouraging transparency and robust assurance also echoes with the spirit and principles of the Book & Claim community, as listed in this guidance document.

Applicable draft Standard criterion	Relevant consultation questions	SFC’s survey answer
Assurance and GHG emission inventory; CNZS-C9	**46:** To what extent do you support the requirement for companies to obtain third-party assurance of their GHG inventories?	Strongly support
Assurance and GHG emission inventory; CNZS-C9	**47:** Do you already have your inventory assured by a third party? **48:** If yes, what level of assurance are you aiming for?	We encourage members to answer these questions to provide SBTi with greater knowledge of the current industry context

Separating scope 1 and 2 targets may add complexity and pose challenges for transportation companies

The current draft standard introduces the concept of separating scopes 1 and 2 targets into separated targets. While this will make sense for some sectors, it introduces a number of difficulties for companies active in transportation and logistics: Decarbonization pathways for heavy transportation as well as for the decarbonization of logistics hub rely of the principles of electrification. Trucks and vans are increasingly shifting from liquid fossil fuels to electric drive trains, railways are increasingly electrified, heating of logistics hubs might gradually involve technologies like heat pumps. These transitions will ease companies achievement of scope 1 targets but will increase the difficulty of achieving scope 2 targets with the increase in electricity use. Especially vehicle charging at third-party locations will introduce barriers for companies to achieve their scope 2 targets.

Applicable draft Standard criterion	Relevant consultation questions	SFC's survey answer
N/A	No relevant consultation questions **113:** If you have any additional feedback, insights, or considerations that you believe would contribute to the development of CNZS V2.0, please share them.	As described above

Introduction of scope 3 non-quantitative metrics may have unintended consequences for transparency across the supply chain

The current draft standard introduces the opportunity for companies to move away from quantified emissions reduction targets for scope 3 to so called "alignment targets" which measure the level of alignment of a category, activity or value chain counterparty. We believe that this could serve as an important supplementary tool, but that it should not completely replace quantified emissions reduction targets in scope 3, and it could pose negative impact on transparency and data sharing.

Applicable draft Standard criterion	Relevant consultation questions	SFC's survey answer
CNZS-C16.1	**66:** To what extent do you agree companies should be required to set long-term scope 3 targets in addition to the commitment to reaching net-zero emissions by 2050?	Strongly agree
CNZS-C16.4	**69:** Which of the following options do you support for determining that the procurement of an emission-intensive activity is net-zero aligned?	See screenshot below.
CNZS-C16.7	**71:** How do you think tier 1 supplier engagement targets should be incorporated into the standard	Unsure: "optional additional target"
CNZS-RI6	**74:** Should the following policies be included as a requirement or recommendation?	We Encourage members to provide your own feedback here While we believe the transport policy should only be required for companies when the transport threshold is met (1% of company's total annual scope 3 emissions or more than 10,000t CO2e per year)

69. Which of the following options do you support for determining that the procurement of an emission-intensive activity is net-zero aligned? (select all that you agree with):	**69. Recommendation below. With one key *condition for the "Other" box. Our note is that these be flexible. We recommend you use your primary experience of what available data you can acquire and what you could verify. Trustworthy & simple. (Note: the first option is their *current proposal*)**
☐ The procured activity must have achieved zero emissions or a net-zero aligned physical emissions intensity benchmark as specified in Table E.2 (current proposal) (e.g. purchased steel was produced at net-zero benchmark of 0.11 $kgCO_2e$/kg steel)	
☐ The procured activity must meet or fall below the physical emissions intensity benchmark required in a 1.5°C sector pathway for the specified year (which may still be transitioning toward net-zero rather than having already reached the net-zero end state) (e.g. purchased steel in 2030 was produced at 0.24 $kgCO_2e$/kg steel, or less but has not yet met the net-zero benchmark)	← OK
☐ The procured activity must be below a physical emissions intensity as specified in a credible green taxonomy (e.g. purchased aluminium average emissions intensity at or below 1,484 tCO_2e/tonne aluminium by 2025, from EU green taxonomy)	← OK
☐ The procured activity must be certified as being Paris-aligned by a credible third-party certification scheme (e.g. steel purchased directly from a site which is certified by ResponsibleSteel certification scheme)	← OK
☐ The procured activity must be delivered using a specific low-carbon technology (e.g. all leased vehicles and transportation is undertaken with zero emissions vehicles)	← OK
☐ I don't agree with any of the solutions proposed	
☐ Unsure	
☐ Not relevant to me	
☐ Other (please specify):	← *CONDITION for Other Response blank:* - *Clarification that these options you selected are supporting an EITHER/OR approach to proving net-zero alignment.* - *Ease of verification (trustworthiness) of this data is a key consideration in selection.*

Streamlining organizational and operational boundaries helps to create alignment

The current draft standard explores requiring one common method for organizational and operational boundary setting. To reduce ambiguity, we welcome the limitation of choices. With non-financial disclosure becoming increasingly aligned to financial disclosure, we support the outlined "Option 2" to align boundaries to the scope of entities, operations, assets and other structures as they are covered in the companies' consolidated financial statements.

Applicable draft Standard criterion	Relevant consultation questions	SFC's survey answer
CNZS-C3	**32:** Which approach do you most support for companies to follow when setting their organizational and operational boundary?	We strongly support option 2, as non-financial and financial disclosures are becoming increasingly aligned and should adhere to the same scope