A short Assessment of the SBTi

The Science Based Targets initiative (SBTi) is a globally used tool for companies of all industry sectors: 550 companies and financial institutions had decarbonization targets validated by the SBTi in January 2020 and more than 1,130 have signed on to the initiative. The SBTi reports that 10 to 20 companies are joining every week. However, the SBTi has several significant shortcomings that are becoming more severe with the initiative's rise in popularity.

The SBTi requires companies to define their climate ambitions, but SBTI "certification" is not proof of a company's compliance with the 1.5°C goal.

1. It is important to realize that **signing on to the SBTi is not the same as having validated targets.** The actual issue, however, lies in the limited ability of the SBTi to assess a company's ability to align with a net-zero target.

2 The SBTi allows **2 levels of ambition**: 1.5°C or „well below 2°C". Companies like Ørsted or Enel opted to use the 1.5°C scenario, while RWE picked the less ambitious below 2°C scenario version.

3. A validation by the SBTi means nothing more than a **confirmation of ambition statements**, not a validation of asset-based closure/restructuring plans.

4. The validation itself lacks **transparency**. The SBTi does not disclose the methodology that allows it to validate companies' targets. This alone is enough to cause concern: The SBTi does not assess the measures and strategy developed by companies to achieve their targets.

5. No end dates are set for phasing out fossil fuels and e.g. widely accepted benchmarks for phasing out coal are not used. Research from Climate Analytics based on IPCC 1.5 C scenarios showed that coal must be phased out by 2030 in OECD countries and by 2040 in the rest of the world[1]. This finding corresponds with a similar finding in the latest IEA Report on Net-Zero 2050[2]. As a result of this lack of end dates companies were able to get SBTi validated although they plan to produce coal power far beyond 2030 in OECD and EU countries.

6. **Historic Emissions are left out of the picture:** SBTI applies a universal approach, which means its expectations are the same for ANY company on the planet. From the viewpoint of climate justice, this approach is highly controversial. Historically huge CO2 emitters from the US or Europe should not be judged in the same way as a company from Africa or Latin America.

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1 https://climateanalytics.org/media/report_coal_phase_out_2019.pdf

2 https://www.iea.org/reports/net-zero-by-2050 („2030: Phase out of unabated coal plants in advanced economies."

7. The SBTI requires companies to adopt either **absolute CO_2 reduction targets or CO_2 intensity reduction targets**. Intensity targets still have to lead to absolute emission cuts in line with the minimum range of scenarios for well below 2C scenarios. However, absolute targets are a far better means to measure the transition of a company away from fossil fuels. Absolute CO_2 reduction can only be achieved by curtailing, for example, coal-fired power production, while the reduction of CO_2 intensity per kWh can be mostly achieved by investing in more renewables.

7. Regarding the **Scope 3 emission reduction target**, all emissions of a company are unlikely to be fully considered, as a proper global inventory of the methane emissions related to coal, oil and gas extraction and transport is still missing.

Negative effects of the SBTi

Using the SBTi can create loopholes in otherwise good policies of financial institutions. The most recent example is the new coal policy of Aviva, which will exclude companies that generate more than 5% of their revenue from coal by the end of 2022, unless they have signed up to the SBTi by then.

On the side of fossil companies, the SBTi can lead to serious greenwashing. The most recent example is the German utility RWE, which is advertising its certification by the SBTi despite its continued production and burning of lignite. A European company using the most CO_2-intensive form of coal far beyond 2030 is pushing the climate goals agreed on in Paris out of reach.

What is needed

The SBTi, as it currently stands, can hinder impactful climate commitments by companies and can lead to flawed climate policies of financial institutions.

To assess the actual "Paris- compatibility" of a company’s business model, financial institutions need a fully comprehensive and regionalized, company-specific assessment of actual transformation measures of an individual company, their planning and implementation pathways. SBTi does not provide for that level of detail and is therefore insufficient as guidance for investors and banks to assess if a company is Paris-aligned.

To have impactful climate policies, financial institutions need to follow a facts-based approach - such as Urgewald’s Global Coal Exit List - which is based on companies’ actual operations instead of relying on companies’ ambition statements as the SBTi does.