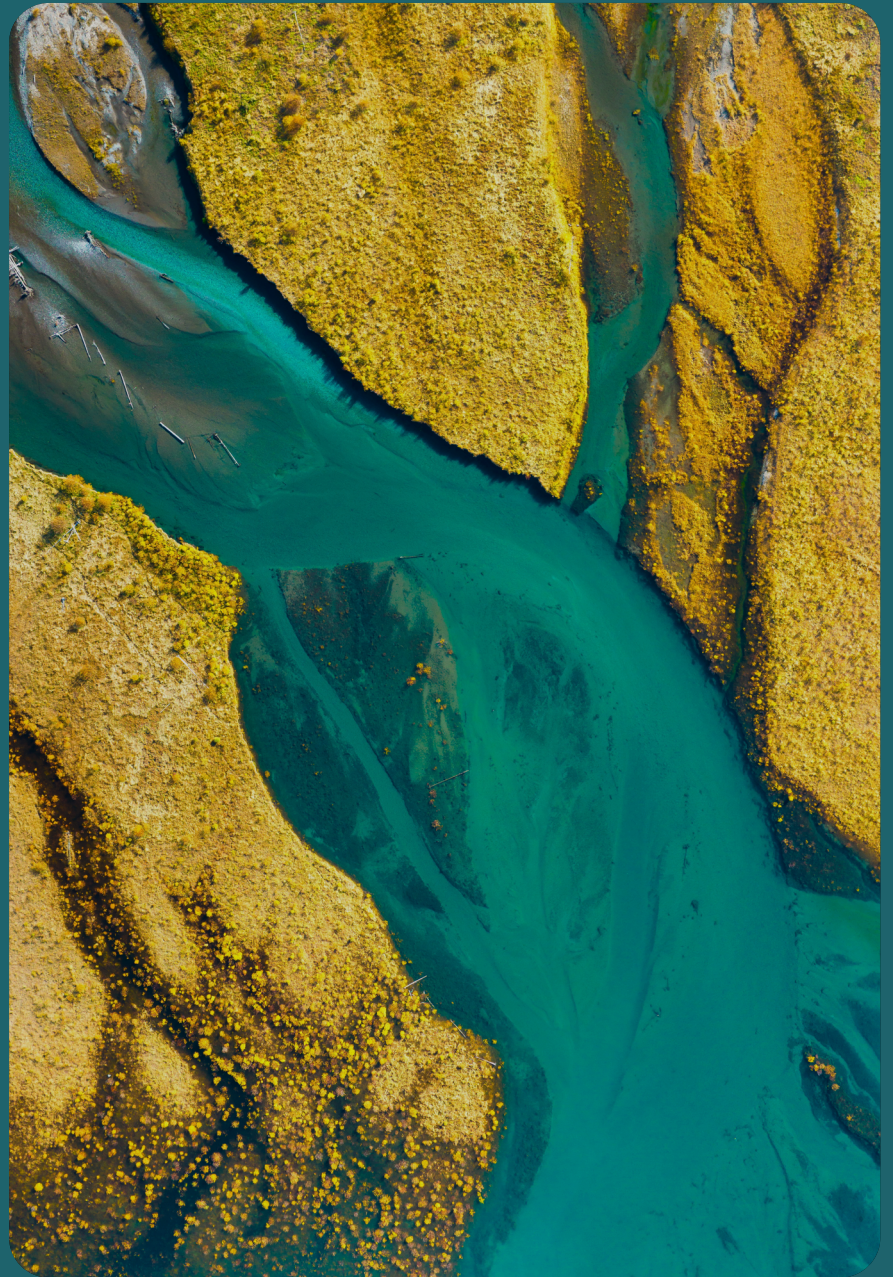


Guide

SBTi Corporate Net-Zero Standard Version 2.0

Draft for Second Public Consultation





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Disclaimer

This guide is based on the Science Based Targets initiative (“**SBTi**”) Corporate Net-Zero Standard Version 2.0 Second Public Consultation Draft published in 2025. As the draft standard remains under consultation and subject to change based on stakeholder input, organizational needs, and other considerations as applicable, all criteria, thresholds, methodologies, and requirements discussed herein are subject to revision, clarification, or removal in the final published standard.

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The authors reserve the right to revise this document to reflect any updates to the draft standard, or subsequent developments in the final published standard.



Abbreviations

| | | | |
|-------|--|-------|---|
| BaU | Business-as-usual | FPIC | Free, Prior & Informed Consent |
| BECCS | Bio-energy with Carbon Capture & Storage | GHG | Greenhouse Gas |
| BVCM | Beyond Value Change Mitigation | ICP | Internal Carbon Price |
| CA | Corresponding Adjustment | ICVCM | Integrity Council for the Voluntary Carbon Market |
| CDR | Carbon Dioxide Removal | IEA | International Energy Association |
| CCP | Core Carbon Principles | MIC | Mitigation Impact Contribution |
| CNZS | Corporate Net-Zero Standard | NDC | Nationally Determined Contribution |
| DAC | Direct Air Capture | OER | On-going Emissions Responsibility |
| DACCS | Direct Air Capture with Carbon Storage | RECs | Renewable Energy Certificates |
| EACs | Energy Attribute Certificate | SBTi | Science Based Target Initiatives |
| FLAG | Forest, Land & Agriculture | VCM | Voluntary Carbon Markets |



1.0 | Introduction to SBTi

An overview of SBTi's role, scale, and market relevance, setting the foundation for the changes and implications that follow.





1.1 | Overview of SBTi

The Paris Agreement (2015) necessitated governments to confront the scale of global emissions; however, it also exposed an acute gap: national commitments alone could not deliver the rapid de-carbonization required to limit warming to 1.5°C to avoid catastrophic repercussions tied to climate change. Corporate greenhouse gas (“GHG”) emissions account for the majority of global emissions, requiring companies to play a central role in decarbonization¹.

Within this context, the SBTi emerged, designed to translate the 2015 Paris Agreement goal into a comprehensive, sector-specific emissions roadmap for companies. SBTi took a science-based compliance approach and maneuvered it to a voluntary disclosure framework, which is now a global market-shaping standard.

As of 2025, more than **11,000 companies** have either set or committed to set SBTi-aligned targets, including **8,282 companies** with **validated near-term targets** and **over 1,400 with validated net-zero targets**, representing roughly **40%** of global listed equity market value and operations across **86 countries**². Evidence compiled in SBTi’s analysis shows that firms with validated targets **cut emissions 5.3% faster** than peers and reduce emissions intensity by **8–9%** in the four years

after adoption, and achieve measurable **cost savings of 22–33%** over time³.

11,000 companies² have committed to SBTi (either set or committed targets) with

8,822

having validated near-term targets

The SBTi Corporate Net-Zero Standard (“CNZS”), first introduced in 2021, provides the primary framework for corporate net-zero target setting and validation. In 2025, SBTi released the draft of CNZS Version 2.0 (“CNZS v2.0”) for public consultation, proposing significant updates to target structure, accountability mechanisms, and the treatment of ongoing emissions. This guide interprets the consultation draft and outlines its implications for companies and carbon markets.

As corporate net-zero claims face increasing scrutiny, SBTi has become the dominant reference point for credible and comparable climate targets. Its standards are now widely used by investors, regulators, and financial institutions to assess corporate climate ambition, making changes to its guidance highly consequential for companies and carbon markets.



¹ UNEP (2023) Emissions Gap Report 2023

² SBTi (2024) Science-Based Targets initiative: Monitoring Report 2023

³ SBTi The Impact of Setting Science-Based Targets on Businesses



1.2 | Corporate alignment with SBTi: Market signals and commercial relevance





Companies joining SBTi predominantly report more structured emissions management and vigorous planning regulation. The SBTi’s Impact of Setting Science-Based Targets on Businesses notes that 86% of companies accelerate decarbonisation efforts after adopting SBTi, and 90% report of companies improved clarity on emissions trajectories. These companies collectively represent an estimated 7 – 9 gigatonnes of annual CO₂e, based on sectoral distributions within the “Trend Tracker” combined with International Energy Agency (“IEA”) average emissions profiles, equivalent to a sizable share of global corporate emissions.

In this context, SBTi categorises companies as either “validated,” meaning their near-term or (“5 years”) and or net-zero or (“till to 2050 or earlier”) targets have been formally approved by SBTi, or “committed,” meaning they have pledged to submit targets within 24 months.

1.2.1 | North America

North America represents one of the highest market cap coverage, USD 26.6 trillion, of companies with SBTi participation globally (2023)^[2]. These large multinationals have either validated targets or active commitments, spanning technology, manufacturing, retail, and logistics – sectors integral to the economy’s growth.

Representative leading companies (validated targets) include;

| | |
|----------------------|---|
| Near-term |    |
| Near-term + net-zero |   |

1.2.2 | MENAP

Across the MENAP region, corporate engagement with SBTi remains modest in absolute terms but is accelerating quickly. In 2023, companies in the Middle East region recorded a 450 percent increase in target setting^[2], signaling strong latent demand and a rapidly expanding compliance and transition market.

Participation is concentrated in structurally important sectors. These include energy, materials, financial institutions, telecommunications, transport, and export-oriented manufacturing^[4].

Representative leading companies with validated targets include;

| | |
|----------------------|--|
| Near-term |    |
| Near-term + net-zero |       |

1.2.3 | Europe

Europe represents the most mature and concentrated SBTi market globally. The region accounts for 4,262 companies with science-based targets, the highest of any region. Combined market capitalization reaches USD 12.6 trillion^[2]. This scale reflects deep regulatory alignment, investor pressure, and advanced corporate governance on climate action.

Adoption spans consumer goods, pharmaceuticals, industrials, and luxury.

^[4]CDPR – Consortium for Development Policy Research (2023) Greening Pakistan’s Textile Value Chain.



Targets increasingly function as compliance infrastructure rather than voluntary signaling. EU climate law, disclosure mandates, and capital market rules reinforce this shift. Companies treat SBTi targets as core to risk management, access to capital, and long-term competitiveness.

Representative leading companies with validated targets include;



SBTi-aligned companies now represent a critical mass of the global economy, large enough that their behaviour materially shapes technology choices, supply chain, investor confidence and, by extension, the future demand profile of carbon markets.

This consolidation of SBTi as a widely recognized credibility benchmark exposed structural gaps in its original framework—namely, static targets, ambiguous treatment of emissions during the transition, and inconsistent base-year rules.

The CNZS v2.0 detailed in the following sections, was developed specifically to address these gaps, transforming the initiative from a voluntary disclosure tool into a dynamic system for enforcing continuous, credible decarbonization.



2.0 | Key changes in CNZS v2.0

These updates outline what has changed and set expectations for how targets will be structured, validated, and delivered across all scopes.





3.0 | OER framework

To accelerate climate action ahead of net-zero targets, the SBTi introduced the OER framework to incentivize early mitigation and removals, strengthen accountability, and prepare companies for future requirements.





4.0 | Neutralization of residual emissions

Neutralization is the final, mandatory compliance action at the net-zero target year. It distinguishes voluntary contribution from required compliance, addressing credibility concerns, by ensuring pre-2050 offsets do not dilute long-term targets.





5.0 | Implications for carbon markets

This section outlines what to expect next in how carbon market requirements tighten, and how procurement, supply, and demand dynamics evolve across Scopes 2 and 3.





6.0 | Strategic recommendations

This section outlines what to expect next in how demand evolves across voluntary and mandatory phases, and how this transition shapes long-term procurement strategy and market dynamics.



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