IETA Response to Second Consultation on the SBTi Corporate Net-Zero Standard (v2.0)

Submission to the Science Based Targets initiative (SBTi)

12 December 2025

IETA appreciates the opportunity to provide comments on the Corporate Net-Zero Standard Version 2.0 second consultation. **The latest SBTi draft corporate net-zero standard has made numerous changes that move in the right direction.** We welcome the progress made in clarifying how carbon credits, removals, and climate finance can support corporate climate action and the effort to provide companies with a framework to address for their ongoing emissions. Continued refinement is essential to unlock the full potential of corporate climate action, private sector finance, and the use of carbon market mechanisms to support companies internal decarbonization.

At IETA, we're focused on **ensuring that the VCM frameworks not only sets ambition but also enables action**. The current version of the draft, while an improvement from previous version, still risks adoption and actionability by companies. We urge SBTi to adopt a more pragmatic and forward-looking approach that reflects the realities of corporate needs to deliver climate action and the evolving use of carbon credits in the voluntary carbon market. **Science-based pathways that make sense on paper are in themselves not enough – actions are critical.**

In this regard, we urge SBTi to provide further actionable frameworks for companies to address their decarbonization challenges: 1) Many companies have not yet set net zero targets[1] [2], 2) There is growing concerns that companies with net zero targets are not on track to meet both near- and long-term targets[3] 3) Delivery of scope 3 targets is particularly challenging.[4] [5] [6] and 4) Companies consider carbon markets are a critical element to meeting climate and sustainability goals with "Making progress towards climate goals" ranked as the top opportunity.[7]

IETA believes that **recognizing the strategic role of high-integrity emission reduction and removal carbon credits — not only at net zero, but throughout the decarbonization journey — is essential to unlocking corporate climate ambition and accelerating global mitigation.** In this regard, IETA would like to see a SBTi Net Zero Standard aligned with the IETA's Guidelines for High Integrity Use of Verified Credits (VCCs).

In conclusion, further to our feedback to the Survey, we would like to make the following overarching comments:

1. **Enable use of credits to demonstrate progress towards net zero:** IETA urges SBTi to expand the use of carbon credits as a strategic tool to help companies meet their interim

[1] Net Zero Traker 2025 - Socktake Report
[2] Accenture 2025 – Destination Net Zero
[3] SBTi-Business-Ambition-final-report.pdf
[4] bain_report_the_visionary_ceos_guide_to_sustainability-2024.pdf
[5] SBTi-The-Scope-3-challenge-survey-results.pdf
[6] The Climate Board Company, Inc
[7] A-Confident-Carbon-Market-Business-Perspectives.pdf

and long-term decarbonization targets. We continue to call on SBTi to include the use of high-integrity carbon credits to compensate for unabated scope 1, 2 and 3 emissions on the pathway to net zero accompanied by appropriate guardrails and transparent disclosure. **The current draft limits the use of carbon credits to 1) addressing ongoing emissions on the path to net zero, without counting the use of carbon credits toward interim targets and 2) neutralizing residual emissions at the net zero target year with removals only, subjected to corresponding adjustments.**

2. **Eligible Activities: Recognize emission reduction credits, nature-based and tech-base removal credits:** IETA strongly recommends SBTi to explicitly recognize the use of both high-integrity emissions reduction and removals carbon credits as a mechanism to support companies decarbonization on the path to net zero and at net zero corporate level[8]. IETA also urges SBTi to incentivize the use of both nature-based and tech-based removals as both are essential components of corporate climate action and net zero delivery.

3. **Ongoing Emissions Responsibility (OER) (C22 – 28)**

   IETA welcomes SBTi effort to provide a new framework to incentivize companies to address their going emissions. The new proposed framework of "taking responsibility for ongoing emissions" (OER) incorporates some principles from IETA VCM Guidelines 2.0 within the Beyond the Net Zero Pathway use case. IETA is of the view that this approach does not provide sufficient incentives for companies to take action, given the complexity of the requirements and conditions, the low and rigid thresholds for 'Recognition Status', the key drivers for corporate climate action (i.e. meeting targets) and the current reality of many companies, already struggling to meet their targets.

   3.1 OER Definition (C22): The framing and language of "taking responsibility for the impact" may unintentionally carry legal risk. This concern has been raised by a number of IETA's corporate members. We recommend alternative terminology such as **"addressing"** ongoing emissions. Companies opting out should be required to publicly disclose their rationale (C22.2), ensuring transparency without imposing punitive requirements.

   3.2 Transparent Disclosure (C22.2): We believe that C22.2 (explaining why a company is not taking responsibility for ongoing emissions) should require that explanation to be made public, alongside the opt-out (C22.1)

   3.3 Optional recognition program (C23-27):

   3.3.1 Recognition status (C23-24): We believe the gap from "Recognised" status to "Leadership" status or the 1% minimum to the 100% threshold is too large. There is insufficient recognition for companies to take action above 1%. We also think the 1% threshold is too low as an entry level threshold for 'Recognised'. We therefore encourage a minimum 5% threshold and adding an intermediate thresholds as follows: "Recognised" 5%-25%; "New interim status" 25%-50%; "Leadership" 50%-100%.

[8] Demystifying carbon removals in the context of offsetting for sub-global net-zero targets

3.3.2 **Carbon pricing approach (C23-C24):** We are concerned about SBTi setting carbon pricing and feel this is both too prescriptive and unlikely to achieve consensus given the wide range of carbon prices. We strongly suggest SBTi leaves this to companies to determine (many of whom have an internal carbon price), and to ensure public disclosure and full transparency.

3.4 Post-2035 Responsibility Requirement (C28):

3.4.1 **Allow for emissions reductions credits in eligible activities for the Mandatory Requirement Time Period (C28):** From 2035, a mandatory minimum responsibility requirement will be introduced for all Category A companies. Pushing the mandatory (removals) requirement to 2035, will jeopardize market readiness and investment planning. IETA supports keeping the 2030 target year to incentive climate action.

3.4.2 **Mandatory requirement (C28):** The proposal to restrict the OER framework in the mandatory phase to removal only is not rational nor is promoting climate action. Both reductions and removals, tech and nature-based carbon credits should remain eligible to neutralize residual emissions, provided they meet high-integrity standards, and are transparently disclosed. C28 indicates that only removals (short and long term) can be used to mitigate ongoing emissions starting in 2035.

4. **Neutralization of Residual Emissions (C29):**

4.1. **Allow for emissions reductions credits in eligible activities to neutralize residual emissions (C29.1): "**Eligible activities: All residual emissions (scopes 1-3) shall be neutralized using carbon dioxide removals at the net-zero target year and beyond." IETA believes that companies can use both technology-based and nature-based removals as well as emissions reduction VCCs to counterbalance residual emissions. Regardless of whether a company compensate its residual emissions with emissions reduction or removals VCCs, the outcome in terms of impact on net global GHG emissions is the same.

4.2. **Durability Approach:** IETA supports a Portfolio approach for OER and for neutralizing residual emissions at the net-zero target year.

4.3. **Corresponding Adjustment (C29.6)**: IETA members understand that, <u>unless specifically required by host countries, corresponding adjustments are not required for voluntary corporate compensation of emissions using carbon credits</u>. This is a decision for governments, and SBTi should guide companies to follow regulations where this exists. We urge SBTi to align with Paris Agreement rules and national Article 6 host country frameworks, instead of inventing new rules that are misleading.

5. **Annex E: illustrative high-level integrity principles:** To support consistency and integrity, SBTi should explicitly reference credible quality standards for eligible credits, including: <u>ICVCM's Core Carbon Principles, Article 6–authorized credits, and CORSIA-eligible units.</u> This alignment will promote market confidence and accelerate the flow of finance to high-

quality mitigation activities. A transition period should be considered to ensure credits availability and market stability.

6. **Insetting:** The draft provides limited guidance on insetting. Given its relevance for value-chain decarbonization—particularly in agriculture, forestry, and energy supply chains—we encourage SBTi to develop further clarity on eligible insetting approaches, quality rules, and reporting expectations.
7. **Climate Finance Contributions:** We welcome the recognition of climate finance as a complementary pathway within OER. However, several criteria require tightening to ensure environmental integrity. Specifically: Categories such as "mitigation-enabling activities" are too broad and risk misinterpretation. Climate finance should be linked to credible, verifiable standards, ideally harmonized with ICVCM and WBCSD guidance. Clear guardrails will ensure that climate finance complements, rather than substitutes, high-integrity mitigation outcomes.
