

# In Setting Corporate Climate Goals, Credibility is Key

## I

## WHAT

*is a climate goal?*

With the ongoing climate crisis now considered one of the greatest challenges of our times, the call to action for corporations is also at an all-time high. Limiting global warming to 1.5 degrees Celsius and avoiding the most catastrophic damage to the planet requires an all-hands approach, and the most influential players – corporations – will have a large part to play in mitigating these effects. The Paris Climate Agreement, adopted internationally in 2015, aims to unify nations worldwide under one overarching goal and establishes a framework for global climate action through **strong climate goals**.

To achieve the Agreement's ambitious targets, corporate action is critical due to the far-reaching nature of their influence and the size of the emissions they represent. Many organizations are already doing their part in taking action against climate change by accelerating the development and adoption of their own climate goals. Climate goals are a guiding force on an organization's path toward emissions reductions, and they act as both a tool for internal corporate alignment and external accountability for taking action against climate change.

A recent report found that while more than 90% of the global economy is already covered by climate goals, there are credibility gaps that must be addressed to realize the emissions reductions they promise. The good news for companies working to set climate goals: there are numerous frameworks in place now to set targets, allowing companies to choose the one most aligned with their company's values and mission. Companies now also have the tools needed to set a **credible climate goal** – one where the stated target is backed by data and a clear company commitment.



*The Paris Climate Agreement establishes a framework for global climate action, including the mitigation of and adaptation to climate change, support of developing nations, transparent reporting, and establishment of strong climate goals.*



## II

## WHY

*credibility matters*

The future low-carbon economy requires that companies demonstrate leadership on climate action. But as more corporations set climate goals, public skepticism around climate goals continues to grow. Under this growing industry scrutiny, it is important to ensure credibility by developing a comprehensive action plan to substantiate your goal and signal to the market that you have firm intentions of doing your part. To avoid making false or misleading sustainability claims, corporate climate goals should be robust, clearly defined, and based on science. Goals should be able to withstand scientific standards and prove that by following them, organizations are doing their part to limit emissions to 1.5 degrees celsius.



## III

## HOW

*can you set a credible climate goal?*

We have developed a four-step plan to help organization establish their own credible climate target:



*Lay the groundwork  
by gathering the data  
you need and aligning  
your internal team*



*Set a goal that  
aligns with science*



*Build out a  
**multi-faceted  
reduction plan**  
to cover all kinds  
of emissions*



*Acknowledge the  
hard work of others by  
celebrating every  
climate win*



## Lay the Groundwork

There are two kinds of preparation that you must undertake before setting a climate goal: the first is to organize your data, the second is to organize your people.

### GATHER AND ORGANIZE DATA

We'll start as most climate work does, by developing an understanding of your organization's emissions footprint both within your company's operations and in the value chain. The best way to do this is to complete a comprehensive greenhouse gas (GHG) inventory to set a baseline of current emissions as a jumping off point. The data you gather may not be perfect, and that's okay. If you are assessing your company's carbon footprint for the first time, the data required to conduct a GHG inventory is primarily based on monetary outputs. As you progress along your sustainability journey, you will incrementally gather more robust data. While data is the building blocks of a credible climate goal, we encourage you to not let your data limit your progress. At this point, you need an understanding of where you're starting; while it must be meaningful, it is not necessary for it to be precise.

*As part of this data gathering effort, you will likely need to get to know your value chain, which includes the companies that supply goods to your company and your customers. Emissions from a company's value chain – also called Scope 3 emissions*



– typically make up at least 90% of your organization's GHG emissions, especially for food and beverage or manufacturing organizations. In order to make an effective reduction plan down the line, it will be useful to have knowledge of the various elements that make up your value chain, along with your suppliers' level of climate maturity. Companies that establish science-based goals for rapid and deep internal emission cuts – both within their own operations and in their value chain – are the institutions that really lead the efforts to decarbonization, so make sure to include these within your climate goal.

## Lay the Groundwork (continued)

### GATHER AND ORGANIZE PEOPLE

You will likely work with various departments and internal stakeholders to collect your data. This is a great time to align your team and find internal champions for your climate action work. You will need people in nearly all business units to focus on this work and be motivated to complete it. This requires you to build a team from the start that understands the importance of achieving meaningful climate reductions. This is especially important for the business units that will be most impacted by future emissions reduction plans, for example, purchasing, finance, operations, and more.

Your company's leadership are the people who will eventually be approving the costs of undertaking the emissions reduction projects. Therefore, you will need to work to get management buy in. This will likely include selling the benefits that this work will bring to the company such as the cost savings you will see from reduced emissions, as well as laying out the risks in a way that is palatable to the people who will ultimately approve the costs that the business will incur. Different organizational factors can have a big impact on how difficult this process is, including: company culture and values, pressure from investors and customers, and direct competitors making reductions. It's important to keep these factors in mind while making your case, as having management buy-in early in the process will enable you to continue doing this important work and creating actionable reduction plans for your company.



#### TEACH YOUR STAKEHOLDERS ABOUT THE PROCESS

Sharing background knowledge on what you're looking to accomplish and why can be beneficial in turning stakeholders into internal champions. There are a lot of different learning resources available. 3Degrees' Energy & Climate Practice team offers a series of advanced training courses that they can offer to you and your team.



## Align with Science

In order to make a goal credible, organizations must align their strategies with science. Many companies that pursue a science-based target follow criteria outlined in the Science Based Target Initiative (SBTi), the initial standard for corporate net zero goals. There are, however, different advisory groups that provide guidance as well. Even without officially signing onto SBTi, your organization can utilize the tools that they provide and set a climate goal that is aligned with science.

To be considered science-based, an organization's target must have an emissions reduction rate and trajectory that is in line with the latest that climate science deems necessary to limit global warming to 1.5 degrees celsius, in alignment with the Paris Agreement and the Intergovernmental Panel on Climate Change's Special Report.

Now we will focus our efforts on **how** to effectively align your goal with science. There are many different types of goals that your organization can set, such as carbon neutrality. Carbon neutrality is a goal that requires your organization to match the carbon emissions that your organization emits with carbon avoidance or removals in the environment. This can be done through energy efficiency measures combined with purchasing carbon offsets or removals or investing in carbon projects. It can be a great starting place for a sustainability journey, especially for organizations with significant growth forecasts; however, carbon neutrality is a goal that doesn't have the backing of science nor is it a necessary step on the pathway to meet the ambitions set forth in the Paris Agreement. The SBTi helps to define and promote targets that are in line with climate science and is specifically aimed at limiting global warming to 1.5 degrees Celsius.



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## Align with Science (continued)

SBTi developed a set of best practices and guidelines to help organizations ensure that their climate goals are grounded in science. Following these comprehensive guidelines will ensure your organization's target will qualify. These are the most important tips to keep in mind:

- + Scope 3 targets are required if this makes up 40% or more of your organization's total emissions, which is the case for most companies. You'll also have to set a near-term target that covers at least two-thirds of your organization's Scope 3 emissions.
- + You will need to set both near- and long-term targets. Your near-term targets must cover a minimum of five years and a maximum of 10 from the date the target is submitted, with 2030 being the furthest out a short-term goal can be completed. Your long-term target should cover more than 10 years from the date you've submitted and should go no higher than 2050.
- + And most importantly, all the reductions that are included in your organization's target must be in line with limiting global temperature rise to 1.5 degrees celsius.

Despite the benefits of SBTi commitments, there are many reasons your organization might not want to submit your climate target through the initiative. For example, if your company is a subsidiary of a larger organization, SBTi requires that the larger organization submit through them as well. If your larger organization is not positioned to commit to SBTi, then that would be a valid reason not to join.

Regardless of what your climate journey looks like, it is still possible to align your goal with science. Even if you don't intend to establish a target through SBTi, it is critical to make sure your goal is in line with science. This can be difficult to maneuver, however, and requires you to take on a lot internally, which is why it's helpful to have a climate expert navigate you through the process.



### SOLVING FOR YOUR SCOPE 3 EMISSIONS

As your Scope 3 emissions lie outside of your organization's direct operations, these can be difficult to address. There are 15 different categories that make up your Scope 3 emissions, which makes it hard to measure, set targets for, and finally, engage your suppliers to begin making those reductions. Due to the complexity, engaging expert services to guide you through the process is encouraged. At 3Degrees, we offer a Scope 3 Academy, so you can learn the ins and outs of this scope, along with services for measurement, goal setting, and supplier engagement strategy.





## *Make a Multi-Faceted Reduction Plan*

Untangling your organization's various emission sources is undoubtedly complex, but so are the internal workings of all organizations. This means that your emissions reduction plan will also be complex. It's important to embrace this complexity in order to start making progress.

For instance, your decarbonization strategy may incorporate many corporate focus areas with many stakeholders involved. Despite the difficulty, working across several business units can still be a positive because it uncovers new and different opportunities for success. Remember that every win, regardless of how minor, can amount to significant reductions across the whole of the organization.

For your first big win, consider starting with a renewable energy (RE) procurement strategy. Your RE procurement strategy could take the form of a Power Purchase Agreement (PPA). A PPA is a contract between a developer or a project owner and a buyer where both the electricity and energy attribute certificates (EACs) are sold to the buyer. PPAs can amount to many megawatt hours of reductions and can be an immediate, big win for your Scope 2 emissions reductions and build momentum for further reductions.

After this initial win, you will progress toward having to face more challenging operational emission reduction initiatives.

As you advance in your reduction plan, you'll have to strike a balance between obtaining better measurements and taking actionable steps toward reductions. Start by incorporating as many reduction measures as possible with the data available. When the data you have causes limitations in what you're able to complete, go back and collect more data. It's Important to remember not to make perfection the enemy of progress in your data collection.

As you go through this process, you'll be working closely with different business units and people both within your organization and across your supply chain. In order to build enthusiasm for reaching your climate goal, consider establishing an incentive system to spur involvement. The incentives could be monetary or symbolic—both your budget and internal company knowledge will guide you toward the best solution for your organization.

Your reduction plan is why it's crucial to do the pre-work, so that you know where you need to start and are able to put your best foot forward.





## Celebrate Every Climate Win

Now for the fun part—celebrating!

With many different stakeholders involved in your reduction plan, making progress on it will be a team effort. At times it will be difficult and frustrating to continue making progress. This is why it's important to recognize the efforts of your stakeholders across the various business units, and even within your supply chain. Every person should be credited for their contribution and the progress that they help to make in your organization's emissions reduction plan. This will help keep motivation up and enable people to overcome the many hurdles they will encounter along the way.

Also, make sure to keep “the why” front-and-center throughout the process and ensure everyone is keenly

aware of the importance of this work. **This is ultimately about preserving the existence of our planet.** And over this process, you and your stakeholders will determine what your organization's role will be in helping to meet the ambitions set forth in Paris, protecting our planet, and its valuable resources.

Remember: throughout this journey, every reduction will positively impact our planet, so keep in mind progress over perfection, and make sure you're taking the time to celebrate both your reductions and yourself for setting a credible climate goal!



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