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DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

EXECUTIVE SUMMARY

ABOVE AND BEYOND: AN SBTI REPORT ON THE DESIGN AND IMPLEMENTATION OF BEYOND VALUE CHAIN MITIGATION (BVCM)

FEBRUARY 2024

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FOREWORD

The world is dangerously close to surpassing the 1.5°C threshold of global warming, with billions of people already suffering the impacts of climate change. There is a rapidly closing window of opportunity to avoid the most devastating impacts of climate change and to unlock new and better forms of growth.

The private sector has a critical role in averting the dangers ahead through the investment, innovation, and the transformation of their business models and the alignment of their financing flows with a net-zero future.

It is therefore heartening to witness the rapid increase in companies working to reduce their emissions in line with a 1.5°C pathway through the Science Based Targets initiative (SBTi), with growth in 2023 across all continents.

Yet private-sector climate finance is not increasing at the necessary pace and there are real public-sector constraints in the wake of the pandemic. There is an untapped opportunity to generate powerful multipliers through collaborative financing partnerships between countries and their governments, multilateral institutions, and the private sector.

The SBTi's Beyond Value Chain Mitigation (BVCM) recommendation is thus an important and timely resource for companies as they work to manage the immense risks of climate change and enhance long-term value.

Private-sector investment into BVCM can unlock debt-free financial resources for sustainable, low-carbon, resilient growth. If aggregated appropriately it can be a valuable strategic source of finance for developing countries, many of whom are highly debt-constrained.

Integrity is paramount. Investment by companies into mitigation beyond their own value chains must

not displace efforts to reduce their scope 1, 2 and 3 emissions. Finance must deliver genuine and additional mitigation at prices that reflect the social cost of carbon, and these will be rising over time. The social dimensions of the low-carbon transition are also fundamental; BVCM can help catalyze financing for just transitions and investments needed in the poorest countries that are often the least responsible and yet more vulnerable to climate change.

Private-sector companies have a powerful opportunity to shape the new economy by investing in climate action both within and beyond their value chains. The SBTi's recommendation on BVCM is consistent with, and can help foster, achieving both the quality and quantity of investment that will be essential if we are to avoid catastrophe for our children and grandchildren.

Lord Nicholas Stern

**Chair of the Grantham
Research Institute on
Climate Change and
the Environment at
the London School of
Economics**



Current production and consumption systems are driving a triple planetary crisis of climate change, biodiversity loss and pollution and waste. This drives increased insecurity, decreased resilience, and worsening socioeconomic and environmental outcomes in a vicious cycle.

The science is clear: we must decarbonize and dematerialize our economy through the implementation of supply-side measures to improve the efficiency of production systems and demand-side measures to reduce resource use and overall production and consumption. We must address the root causes of the planetary crises through natural resource management to protect, restore and regenerate nature and support wellbeing across the global population.

As a former Minister of Environment and Climate Change in Brazil and the Co-Chair of the International Resource Panel, it is clear to me that the global environmental challenges that we face require global solutions. There is a need to bring diverse actors together around just, pragmatic and solution-oriented pathways.



Companies have a fundamental role to play in this endeavor. The SBTi's new report on beyond value chain mitigation is thus an important step in defining corporate leadership to address the triple planetary crisis. It is essential for leading companies to go beyond their science-based emission reduction targets to support other economic and social actors to mitigate emissions.

Izabella Teixeira

Former Minister of the Environment and Climate Change of Brazil and Co-Chair of the International Resource Panel

Solving the climate crisis requires the deployment of a wide range of solutions – from protecting and restoring forests at scale, and implementing new energy solutions to developing technologies for removing and storing CO₂ from the atmosphere.



I founded Milkywire, a technology-driven climate and nature platform, in 2018 to enable companies and individuals to support the range of solutions needed to achieve global climate goals. Our Climate Transformation Fund focuses on contributions to innovative climate projects and seeks to maximize long-term CO₂ reduction or removal per dollar spent.

Corporate climate leadership means reducing value chain emissions and also taking responsibility for unabated emissions through BVCM. BVCM represents an important tool for companies to contribute to global climate goals. I therefore welcome the work of the SBTi in providing much needed guidance for companies on this topic. In particular, the SBTi's principles for BVCM (scale, financing need, co-benefits and climate justice) will be highly valuable in guiding companies towards high-integrity and high-impact investments.

Our ongoing work at Milkywire to provide additional guidelines for companies operationalizing BVCM, in collaboration with Gold Standard, will complement and build upon the firm foundation now provided by the SBTi.

Nina Siemiatowski

Founder and Chief Executive Officer of Milkywire



EXECUTIVE SUMMARY

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THE CLIMATE CRISIS AND CORPORATE CLIMATE ACTION

The world is dangerously close to passing the 1.5°C threshold, beyond which humanity and other species are exposed to existential and irreversible negative impacts. To avoid the most severe climate impacts, global mean surface temperature must be stabilized at or below 1.5°C of warming. This translates to a peaking of global greenhouse gas (GHG) emissions before 2025 at the latest, halving of emissions by 2030 and reaching net-zero carbon dioxide emissions (CO₂) by mid-century.¹

Impacts are already being felt across the world. At today's level of warming (estimated at between 0.95 and 1.2°C), tens of millions of people are already exposed to temperature extremes.^{2,3} In 2022, climate change and La Niña drove overall losses of USD 270 billion and insured losses of USD 120 billion.⁴

Progress to address the climate crisis is insufficient. There is a significant gap in terms of the globally committed levels of climate mitigation and climate finance and what is needed to limit warming to 1.5°C. Estimates suggest that annual mitigation finance needs to surpass USD 8.4 trillion per year between 2023 and 2030, and to rise to USD 10.4 trillion per year in the following two decades, compared to just USD 1.2 trillion a year today.⁵

Private sector adoption of emission reduction targets can play a significant role in addressing emissions within corporate value chains. This is consistent with the Intergovernmental Panel on Climate Change (IPCC) Sixth Assessment Report (AR6) which states that “unless there are immediate and deep emissions reductions across all sectors, limiting global warming to 1.5°C will be beyond reach.”⁶

However, it is also important to catalyze private sector finance to mitigate emissions that occur beyond corporate value chains, mitigation opportunities that are commonly underserved by traditional finance mechanisms. For example, the United Nations Environment Programme highlights that private sector funding of nature-based solutions both within and beyond corporate value chains must increase dramatically and quickly.⁷

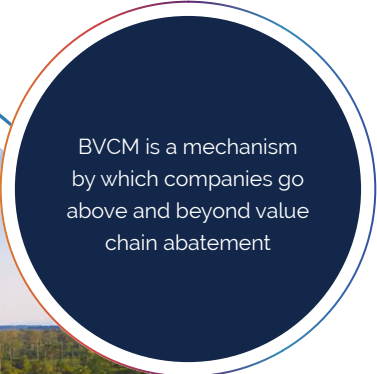
BEYOND VALUE CHAIN MITIGATION (BVCM) OVERVIEW

The SBTi drives ambitious corporate climate action by enabling businesses and financial institutions globally to set science-based greenhouse gas emissions reduction targets. The SBTi Corporate Net-Zero Standard provides guidance, criteria, and recommendations for companies to set 1.5°C aligned climate targets. Companies are required to set near- and long-term targets to abate their value chain emissions, reaching a residual level in line with 1.5°C scenarios by no later than 2050. Companies are also required to neutralize the climate impact of any residual emissions at the net-zero target year and any GHG emissions released thereafter through the permanent removal and storage of carbon from the atmosphere.⁸

The SBTi recommends that companies also deliver beyond value chain mitigation (BVCM) to accelerate global progress towards net-zero by supporting other economic and social actors to reduce and/or remove GHG emissions and by taking responsibility for their unabated emissions that contribute to climate change. BVCM activities and investments are not accounted for in the company's scope 1, 2 or 3 GHG inventory and therefore do not count towards achieving value-chain emission reduction targets. Efforts to deliver BVCM must not replace or delay corporate value chain decarbonization in line with a 1.5°C pathway – instead, BVCM is a mechanism by which companies go above and beyond value chain abatement.

This document sets out suggestions to support the BVCM recommendation of the SBTi Corporate Net-Zero Standard (R9) and to provide companies with proposals for the design and implementation of high-integrity and high-impact BVCM strategies.

At the time of publication, the SBTi does not have plans to validate BVCM claims, particularly given that others are already working to define BVCM-related claims, including the Voluntary Carbon Market Integrity Initiative (VCMI).



BVCM is a mechanism
by which companies go
above and beyond value
chain abatement

THE BUSINESS CASE FOR BVCM

Funding of BVCM, if done right, can unlock an array of opportunities, mitigate future risks and protect and enhance long-term value. The business case for BVCM will depend on the region, market and industry in which the company operates and ultimately the extent to which the company is impacted by the changing physical environment linked to climate change and the associated changes in policy, financial markets, consumer markets, society and technology. For example, a food and agricultural company might identify supply chain resilience opportunities from deploying BVCM towards the restoration of landscapes ecologically linked to its supply chain.

BVCM GOALS AND PRINCIPLES

The BVCM Goals and Principles below have been developed to suggest to companies how they could move towards high-impact and high-integrity BVCM activities and investments.

BVCM Goals



1 Deliver additional near-term mitigation outcomes to achieve the peaking of global emissions in the mid-2020s and the halving of global emissions by 2030.



2 Drive additional finance into the scale-up of nascent climate solutions and enabling activities to unlock the systemic transformation needed to achieve net-zero by mid-century globally.

Principles



Scale:
Maximize mitigation outcomes



Financing need:
Focus on underfinanced mitigation



Co-benefits:
Support the SDGs



Climate justice:
Address inequality

SUGGESTIONS FOR DESIGNING AND IMPLEMENTING BVCM STRATEGIES

Figure 1 and Table 1 below show the steps that a company might take in designing and implementing a BVCM strategy. The SBTi suggests that companies periodically review their BVCM pledges and strategies – in this sense, the four steps are cyclical in nature. The details underpinning each step described in the table below are outlined in more detail in the [full report](#).

Figure 1: Four high-level steps for designing and implementing high-integrity and high-impact BVCM strategies



Table 1: Summary of step-by-step recommendations

STEP 1: SET AND WORK TO DELIVER A NET-ZERO TARGET	
1.1: Develop and disclose a full GHG emissions inventory	○ Develop a comprehensive emissions inventory that covers at least 95% of company-wide scope 1 and 2 GHG emissions and includes a complete scope 3 inventory. ○ Update the GHG inventory on an annual basis. ○ Have the GHG inventory verified annually by an independent third party. ○ Publicly report the GHG inventory and verification statement annually in the company financial statement, the company website and through the CDP questionnaire.
1.2: Set, submit, validate and disclose a science-based net-zero target	○ Please refer to the SBTi Corporate Net-Zero Standard for the full set of criteria and recommendations.
1.3: Develop, disclose and work towards a net-zero aligned climate transition plan	○ Develop, disclose and annually update a net-zero aligned climate transition plan in line with the recommendations of the Transition Plan Taskforce (TPT), including reporting on progress.
STEP 2: ESTABLISH A BVCM PLEDGE	
2.1: Determine the business case and strategic objectives for BVCM	○ Consider how BVCM can unlock opportunities, minimize future risks and protect and enhance the company's long-term value. ○ Define strategic objectives for BVCM. ○ Integrate the strategic objectives for BVCM into the company's climate transition plan and associated disclosures to facilitate a holistic and strategic approach to climate action both within and beyond the value chain.
2.2: Define the time period of the BVCM pledge	○ Determine the forward-looking pledge period. It is recommended that this covers a period of five years or greater. ○ Publicly report on the BVCM pledge period. ○ Periodically review the BVCM pledge.

STEP 2: ESTABLISH A BVCM PLEDGE

2.3: Define the scale of the BVCM pledge

- The SBTi recognizes the varying “ability to pay” for BVCM across sectors (based on differing profitability margins) and thus welcomes all efforts by companies to deliver BVCM. The SBTi also recognizes that requirements of certification standards or claims codes may dictate the scale of a BVCM pledge. As an informative guide, the SBTi describes an approach whereby a company would:
 - a. Apply a science-based carbon price to unabated scope 1, 2 and 3 emissions each year or over a defined pledge period to determine a financial budget for climate action beyond the scope of the company’s science-based target.
 - b. Use this budget to fund a combination of near-term BVCM outcomes (aligned with BVCM Goal 1) and long-term BVCM finance (aligned with BVCM Goal 2), as well as wider categories of climate action.
 - As a suggestion, the SBTi proposes that companies use a portion of this budget to deliver ex-post, quantified BVCM outcomes (measured in tCO₂e) equivalent to at least 50% of the company’s unabated scope 1, 2 and 3 emissions. It is recommended that these emissions reductions and removals are verified by independent third parties using standardized methodologies and that they adhere to recognized high-quality criteria.
 - For companies that are not able to align with this suggestion, the SBTi also provides examples of other methods for determining the scale of a BVCM pledge (see Annex D).

STEP 3: TAKE ACTION TO DELIVER BVCM

3.1: Define quality standards and guardrails for BVCM activities and investments

- Commit to minimum quality standards to ensure additionality, permanence and avoidance of leakage and avoidance of double counting where relevant.
- Establish, commit to and disclose safeguarding principles to ensure that BVCM activities do not have an adverse social or environmental impact.

3.2: Deploy resources and finance towards a portfolio of BVCM activities

- Direct finance and resources where they are most needed in line with the BVCM Goals and Principles defined within this document.
- Publicly disclose how the company’s BVCM activities and investments are aligned with the SBTi’s BVCM Goals and Principles.

STEP 4: REPORT BVCM ACTIVITIES AND OUTCOMES

4.1: Establish a BVCM Measurement Reporting and Verification (MRV) framework to measure

- Develop a BVCM MRV framework to measure, report and verify the mitigation outcomes as a result of BVCM funding over a period of time.
- Rely on existing standards and reporting frameworks to qualify and assure BVCM activities and investments.
- Have BVCM mitigation outcomes verified by an independent third party that assesses the accuracy and completeness of an emissions reduction or removal intervention.
- Where carbon credits are the mechanism for deploying BVCM, credits should be verified by an independent third party to the protocols of a high-quality carbon standard.
- In the absence of existing standards, develop and disclose BVCM-specific indicators and metrics that can be independently assured by an approved auditor following internationally accepted assurance standards.
- Publicly disclose annual verification certificates or statements.

4.2: Report annually on BVCM activities, investments, and outcomes

- Report transparently on the finance deployed towards BVCM, as well as the mitigation interventions and outcomes and co-benefits delivered on an annual basis (in line with the company's GHG inventory reporting period). Emissions reductions and removals should be reported separately.
- Report on BVCM activities and investment through the annual CDP questionnaire, within the annual financial statement and the annual sustainability reports or website.
- For companies that have not been able to align with the suggestion described in step 2.3 above, it is recommended that they report on the GHG externality linked to their unabated emissions. This means applying a science-based carbon price to unabated scope 1, 2 and 3 emissions and then reporting the total cost of those emissions minus the finance deployed towards BVCM and wider categories of climate action (adaptation and loss and damage).
- As per the other steps:
 - Step 1.1:** Publicly report the GHG inventory and verification statement annually in the company financial statement, the company website and through the CDP questionnaire.
 - Step 1.2:** Disclose details of the company's validated net-zero target as well as progress towards the target on an annual basis in line with the SBTi's Corporate Net-Zero Standard.
 - Step 1.3:** Develop, disclose and annually update a net-zero aligned climate transition plan in line with the recommendations of the Transition Plan Taskforce (TPT), including reporting on progress.

STEP 4: REPORT BVCM ACTIVITIES AND OUTCOMES

4.2: Report annually on BVCM activities, investments, and outcomes

Step 2.1: Integrate the strategic objectives for BVCM into the company's climate transition plan and associated disclosures.

Step 2.2: Publicly report on the forward-looking BVCM pledge over the defined period.

Step 2.3: Report the scale of the BVCM pledge and where carbon prices are used to determine the scale of the pledge, report on the source of this price and justification for the price chosen.

Step 3.1: Establish, commit to and disclose safeguarding principles to ensure that BVCM activities do not have an adverse social or environmental impact.

Step 3.2: Publicly disclose how the company's BVCM activities and investments are aligned with the SBTi's BVCM Goals and Principles.

Step 4.1: Publicly disclose annual verification certificates or statements of BVCM outcomes.

Step 4.3: Transparently and accurately communicate a company's BVCM engagement, by backing headline claims (such as a BVCM pledge) with a strong narrative and clear reporting justifying the scale of the BVCM pledge, describing the portfolio of associated activities and investments, as well as the guardrails for BVCM activities and investments.

4.3: Make transparent and accurate BVCM claims

- Ensure that claims comply with laws and regulation that govern and regulate environmental statements and claims in relevant jurisdictions.
- Choose the type of BVCM claim (e.g., compensation or contribution claims) in the context of the business objectives and regulatory context.
- Support headline claims (such as the BVCM pledge) with nuanced narrative claims which report the full content, context and limitations of the claim.
- Ensure that BVCM claims meet general requirements of high-integrity and high-ambition environmental claims. The VCMI defines Principles for Climate Mitigation Claims Credibility, whereby claims should:
 - Be clear to the target audience(s);
 - Be transparent;
 - Be traceable;
 - Be true and verifiable;
 - Be accurate;
 - Be conservative;
 - Be relevant and not misleading;
 - Be informative;
 - Set the right incentives for the target audience.⁹
- As far as possible, companies should ensure that their BVCM claims are externally audited or certified.



For further information, please refer to the full report, "[Above and Beyond: An SBTi report on the design and implementation of beyond value chain mitigation \(BVCM\)](#)".



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