

SBTi Carbon Reduction Target Setting Guide for Australian Companies

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Glossary of Related Terms

Term	Definition
1.5°C aligned scenario	Scenario in which global average temperature is limited to 1.5°C above pre-industrial levels with no or limited overshoot.
1.5°C aligned target	A science-based target (SBT) derived from a 1.5°C aligned scenario via an approved target-setting method.
Absolute contraction approach (ACA)	Method used to calculate absolute emissions reduction targets consistent with underlying mitigation pathways.
Alignment metrics	Indicators measuring the extent an organization's strategies and operations align with global climate goals.
Annual unabated emissions	Emissions remaining as a company progresses towards its science-based targets.
Beyond value chain mitigation (BVCM)	Actions or investments outside a company's value chain aimed at avoiding, reducing, or removing GHG emissions from the atmosphere.
Commitment (SBTi)	Company's announcement of intent to submit near-term or net-zero science-based emissions reduction targets according to SBTi standards.
Cross-sector pathway	Universal emission reduction pathway applicable across sectors, except where sector-specific pathways are mandated.
Linear annual reduction (LAR)	Average percentage reduction of emissions per year required to align with a defined emissions pathway from a fixed base year.
Long-term science-based target	Targets aligned with climate science required to reach net-zero emissions by 2050 at the latest, limiting warming to 1.5°C.
Maintenance targets	Targets designed to maintain emission reductions achieved after reaching initial science-based targets through to net-zero timelines (2040/2050).
Near-term science-based target	Emissions reduction targets aligned with limiting warming to 1.5°C, achieved within a 5–10-year timeframe from submission date.
Net-zero emissions	State where anthropogenic GHG emissions are balanced by removals over a specified period, translated by SBTi into corporate net-zero targets.
Net-zero science-based target	Target requiring scope 1, 2, and 3 emissions to reach residual levels consistent with net-zero, with permanent neutralization of any residual emissions.
Neutralization	Actions taken to permanently remove CO ₂ to balance residual emissions at and after a company's net-zero target date.

Science-based carbon price	Carbon price reflecting economic value of emissions based on external costs, expected pathway costs for 1.5°C alignment, or full abatement costs.
Science-based targets (SBTs)	Corporate emission targets aligned with the latest climate science necessary to meet Paris Agreement goals, particularly to limit warming to 1.5°C.
Sector-specific absolute contraction method	Method assigning absolute emissions reductions based on percentage reductions required for a particular sector.
Sectoral decarbonization approach (SDA)	Intensity-based target-setting method converging to sector-wide emissions intensity levels defined by mitigation pathways.
SME validation route	Simplified validation process for science-based targets applicable specifically to small and medium-sized enterprises (SMEs).

Establishing Science-Based Targets: Context for Australian Companies

Australian businesses face growing expectations and regulatory pressures to demonstrate credible climate action aligned with national and global climate goals. Australia's federal commitment - targeting a 43% reduction in greenhouse gas (GHG) emissions by 2030 compared to 2005, and achieving net-zero emissions by 2050 - provides a clear policy direction that companies should aim to support through ambitious and credible climate strategies. Setting science-based targets (SBTs), validated by the Science Based Targets initiative (SBTi), ensures corporate emission reduction plans align with climate science and contribute meaningfully towards these national targets. Moreover, adopting SBTs helps Australian businesses manage regulatory risk, build stakeholder trust and enhance their competitive advantage domestically and globally. This guide provides Australian executive teams with the necessary insights and practical steps to establish near-term and net-zero science-based targets in alignment with the SBTi's Corporate Net-Zero Standard and Near-Term Criteria, tailored specifically to the Australian context.

Detailed Step by Step Guide for Australian Companies

1. Establish Governance & Context

1. Board & Executive Buy-In
 - Secure formal approval from your board or executive team to pursue SBTi-validated targets.
 - Assign a senior sponsor (e.g. CFO or Sustainability Director) to lead the effort.
2. Federal Climate "North Star"
 - Australia's NDC: 43 % GHG reduction below 2005 levels by 2030 and Net-zero by 2050. Use these milestones to frame your corporate ambition and ensure credibility with local investors, regulators and stakeholders.

2. Initial Eligibility & Scope

1. Parent vs. Subsidiary
 - Are you setting targets at the parent (group) level?
 - Yes → Include all subsidiaries under one corporate boundary.

- No → Subsidiaries may set individual SBTs but it's best practice to roll them up at parent level.

2. Sector-Specific Guidance Check

- Does your primary business fall into one of the SBTi's 12 sectors with bespoke pathways (e.g. FLAG, Power, Transport, Oil & Gas, Steel, Cement, Chemicals, Buildings, Air Transport, Land Transport, Apparel & Footwear, Financial Institutions)?
 - Yes → Follow that sector's guidance linked in Appendix*
 - No → Proceed with the generic cross-sector pathway.
- Is your company an SME? Refer to guidance linked for a simplified pathway**

3. Compile Your GHG Inventory

1. Scope 1 & 2 (NGER-Compliant)
 - Assemble direct (fuel combustion, process emissions) and indirect (electricity, steam) emissions data in accordance with the GHG Protocol Corporate Standard and Australia's NGER scheme.
2. Screen Scope 3
 - Identify all 15 value-chain categories per the GHG Protocol Scope 3 Standard.
 - Estimate emissions for the most material categories (spend-based factors are acceptable for early screening).

4. Scope 3 Materiality Check

- Are Scope 3 emissions $\geq 40\%$ of your total footprint?
 - Yes → You must set at least one Scope 3 reduction target covering $\geq 67\%$ of those emissions.
 - No → Scope 3 targets are optional (but recommended); document your rationale if you opt out.

5. Choose Your Target Horizon

- Which targets will you set?
 - Near-Term Only (5–10 year horizon) – aligns with Australia's 2030 NDC.
 - Near-Term + Net-Zero (adds 2050 goal) – demonstrates full support for federal net-zero commitment.

5A. Near-Term Target Pathway (5–10 yrs)

1. Boundary & Ambition
 - Cover $\geq 95\%$ of Scope 1 & 2 emissions.
 - If Scope 3 $\geq 40\%$ → cover $\geq 67\%$ of Scope 3.
 - Timeframe: 5–10 years from date of submission to SBTi.
2. Method Selection (choose one)
 - Cross-Sector Absolute Reduction:
 - Minimum 4.2 % year-on-year linear reduction (LAR) in absolute emissions.
 - Renewable Electricity Procurement (Scope 2 alternative):
 - 80 % RE by 2025; 100 % by 2030.
 - Sector-Specific SDA (only if your sector has an SDA pathway).
3. Submission
 - Send your commitment letter, boundary documentation and target data via the SBTi Target Submission Form.

5B. Net-Zero Target Pathway (by 2050) (Only if you opted for “Near-Term + Net-Zero”)

1. Boundary & Ambition
 - Cover ≥ 95 % of Scope 1 & 2; ≥ 90 % of Scope 3.
 - Deadline: 2050 (or sooner).
2. Method Selection
 - Cross-Sector Absolute Reduction: 90 % reduction in absolute emissions by 2050.
 - Sector-Specific SDA: Converge your emissions intensity to the sector’s 2050 level (if applicable).
 - Mandatory: 100 % renewable electricity procurement by 2030, maintained thereafter.
3. Submission
 - Send your net-zero commitment letter, updated boundary docs and target details to SBTi.

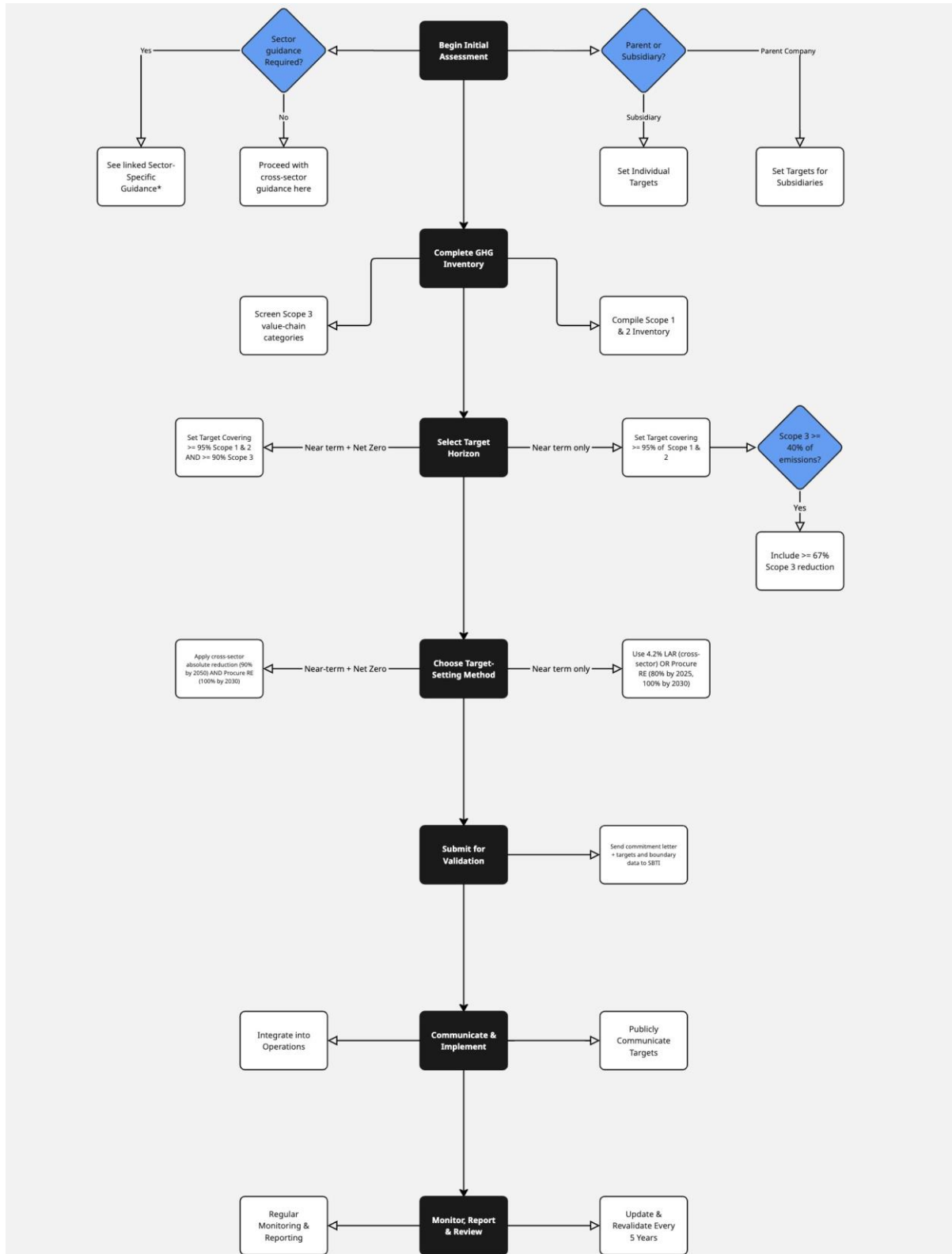
6. Implementation & Communication

- Public Disclosure: Announce approved targets in your Annual Report, sustainability website and CDP submission.
- Operational Integration: Embed targets into budgets, capital-expenditure planning, procurement policies and executive incentives.

7. Monitoring, Reporting & Revalidation

- Annual Reporting: Publish progress against targets each year (e.g. via CDP, NGER returns, or your own sustainability report).
- Revalidation: Update and resubmit targets at least every five years, or sooner if you’ve undergone significant boundary, methodology or business-model changes (e.g. M&A, divestments, new calculation approaches).

Near-term and Net-Zero SBTs Flowchart



Appendix

- ***Sector Specific Guidance** - <https://sciencebasedtargets.org/sector-resources-summary>
- **Detailed official guidance** - <https://sciencebasedtargets.org/resources/files/Getting-Started-Guide.pdf>
- ****SME Guidance** - https://sciencebasedtargets.org/resources/legacy/2020/07/SME-Frequently-Asked-Questions_July-2020.pdf

