



# Pacific Basin Economic Council

Circular Economy, Green finance and ESG

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# What is the need of SBTs?



**Scientific community**

Need to reach net-zero global CO<sub>2</sub> emissions by mid-century (2050) in order to limit global warming to 1.5°C and to reduce the destructive impacts of climate change on human society and nature



**Intergovernmental Panel on Climate Change (IPCC), 2018**

To limit global warming to 1.5°C, the world needs to halve CO<sub>2</sub> emissions by around 2030 from 2010 levels and reach net-zero CO<sub>2</sub> emissions by mid-century



**Net zero**

That point when “anthropogenic emissions of greenhouse (GHG) gases to the atmosphere are balanced by anthropogenic removals over a specified period”

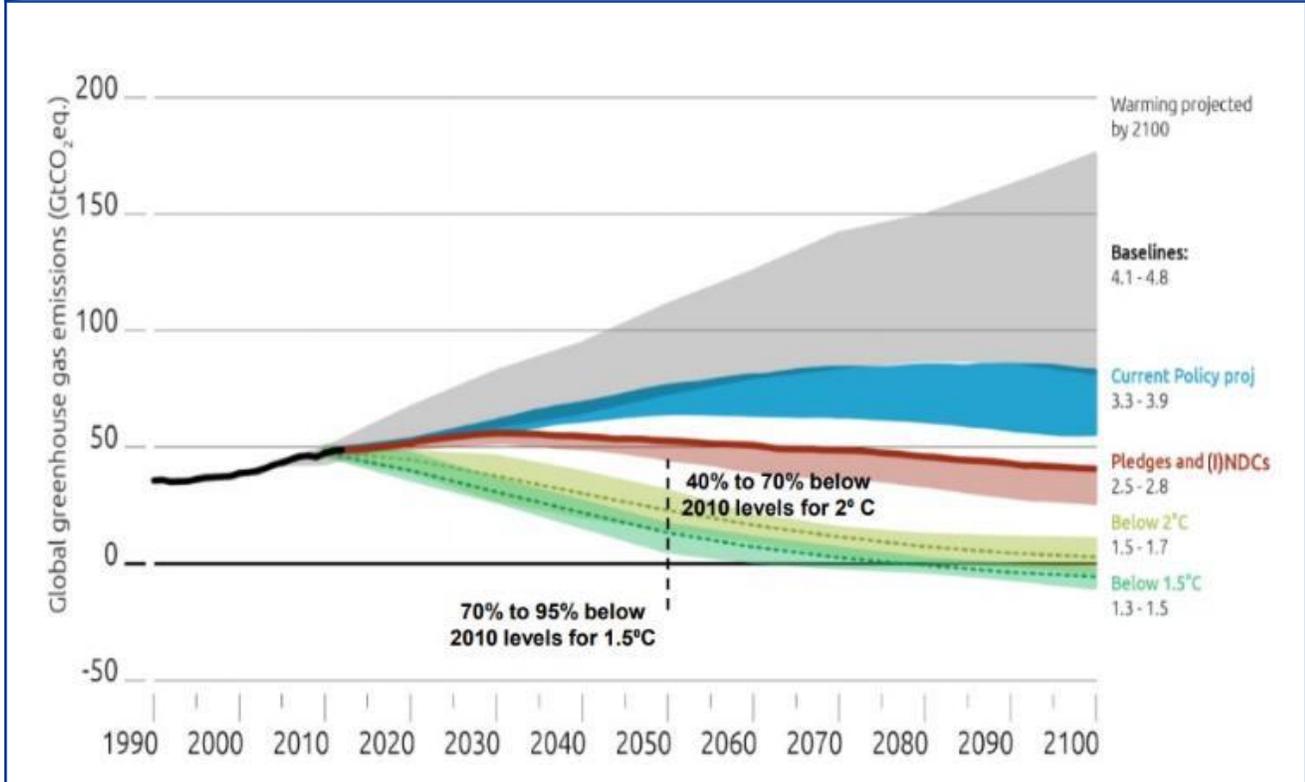


**SBTs**

Science Based Targets serves as a guiding methodology for corporates to effectively set and achieve these targets

Source: Foundations for Net-Zero Target Setting in the Corporate Sector (2020), Climate Action Tracker 2017

## Understanding emission reduction targets based on climate science for keeping warming below 1.5°C



**Summary:** Human-induced warming has already reached about 1°C above pre-industrial levels. By the decade 2006-2015, human activity has warmed the world by 0.87°C (+0.12°C) compared to pre-industrial times (1850-1900). If the current warming rate continues, the world would reach human-induced global warming of 1.5°C around 2040.

# SBTi facilitates greater ambition to set emission reduction targets in line with the latest climate science

Hutchison Ports Holdings (HPH) is developing a net zero target in accordance with guidance from the Science-based Targets Initiative (SBTi)

## Science-based target companies accelerate climate action...



**SBTi companies** deliver excess reductions at an accelerated rate compared to their peers



**Tools, methodologies & support** provided to every company to calculate and reach their target



**Climate leaders** have SBTi targets or commitments



**World Business Council for Sustainable Development (WBCSD)** only accepts companies having an SBTi target set

## Science-based target setting makes business sense...



**Future proof** in changing environmental and regulatory landscapes



**Boosts investor confidence** and saves money by investing in the long term



**Innovation and competitiveness** is spurred as companies set on journey of achieving targets



**Conscious consumers** are demonstrated with concrete sustainability commitments

Note: <sup>1</sup>Total of SBTi companies as of June 17, 2022. The number is increasing on a weekly basis



# SBTi requirements

## Science based target



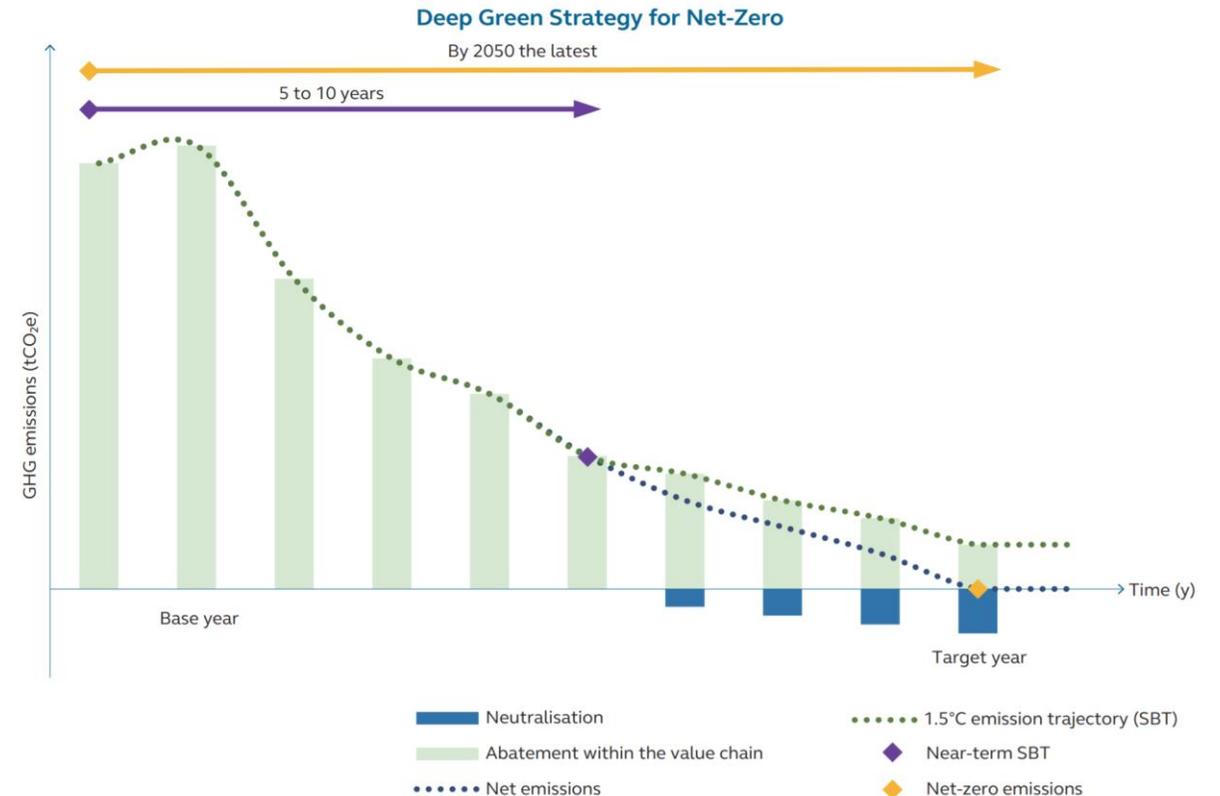
- In line with selected **pathway** (i.e. 1.5°C)
- Must show that company is following the trajectory of chosen pathway
- Near term SBT are **target year-dependent**: Mitigation pathways **inform the rate of emissions reductions** or emissions intensity reductions that are needed

## Net zero target



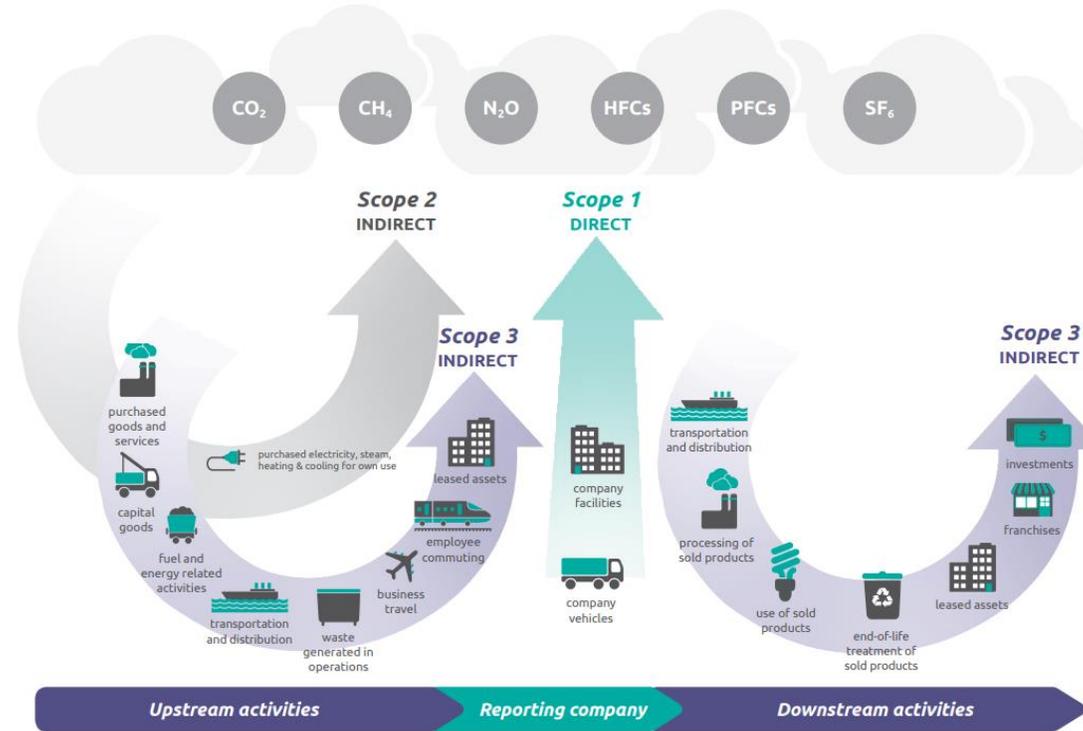
- Must reach net zero sometime **between 2030 and 2050**
- Long-term net zero targets are **target year-independent**: **Inform the overall emissions reduction** or convergence intensity that must be reached to be aligned with net-zero at the global or sector level

## Visualisation of SBT and Net Zero target



Source: SBTi Corporate Manual (Dec 2021); Net Zero Standard (2021); HKEX Practical Net-Zero Guide for Business (2021)

# Assess emissions across the value chain and identify emissions abatement levers



## Scope 2 – Purchased electricity, direct heating, direct cooling and steam

GHG emissions from generation of purchased electricity, direct heating, direct cooling and steam used by the company.

### Potential abatement levers:

- Renewable energy procurement (e.g. through power purchase agreements (PPAs))



## Scope 1 – Direct GHG Emissions

GHG emissions that occur from sources that are owned or controlled by the company, for example emissions from facilities and vehicles.

### Potential abatement levers:

- Energy efficiency measures
- Electrification of equipment
- Fuel switch (e.g. to hydrogen)



## Scope 3 – Other indirect GHG emissions

All other GHG emissions that occur as a consequence of the activities of the company. Categories in Scope 3 are for instance purchased goods and services, purchased transports and business travel.

### Potential abatement levers:

- Supply chain decarbonization





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