

PLEDGE TO NET ZERO

Best Practice for Microbusinesses

Background

A microbusiness is generally a business of 1 or 2 people. The main distinction between these and other larger businesses when setting science-based targets is the difficulty for microbusinesses to make absolute emissions reductions. While for larger businesses, taking on new employees will represent a small proportional change in total emissions, for micro-businesses this can lead to significant increases and cannot be offset through emissions reductions. The following advice therefore provides best practice as to how these businesses can set science-based targets and contribute to climate action.

The Science Based Targets Initiative provides a number of ways to set targets, with the applicability of each varying depending upon the scope of emissions (1, 2 or 3) and type of business. Below are the most appropriate methods for microbusinesses divided into scope 1,2 and 3.

Scope 1

- SBTi provide very little space for scope 1 interpretation. Intensity targets for scope 1 emissions are only eligible when they lead to absolute emission reduction targets in line with climate scenarios for keeping global warming to well-below 2°C.
- Possible solution (for some companies): use an equity share or financial control approach to set organisational boundaries. This will place the scope 1 and 2 emissions from leased buildings and vehicles into scope 3. Companies will therefore be able to choose firstly, whether these categories are included within their operational boundary, and secondly, whether to use emission targets with less rigorous conditions.

Scope 2 – Targets for the Procurement of Renewable Energy

- Targets to actively source renewable electricity at a rate that is consistent with 1.5°C scenarios are an acceptable alternative to scope 2 emission reduction targets.
- The SBTi has identified 80% renewable electricity procurement by 2025 and 100% by 2030 as thresholds (portion of renewable electricity over total electricity use).
- Companies that already source electricity at or above these thresholds shall maintain or increase their share of renewable electricity.
- Please note: if the solution delineated for scope 1 is used then scope 2 emissions will be categorised under scope 3. Thus the below advice for setting scope 3 targets should be used.

Scope 3 – Economic Intensity Targets

- The most suitable way for micro-businesses to set targets for scope 3 is through economic intensity targets.
- The method used for this is Greenhouse Gas Emissions per Value Added (GEVA). Targets set using the GEVA method are formulated by an intensity reduction of tCO₂e/\$ value added.
- The target must result in at least 7% year-on-year (compounded) reduction of emissions per unit value added. The 7% year-on-year reduction rate is based on an absolute emissions reduction of about 75% by 2050 from 2010 levels. Ambition is intermediate between the IEA 2DS and B2DS pathways.
- Because the products within the sector are very varied and difficult to compare, economic intensity is generally a better choice than using physical intensity targets.
- Example: Manufacturer of outdoor power products Husqvarna Group AB commits to reduce scope 1 and scope 2 emissions 30% per unit of value added by 2020 from a 2015 base-year.