



BATS-NEWSLETTER

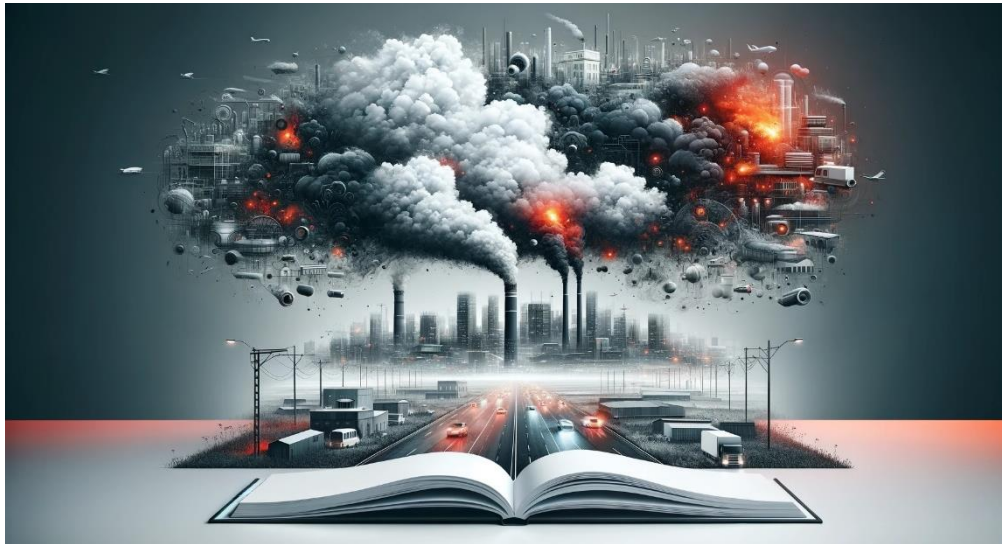
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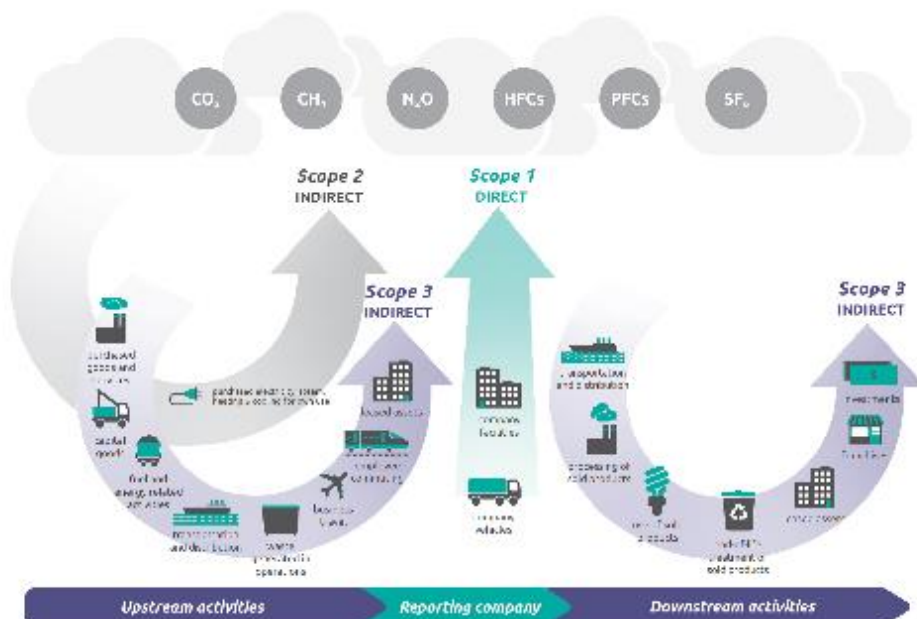
No.1 Strategic Consultant In Indonesia

BEYOND VALUE CHAIN MITIGATION

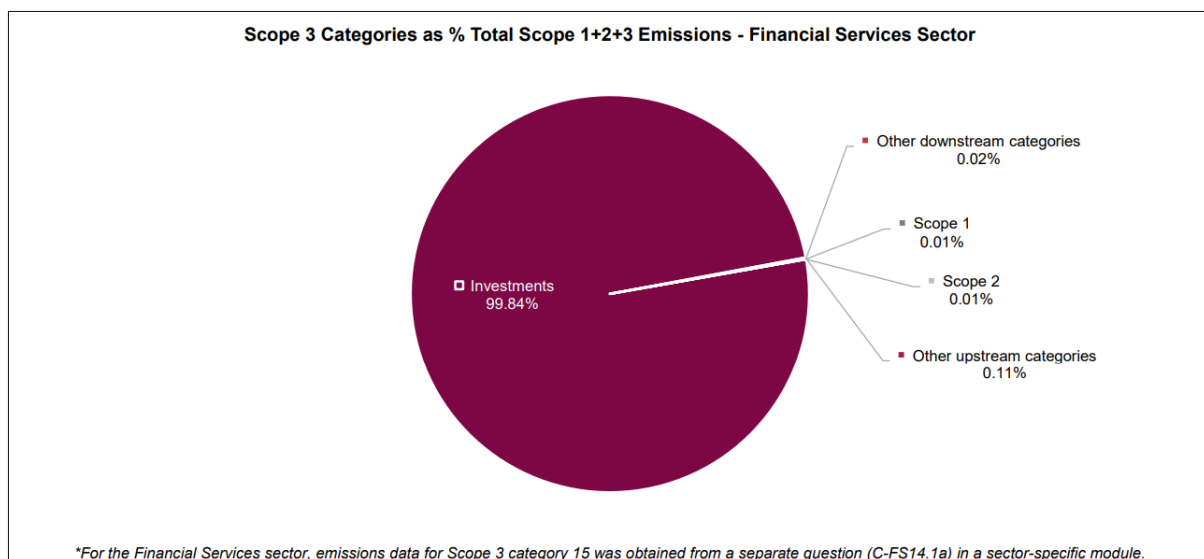
Beyond Value Chain Mitigation



As the world evolves, our challenges toward climate change also rises. This causes business worldwide to be under increasing pressure to reduce their emission and their broader environmental impact. There is a rising demand from consumers, investors, regulators, and other relevant stakeholder for companies to be accountable for its entire impact. Emission caused by business are divided into three categories based on the GHG Protocol, Scope 1 for its direct emission, Scope 2 for its indirect emission, and Scope 3 for its value chain emission (from sourcing raw materials until product disposal)

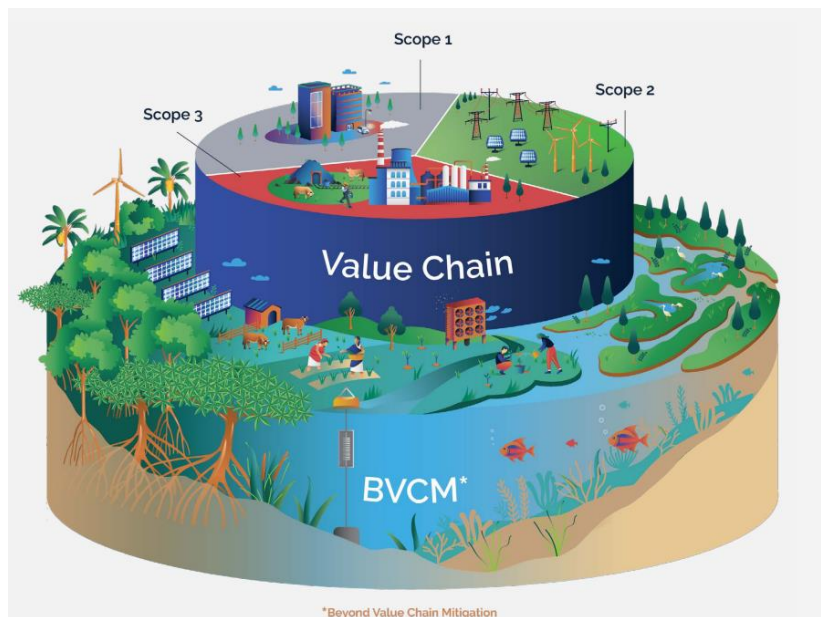


Scope 3 emissions often surpass the Scope 1 and Scope 2 emission in a company. For example, in the financial sector. Financial Institutions, through their investment and lending activities which is a part of Scope 3, indirectly contribute to significant greenhouse gas emissions, especially in sectors they finance, such as energy, manufacturing, and construction. The environmental impact of these financial activities is profound; for instance, financing a coal-fired power plant or providing business loans to high-emission industries magnifies an institution carbon footprint substantially.



Beyond Value Chain Mitigation (BVCM) is a strategic approach where companies take action to reduce their environmental impact to a larger scale than its own operation and supply chain. BVCM defines by SBTi as mitigation action or investment that fall outside a company's value chain, including activities that avoid or reduce GHG emissions, or remove and store GHG from the atmosphere. VCMi stated that BVCM is important because companies play a key role in achieving climate goals and accelerating the collective effort to reach global net-zero emissions. The BCVM approach includes:

1. Engaging in activities that support systemic changes, such as policy advocacy, educational programs and community resilience
2. Circular economy initiatives with the goal of reducing waste and pollution to extend product and materials age
3. Renewable energy and green project investments, to reduce our dependency to fossil fuel and to support innovative climate solution



Science Based Target Initiatives (SBTi) for BVCM

Science Based Target Initiative (SBTi) is an initiative resulted from a collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact, World Resources Institute (WRI), the World Wide Fund for Nature (WWF) and the We Mean Business Coalition. SBTi is built to push corporates to climate action by enabling businesses and financial institutions globally to set a science-based greenhouse gas emission reduction target. The goals are to get businesses to halve their emissions by 2030 and achieved net-zero before 2050.



SCIENCE
BASED
TARGETS

SBTi publishes its Corporate Net-Zero Standard which comprises of recommendations for companies to set near-and-long-term climate targets aligned with the limit of 1.5°C global temperature. The Corporate Net-Zero Standard comprised of four key components:

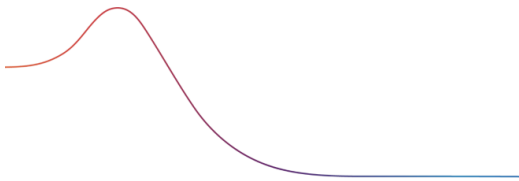
1. Near-term Science Based Targets (SBTs), where companies are required to set 5-10 year targets to reduce emissions within the company value chain in line with the 1.5°C pathways

2. Long-term SBTs where companies are required to set emission reduction targets within the company value chain to a residual level in line with 1.5°C scenarios by 2050
3. Beyond Value Chain Mitigation where companies are encouraged to take immediate and consistent action to mitigate emissions beyond their value chains
4. Neutralization of any Residual Emissions where companies are required to neutralize the climate impact of any residual emission at the net-zero target year and any GHG emissions released into the atmosphere there after through the permanent removal and storage of carbon from the atmosphere

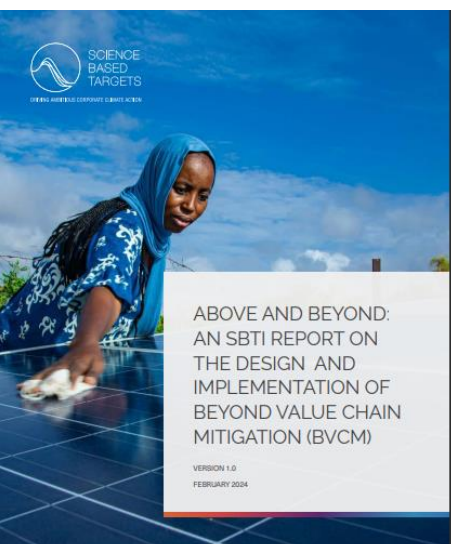


SBTi CORPORATE NET-ZERO STANDARD

Version 1.2
March 2024



Beyond Value Chain Mitigation has been republished by the SBTi in a new guidance document on February 2024 titled “Above and Beyond: An SBTi Report on The Design and Implementation of Beyond Value Chain Mitigation (BVCM)”. In this document, SBTi stated that BVCM is important for a company in order 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 its unabated emissions. The SBTi does not see the BVCM as an emission reduction towards the company’s GHG inventory and emission reduction target. SBTi itself does not validate any BVCM claims, but only gives recommendations.



In this document, SBTi stated that the rationale behind BVCM other than the catastrophic impacts of climate change, is because of the emissions and climate finance gap. Emissions gap refers to the gap between the committed levels of climate mitigation and what is needed to achieve 1.5°C. However, based on available estimations, the current policy would only limit warming to just 2.7°C. Correspondingly, there is a significant climate finance gap where the Climate Policy Initiative estimates that annual mitigation finance needs to surpass USD 8.4 trillion per year between 2023 and 2030, and then rises to USD 10.4 trillion per year in the following two decades. There is a significant gap compared to the USD 1.2 trillion a year today.

The importance placed on the climate finance, is based on the research done by International Energy Agency (IEA) that technologies can provide nearly all of the emissions reductions required to 2030. IEA also states that to reach net zero in 2050, almost 50% emissions reduction will need to come from technologies that are currently in prototype stage and need funding. BCVM is therefore a way for companies to accelerate global progress towards net-zero and a mechanism for companies to take responsibility of their unabated emissions.

SBTi established two goals that companies can use to inform the design and implementation of their BVCM strategies:

1. Deliver additional near-term mitigation outcomes to achieve the peaking of global-emissions in the mid 2020s and halving by 2030
2. Drive additional finance into the scale-up of climate solutions and unlock systemic transformation to achieve net-zero.

The first goal emphasized the realization of additional mitigation outcomes to be achieved in 2020s, aligned with Article 6.2 of the Paris Agreement. The second goal focused on driving the new financial flows into scale-up climate solutions, aligned with IPCC definition of climate mitigation finance.

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



There are 4 steps composed by the SBTi to design and implement a BVCM strategy. These steps include:

1. Set & work to deliver a Ne-Zero Target
2. Establish a BVCM pledge
3. Take action to deliver BVCM
4. Report BVCM activities and outcomes

For the first step, a company must first develop and disclose its full GHG emissions inventory. This inventory includes the company Scope 1, Scope 2, and complete Scope 3 inventory that are counted based on the GHG Protocol. Companies also make sure that the GHG Emissions Inventory are disclosed publicly in the company's website and are verified by an independent third party. After disclosing and counting its GHG Emission inventory, the company must set a validated and science-based target and also works towards a net-zero climate transition plan.

The second step, is establishing a BVCM pledge by determining the business case and strategic objective and defining the time period and scale of the BVCM pledge. The BVCM business case is differ from each company depending on factors including the region, market and industry in which it operates, and also its strategic objectives for BVCM. For example, a food and agricultural company might identify a supply chain resilience opportunity from restoring landscapes ecologically linked to its supply chain. A consumer facing company might identify opportunities for green premium or brand loyalty linked to BVCM activities. The time period and scale of the BVCM pledge is recommended by the SBTi to take five years or longer aligned with the mandatory SBTi recalculation exercise. Meanwhile, for the BVCM scale, the company is welcomed by the SBTi to use all efforts to go above and beyond their value chain emissions, as long as it's aligned with SBTi best practice. SBTi considers the best practice is when a company would:

1. Apply a science-based carbon price to unabated Scope 1, 2, and 3 emissions to determine aa financial budget
2. Using the determined financial budget to fund a combination of near-term BVCM outcomes and long-term BVCM finance, as well as wider categories of climate action.

The third step, is for the company to take action to deliver its BVCM by defining quality standard and guardrails for BVCM activities and designing its portfolio. A company must commit and disclose safeguarding principles to ensure that their BVCM activities do not have an adverse impact on:

1. Human Rights
2. Core labor rights
3. Access and equity
4. Marginalized and vulnerable groups
5. Gender equity
6. Women's empowerment

7. Indigenous peoples
8. Involuntary resettlement
9. Protection of natural habits
10. Conservation on biological diversity
11. Climate change
12. Pollution prevention
13. Resource efficiency
14. Public health
15. Physical and cultural heritage
16. Lands and soil conversion

The SBTi recommends that companies consider the BVCM Goals and Principles when designing a portfolio of BVCM activities and investments. The fourth and last step is to report the BVCM activities and outcomes with an MRV framework, annual BVCM report, and a transparent and accurate BVCM claims. To establish a framework for a BVCM MRV, it's important to use a third-party independent reviewer to assess its accuracy and completeness of an emissions reduction or removal intervention. The SBTi itself does not have any plans to validate BVCM claims, but only recommend that companies should construct BVCM claims to meet general requirements of high-integrity and high-ambition environmental claims. To further ensure this, companies should externally audited or certified its BVCM claims.

Voluntary Carbon Market Integrity Initiatives (VCMI) for BVCM



The Voluntary Carbon Markets Integrity Initiative (VCMI) is an international non-profit organization with a mission to enable high-integrity voluntary carbon markets (VCMs) that deliver real and additional benefits to the atmosphere, help protect nature, and accelerate the transition to

ambitious, economy-wide climate policies and regulation. VCMI is announced in 2021 by COP26 President-Designate with the support of the UK Government and C4I. The VCMI collaborates with variety of stakeholders, starting from civil society, the private sector, Indigenous Peoples, local communities, and governments, to realize the full potential of high-

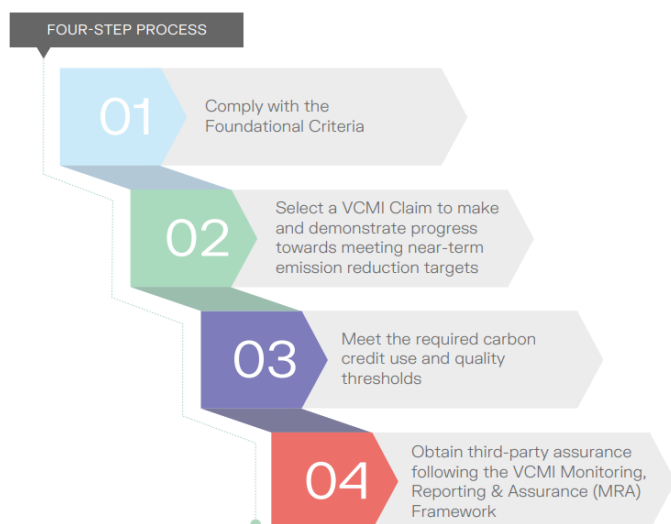
integrity voluntary carbon markets while supporting the achievement of the UN Sustainable Development Goals (SDGs).

The VCMI is built because there is a potential by voluntary carbon market to fill gaps in financing for climate mitigation, enhance corporate efforts for net-zero transition, and support the achievement of countries Nationally Determined Contributions (NDC) and climate policies. This potential can only be realized if the voluntary carbon markets operate with high integrity on both the supply and demand side of the carbon market.

1. **Supply Side Integrity.** The projects generating carbon credits should genuinely reduce emissions and support the local communities where the project is located
2. **Demand Side Integrity.** The companies buying these credits should use them to truly add to their existing efforts to cut emissions, not to replace actions that company takes to reduce its emissions

How the VCMI Claims Code works

The Claims Code is based on a four-step process.

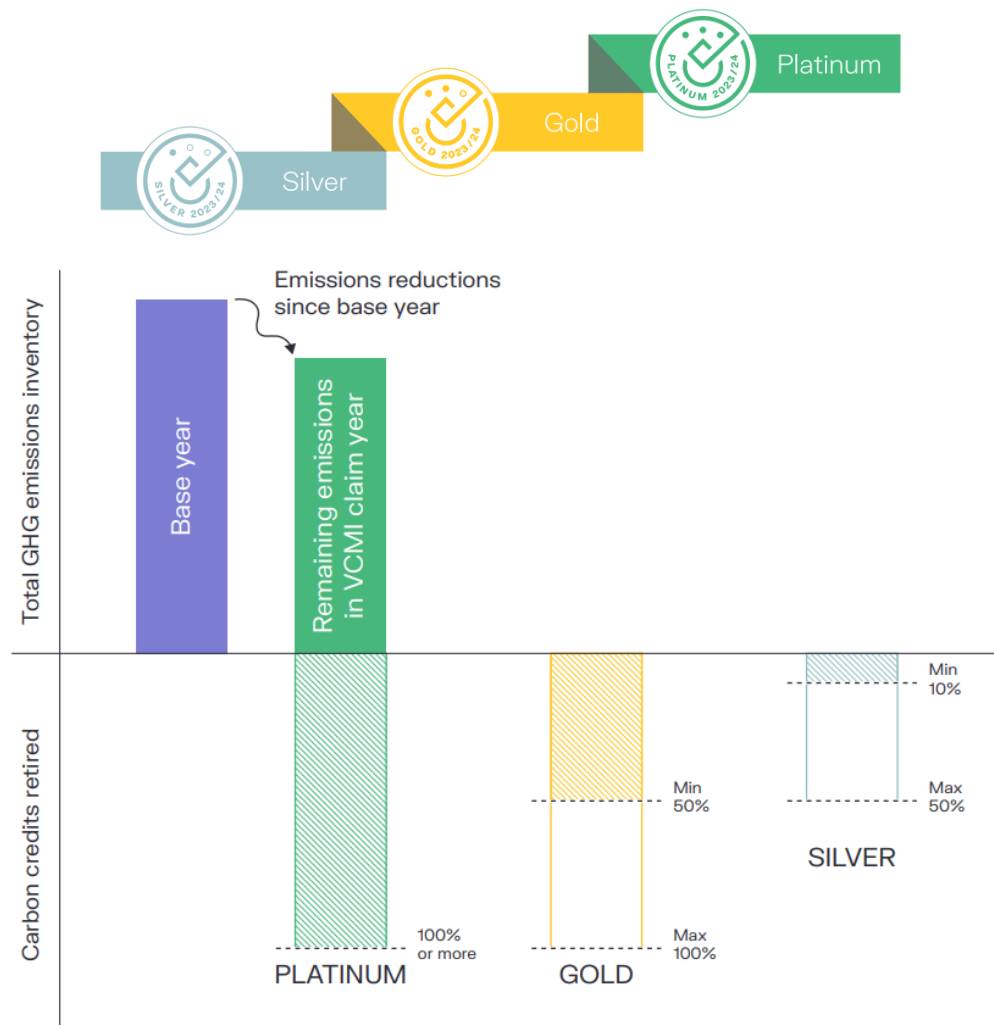


In order to address the integrity issue on the demand side, the VCMI releases Claims Code of Practice. This document serves as a guidance to how a company can credibly make voluntary use of carbon credits as part of their climate commitments and on how they communicate their use of those credits. The guidance will provide clarity, transparency, and consistency on what these commitments and claims mean and will give confidence for any party engaging in the voluntary carbon market. The VCMI Claims Code is based on a four-step process, which is:

1. Comply with the Foundational Criteria
2. Select a VCMI Claim to make and demonstrate progress towards meeting near-term emission reduction targets
3. Meet the required carbon credit use and quality threshold
4. Obtain third party assurance following the VCMI Monitoring, Reporting & Assurance (MRA) Framework

There are three types of VCMI claims that a company can claim. All three represent action above and beyond companies internal efforts. These claims can be used by companies that are taking action now to accelerate global net-zero and beyond science-aligned emission cuts through the additional use of high-quality carbon credits and that are making progress towards their near-term emission reduction.

1. Carbon Integrity Silver. This claim requires the purchase and retirement of high-quality carbon credits in an amount equal to or greater than 10% and less than 50% of a company's remaining emissions
2. Carbon Integrity Gold. This claim requires the purchase and retirement of high-quality in an amount equal to or greater than 50% and less than 100% of a company's remaining emissions
3. Carbon Integrity Platinum. This claim requires the purchase and retirement of high-quality in an amount equal to or greater than 100% of a company's remaining emissions



All of these claims can be done once the company has demonstrated progress towards its near-term emission target. The company must also must have met the Foundational Criteria and be able to demonstrate emission reductions in comparison to their base year on an absolute and/or intensity basis. After a company makes its silver or gold carbon integrity claims, it must disclose the percentage total remaining emissions to be covered by carbon credits that must increase in each subsequent year.



There are four Foundational Criteria that a company must met before making a VCMI Claim. The Foundational Criteria are designed to be aligned with the Paris Agreement's long-term mitigation goals. These criteria are made based on leading global initiatives such as the SBTi and the UN-led Race to Zero Campaign. These criteria are:

1. Maintain and publicly disclose an annual greenhouse gas emissions inventory.
2. Set and publicly disclose science-aligned near-term emission reduction targets and publicly commit to reaching net-zero emissions no later than 2050
3. Demonstrate that the company is making progress on financial allocation, governance and strategy towards meeting a near-term emission reduction target
4. Demonstrate that the company's public policy advocacy supports the goals of the Paris Agreement and does not represent a barrier to ambitious climate regulation

The GHG Emissions Inventory must be in accordance to the GHG Protocol Corporate Accounting and Reporting Standard, GHG Protocol Corporate Value Chain, and the Land Sector and Removals Guidance. For Criteria 2, companies must set reduction targets based on SBTi and must be announced publicly. For Criteria 3, VCMI recommend that companies used the TCFD framework and the specific provisions of the ISSB IFRS S2 Climate-related Disclosures for its financial allocation and information disclosure regarding strategy and governance. For Criteria 4, the company must publicly disclose any advocacy activities or if the company are not taking part in public policy advocacy activities.

Carbon Integrity Platinum

Achieved Platinum Claim by demonstrating progress towards our Net Zero goals and by retiring high-quality carbon credits that facilitated the removal of more than 100% of our 2022 emissions from the atmosphere



Carbon Integrity

Embrace Beyond Value Chain Mitigation (BVCM) with BATS Consultant specialized sustainability consulting services to enhance your emissions strategy. As global demands for comprehensive environmental accountability rise, BATS Consultant will guide you through the complexities of reducing emissions beyond your immediate operations. Partner with us, BATS to advance your sustainability journey, enhance your market position, and drive the global shift towards net-zero emissions effectively.

OUR PARTNER



Brian Pramudita, S.E., Ak., M.Ak., CA, CPA.,
BKP., CIB., CCA., CertDA., CertSF., CSRA., CSRS

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- ◆ Certified Sustainability Reporting Assurer

☎ +62 816-1105-174

✉ brianpramudita@bats-consulting.com

CONTACT US

FIND US!



Office : +6221 2212 9136
Mobile : +62 852 1969 0070

Email
info@bats-consulting.com