Interpretation Guide

Race to Zero Expert Peer Review Group
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This document provides additional guidance regarding how the [Expert Peer Review Group](#) interprets the [Race to Zero criteria](#). This interpretation guide seeks to provide additional clarity and transparency regarding the Race to Zero application and review process. Given the complexities of applying the broad Race to Zero criteria in a consistent and fair way across the many different entities joining Race to Zero, the Expert Peer Review Group uses these interpretation points as "rules of thumb" that guide the deliberation and judgement each case requires.

Pledge

Pledge at the head-of-organization level to reach (net) zero GHGs as soon as possible, and by midcentury at the latest, in line with global efforts to limit warming to 1.5C. Set an interim target to achieve in the next decade, which reflects maximum effort toward or beyond a fair share of the 50% global reduction in CO2 by 2030 identified in the IPCC Special Report on Global Warming of 1.5C

Interpretation points
1. The "Pledge" criterion encompasses the idea that reaching balance between sources and sinks (as stated in the Paris Agreement) is a goal for the world, and that individual entities' (net) zero targets are means toward that goal, though not the only ones.

2. "Mid-century refers" to 2050. At a minimum, all carbon emissions must be (net) zero by 2050, with other gases following soon thereafter, as articulated in the IPCC Report on Global Warming of 1.5C.

3. The requirement to have an interim target that reflects a fair share of the 50% reduction by 2030 is explained in the IPCC Report on Global Warming of 1.5C. We note that a 50 percent reduction by 2030 implies average annual reductions of approximately 7 percent, though change may not be linear.

4. "Fair share" can be operationalized in different ways. While global CO2 emissions must reduce by 50 percent by 2030, different sectors and different actors will move at different speeds, reflecting their unique opportunities and constraints. The Race to Zero does not have a single way of operationalizing this division. Rather, EPRG requires partner networks and initiatives to operationalize "fair share" in a science-based fashion as appropriate for their members, and to explain and justify how they do this. Three salient examples:
    a. Some initiatives simply require all members to reduce emissions by 50 percent or more by 2030. For example, over 800 Certified B Corporations from over 50 countries - nearly one quarter of the global B Corp community - have pledged to reach Net Zero by 2030, 20 years ahead of the Paris Agreement targets.
    b. Some initiatives use climate models to generate scenarios for how the world reaches 1.5C, and then assign individual entities emissions reduction pathways, including interim targets, that reflect a share of the overall reductions calculated in that scenario. For example, the Science Based Targets Initiative uses scenarios to determine sectoral pathways to 1.5C, and then assigns participating companies a target based on their share of the market in a given sector. In this way it relies on climate models to determine what individual entities' shares should be.
    c. Some initiatives assign different targets to entities at different stages of development. For example, C40's Deadline 2020 program includes cities from both the global North and South. Because many cities in the latter are still growing, they are on slower pathways to halving emissions, but, at the same time, the cities from the Global North that are part of the initiative have more accelerated timeframes, in many cases halving emissions before 2030 (all cities aim to reach net zero before 2050).

5. The "Pledge" criterion sets the goal as "(net) zero. EPRG notes the value of differentiating the "end state" to be achieved from the transition to that end state. EPRG considers acceptable "end state" targets by 2050 to include the following. Please refer to the Race to Zero Lexicon for further details.
    a. Absolute zero - When no greenhouse gas emissions are attributable to an actor's activities across all scopes.

b. Net zero - An actor reduces its emissions following science-based pathways, with any remaining GHG emissions attributable to that actor being fully neutralized by like-for-like removals (e.g. permanent removals for fossil carbon emissions) exclusively claimed by that actor, either within the value chain or through purchase of valid offset credits.

c. Climate positive - When an actor's greenhouse gas removals, internal and external, exceed its emissions and any removals are "like for like." Must be specified over a declared time period, and whether removals and emissions are cumulative or represent only the time period specified. (Sometimes called net negative, but Race to Zero prefers the term "climate positive").

6. EPRG notes that some entities make separate pledges for emissions reductions and investments in natural sinks or other forms of compensation. Differentiating these objectives can provide additional clarity and transparency regarding the "Pledge" criterion.

Plan

Within 12 months of joining, explain what actions will be taken toward achieving both interim and longer-term pledges, especially in the short- to medium-term.

Interpretation points

1. EPRG acknowledges that plans are often iterative, especially when entities first embark on their net zero transformation. For example, smaller entities or those facing resource and capacity constraints may require significant time to prepare a first GHG inventory. In such cases EPRG does not necessarily expect a "full" plan to be immediately available, but it does require that entities provide information on their progress and the steps they will take within 12 months.

2. Entities' plans should address the initiative's approach to the Race to Zero leadership practices.

3. Entities' plans may refer to Race to Zero "Breakthroughs" where appropriate.

Proceed

Take immediate action toward achieving (net) zero, consistent with delivering interim targets specified.

Interpretation points

1. The urgency implied by the IPCC's Special Report on Global Warming of 1.5C means that we are now in a "decisive decade." Pledges and plans must therefore be matched by immediate actions. While full plans may take

time to formulate, all entities have available a number of "no regrets" measures to reduce emissions immediately. "Analysis paralysis" should not prevent immediate action.

2. EPRG interprets "immediate" to mean within months, not more than a year.
3. EPRG does not consider issuing a plan to be sufficient for the "Proceed" criterion to be met. Tangible actions are also required.
4. The types of specific actions required to meet the "Proceed" criterion vary by actor and sector. In general, they should be things that can be done *now* that will have a direct impact on reducing emissions. Examples may include:
    a. Adopting a new policy with immediate effect.
    b. Installing or purchasing new equipment.
    c. Changing processes or business models.
    d. Ensuring COVID-19 recovery spending and policies enable achievement of interim and long-term targets.
5. In all cases, entities should explain how the immediate actions they are taking link to interim targets they are aiming for.

Publish

Commit to report publicly both progress against interim and long-term targets, as well as the actions being taken, at least annually. To the extent possible, report via platforms that feed into the UNFCCC Global Climate Action Portal.

Interpretation points
1. Reporting may be done through any public channel, ideally including those that feed into the UNFCCC's Global Climate Action Portal. This aggregator relies on partnerships with data providers like CDP, ICLEI, and others (see: https://climateaction.unfccc.int/views/about.html), but EPRG recognizes that not all types of entities yet have a ready path to reporting to this platform.
2. Reports should provide clarity both on progress toward interim targets as well as the steps entities are taking to deliver that progress.
3. For entities relying on offsetting, it is valuable to report these separately from internal reductions.
4. Provide information on remaining emissions that are particularly challenging
5. "Annually" means within 12 months of joining Race to Zero, but also in line with the reporting cycle of the network initiative. So if a network or initiative has an annual disclosure cycle, entities joining Race to Zero should report in the next one that arises after they join.

Scope

Targets must cover all greenhouse gas emissions:
1. *Including Scope 3 for businesses and investors where they are material to total emissions and where data availability allows them to be measured sufficiently.*
2. *Including all territorial emissions for cities and regions*

Leading targets may also include:
1. *Cumulative emissions (for all actors)*
2. *Consumption emissions (for cities, states, and regions)*

Interpretation points
1. Note the clear distinction between "must" and "may" in the first and second group of conditions.
2. Different networks and initiatives will operationalize the materiality and measurability of Scope 3 emissions in different ways. EPRG looks for all networks and initiatives to follow best practices.
3. While EPRG recognizes that data availability is a real limitation, it interprets "sufficiently" to imply a relatively low bar for inclusion. Furthermore, EPRG considers it incumbent on actors setting (net) zero pledges to work to expand data availability to capture all non-trivial emissions over time as part of their overall effort to reach net zero.
4. For some entities (e.g. financial actors) Scopes 1-2 are relatively small compared to Scope 3. EPRG nonetheless requires these emissions be included, given they are typically readily measurable.

Sinks and credits

1. *In the transition to (net) zero, prioritize reducing emissions, limiting any residual emissions to those that are not feasible to eliminate.*
2. *Clearly specify what sinks or credits are used to make what, if any, neutralization claims, clarifying how sinks and credits are used both on the path to (net) zero, and after (net) zero is obtained. Any neutralization of residual emissions must transition to permanent removals by the time (net) zero status is achieved.*
3. *Encourage immediate contributions to the preservation and restoration of natural sinks, not necessarily linked to neutralization or compensation claims.*
4. *Ensure that any credits achieve robust outcomes for additionality, permanence, and accounting, and do not undermine social justice or harm biodiversity.*

Interpretation points
1. The definition of residual emissions remains a critical ongoing area of work. As such, EPRG does not impose a single definition, but rather asks networks and initiatives to explain and justify their approach to defining emissions that are "not feasible to eliminate." In general, approaches to this question should be based in science, for example, by relying on robust scenarios generated by climate models that involve little to no overshoot. EPRG seeks to ensure consistency across networks and initiatives in this dimension.
2. See [Race to Zero Lexicon](#) for precise definitions
   a. Neutralization - GHG removals outside an actor's emissions inventory, that balance residual GHG emissions such that an actor's net contribution to global emissions is reduced or eliminated. Neutralization claims are only valid under a rigorous set of conditions, including that the reductions/removals involved are additional, not over-estimated, exclusively claimed, and like for like.
   b. Like for like - When a source of emissions and an emissions sink correspond in terms of their warming impact, and in terms of the timescale and durability of carbon storage.
   c. Climate neutral (see also related terms). Race to Zero considers individual actors to be climate neutral when: GHG emissions or other activities with warming effects attributable to an actor are fully compensated by GHG reductions or removals, or other activities with cooling effects, exclusively claimed by the actor, such that the actor's net contribution is zero, irrespective of the time period or the relative magnitude of emissions and removals involved. Note that this is not the same as net zero because it does not necessarily require "like for like" balancing. As such it is not a valid 'end state' for Race to Zero, but a potentially useful state to achieve during the transition.
3. EPRG notes the importance of immediate contributions to the preservation and restoration of natural sinks for achieving global net zero, but also notes a general lack of consensus on methodologies for transitioning investments in sinks to permanent neutralization by the time net zero is achieved. This remains an ongoing area of work in our community. EPRG therefore looks for networks and initiatives to clearly explain and justify their approach with reference to climate science.
4. "Robust outcomes" refers to best practices in offsetting to make sure that any credits purchased truly reflect the desired outcome.
5. Examples of approaches to sinks and credits that would not meet the Race to Zero leadership practice
   a. Where sinks or credits are relied on in lieu of decarbonization.
   b. Where accounting systems cannot prevent double-counting or non-additionality.
   c. Where projects risk harm to biodiversity or social justice.

Empowerment and equity

Seek to enable all actors to contribute to the global transition toward (net) zero through engagement, information sharing, access to finance, and capacity building. Develop pledges, plans, and actions in consideration of equity, drawing on, inter alia, the Sustainable Development Goals and Articles 2 and 4 of the Paris Agreement.

Interpretation points
1. EPRG understands this new leadership practice to highlight the importance of Race to Zero as a facilitator and catalyzer that supports all entities' in the Race to Zero. While the Race to Zero criteria aim to ensure credibility, they also serve as tools to support all actors to be able to "run faster" in the Race to Zero.
2. Recognizing there is not a single approach to these issues, EPRG looks for initiatives and networks to engage seriously with both empowerment and equity, and to explain how they are weaving them throughout their approach.
3. Empowerment may refer to how networks and initiatives enhance the ability of their member entities to reach (net) zero, but may also refer to how those entities in turn enhance the work of others. This latter role may be particularly important for, e.g., universities, faith groups, or other types of actors whose direct emissions may be less significant than their broader role in society.
4. Examples of promoting empowerment may include:
   a. Training and capacity building events
   b. Transfer of resources or supporting access to finance
   c. Peer-to-peer exchange and learning.
   d. Ensuring robust representation of all actors, including traditionally marginalized groups.
5. Equity is one of the key concepts embedded in the Paris Agreement. EPRG recognizes that many different approaches and definitions of the term exist, and that these are often contested. For example, equity can refer to, inter alia, the division of GHGs emissions across actors between or within countries at different stages of development, the division of GHG emissions between or within countries at different stages of time, attention to the differential impacts of climate change on more or less vulnerable populations, the allocation of resources both to mitigation emissions and adapt to climate impacts, etc. EPRG seeks networks and initiatives to reflect on and explain their own approach to these issues.
6. Recognizing the need for further discussion and deliberation around these issues, EPRG will aim to convene a special working group on equity and empowerment, together with Race to Resilience and other stakeholders, to develop more specific options for advancing this leadership practice across our community.