Climate Contribution Hub

Climate Responsibility Approach

Setting emission reduction targets

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Emissions inventory
An emissions inventory is a list that shows how many greenhouse gas emissions an organisation produces to run its activities. These are usually divided in three scopes.

In general, setting targets is not a prerequisite for climate action; the priority is to start reducing emissions as soon as possible (See Guidance on reducing emissions). Many mitigation options are indeed accessible to organisations and can deliver effective impact without being tied to a target, or even before an organisation has a detailed *emissions inventory*. Organisation-level net-zero pledges are not necessary. Smaller organisations may struggle to set a clear path to net-zero emissions at the organisational level as they may not be able to influence some of the larger emission sources within their inventory.

Should your organisation set targets, they should be specific and substantiated. Companies' headline pledges to fight climate change encompass a broad range of target-setting approaches. Regardless of the type of target and the terminology used, commitments should send a clear signal for immediate action to decarbonise, and should avoid misleading consumers, shareholders, observers, and regulators.

Adopting a long-term emission reduction target can help maintain the continuity of your organisation's climate strategy over time, in line with global net zero. Although sometimes required by frameworks for large corporations, setting short-term (2030) and medium-term (2035, 2040) mitigation targets is not a prerequisite for immediately implementing emission reduction measures.

Transition alignment targets may be helpful to guide your organisation's efforts to change practices and implement low-carbon technologies. These put a spotlight on the necessary near-term actions your organisation can implement and outline a more tangible and clearly actionable path forward.

Prioritising reducing emissions

Your organisation should start implementing the most accessible emissions reduction actions (the low-hanging fruits) even before adopting emission reduction targets. The priority for smaller organisations and companies should be to implement feasible emission reduction measures as quickly as possible (See Guidance on reducing emissions).

Q&A: Is target setting a requirement for climate action?

Although it can be helpful for some organisations or may be required by some voluntary standard-setters, **target setting is not a prerequisite for climate action**. Many mitigation options are indeed accessible to organisations and can deliver effective impact without being tied to a target. Delayed action in the short term requires even deeper emission reductions and larger amounts of highly uncertain carbon dioxide removal later, putting the objective of limiting global warming to 1.5°C beyond reach.

Organisations should see their targets as instruments to guide action, rather than achievements. Ever since climate neutrality started to frame the climate debate, setting and discussing climate targets have absorbed the energy and attention of organisations and observers – sometimes at the expense of real action. Targets can serve as proxies for measuring ambition, but should not be conflated with action, let alone with impact. Too often, large companies celebrate targets as achievements, pushed by labels and standards which have largely contributed to award ambition instead of action.

In addition, setting strong and credible targets is time- and resource-consuming for all organisations, even more for the smallest ones. It is unreasonable to expect small organisations to allocate resources to target-setting, standard compliance, and validation processes when those resources could be better used for planning and implementing climate actions.

Adopting long-term emissions reduction targets in line with global net zero

Long-term emission reduction targets can help organisations outline a vision towards full decarbonisation and serve as a basis for implementing targeted climate change mitigation activities. Such targets must provide a clear indication of what your organisation aims to achieve in the long term, to inform today's management and investment decisions. Long-term targets can only provide a useful signal for future decarbonisation if they are accompanied by immediate action to reduce emissions; pathways to decarbonisation that are characterised by initially slow or delayed action will lead to a larger volume of cumulative emissions.

Long-term emissions reduction targets should be framed to contribute to the *global net zero* (2050). The level of ambition of emission reduction targets should be aligned either with cross-sector emission reduction targets or sectoral emission reduction pathways compatible with 1.5°C. If organisations are not sure what target to set, the United Nations High-Level Expert Group (HLEG) recommends that companies align their targets with the Intergovernmental Panel on Climate Change (IPCC)'s Sixth Assessment Report targets to reduce CO_2 emissions by 50% and GHG emissions by 43% by 2030, and by 84% and 99% by 2050 (IPCC, 2022; UN HLEG, 2022).

Emissions reduction targets should be clearly separated from other instruments. The Climate Responsibility Approach does not recommend the use of *carbon credits* to make climate contributions (See Guidance on Channelling climate contributions). Besides, we consider that carbon dioxide removals (CDR) should be treated as a public good, and society should exercise collective ownership over CDR deployment, allocation and the acceptance of potential trade-offs (NewClimate Institute, 2025). Therefore, your organisation should clearly ensure that its emission reduction commitments remain completely independent of climate contributions and carbon dioxide removals.

Set absolute GHG-related targets instead of emission intensity targets (e.g. emissions per unit of output, per euro of revenue, per employee). These are more transparent and do not allow for emissions to increase over time, whereas intensity emission reductions can lead to an increase in absolute emissions in emissions if an organisation's output continues to increase faster (e.g. "We commit to reduce our CO_2 emissions by 90% in 2050 compared to 2019" instead of "We commit to reduce our CO_2 emissions per product by 90% by 2050 compared to 2019").

Global net zero
Global net zero refers to the state where, at planetary level, the total amount of greenhouse gas emitted into the atmosphere every year equals the amount absorbed by carbon sinks. Not to be confused with organisation-level net zero.

Carbon credits
A carbon credit is a certified unit of a reduction of GHG emissions, or a removal of carbon dioxide. Companies sometimes used carbon credits to balance out GHG emissions with reductions or removals elsewhere – a practice called offsetting.

Cover all scope 1, 2 and 3 emissions. Targets should cover all scope 3 emission categories relevant to the organisation, as this provides a clear incentive for all actors with a potential influence on the decarbonisation of emission sources to take measures to do so. Targets that omit mandatory scope 3 emissions carry a significant potential to mislead, since scope 3 emissions account for a large portion of most companies' climate impact.

Choose a credible baseline year. A baseline year is the historical point of reference that your organisation will use to measure and track its performance and progress in reducing emissions over time. Emission baselines should appropriately represent an organisation's GHG emissions profile while not being affected by special circumstances that might distort an organisation's target ambition, such as a merger or a sudden economic downturn. You should provide a credible explanation of why this baseline year was chosen (e.g. 2020 was marked by Covid-19 pandemic that triggered economic slowdown and subsequent drop in greenhouse gas emissions. Consequently, an organisation using 2020 as a baseline year may struggle to achieve its emissions reduction targets, as the baseline year does not represent the typical emissions profile of an organisation).

Long-term emissions reduction targets should be supported by a low-carbon transition plan. These plans should describe what an organisation will do to reduce greenhouse gas emissions and align its activities with global net zero, detailing actions and identifying structural obstacles and innovations that require policy changes and engagement with external stakeholders. This can include information on measures taken to meet all emission reduction targets, align governance and incentivise structures, capital expenditures, research and development, skills and human resource development, and public advocacy, while also supporting a just transition.

→ Find more about creating climate transition plans in the Transition Plan Taskforce's Disclosure framework, or consult the Assessing Transition Plans Collective (ATP-Col)'s framework and guidance.

→ Companies located within the EU can refer to the Corporate Sustainability Reporting Directive, which mandate companies to provide a detailed climate transition plan.

For some sector-specific industries, long-term emission reductions may require an overall transformation of their business model. Implementing key sectoral transitions for deep emission reductions is the backbone of ambitious climate targets. Key transitions will depend on the specific challenges faced by different economic sectors when transitioning towards a decarbonised economy. The integrity and robustness of companies' decarbonisation efforts should be adapted to each company's circumstances, emission profile and sector-specific transition challenges.

To program a deep, long-term transformation of its business model, your organisation should set transition-specific alignment targets. Transition-specific alignment targets, or transition targets, are metrics that directly measure an organisation's progress on key climate change mitigation transitions, tailored to their specific sectors and business activities and which can complement emission reduction targets to guide sector-specific transitions. Such targets enable organisations to translate decarbonisation targets into actionable, measurable mitigation measures. These are especially relevant for companies where sectoral decarbonisation pathways are readily available (e.g. an automaker sets a target to switch from thermal vehicles to EVs; a heating installer stops installing heating systems based on fossil fuels; an engineering company stops improving fossil fuel engines when alternative technologies are available; a food retailer bans products linked to deforestation).

→ Find out more about how to set transition targets in NewClimate Institute's CCRM Methodology and Transition alignment targets report.

Optional: setting short-term emission reductions targets

Setting short- and medium-term targets is not required. Short- (2030) and medium-term (2035, 2040) emission targets are required by voluntary standards to prevent large companies from relegating climate action to the long-term. But in the case of smaller organisations, these are not the priority, as they risk diverting resources away from immediate action.

If organisations wish to set short-term targets, they should **choose the same base year for short- and medium-term targets.**

Q&A: Should my organisation follow standards for setting emission reduction targets?

For the same reasons as it is not necessary to set targets before starting emission reductions, target validation may consume too much time and many resources for smaller organisations. Complying with voluntary standards and engaging in validation process may be relevant for large companies which, in absence of regulation, may want to follow credible methodologies to minimise reputation risks and send positive signals to investors. For small and medium-sized companies, civil society organisations or foundations, engaging in a such a validation process of their targets risk delaying short-term, no-regret climate action.

In addition, voluntary guidelines can be weakened when there are conflicting goals within the voluntary initiative or when companies influence how the standards are developed. Voluntary initiatives often serve multiple functions simultaneously: mobilising corporate climate action, setting standards, and validating targets. There are tensions between these various functions. For instance, if the aim is to have as many companies as possible follow a specific standard, initiatives might compromise on the scientific principles underlying their guidelines. Another issue is that companies often have a formal role in the development of climate standards, which creates a conflict of interest and risks watering down climate standards to the benefit of corporate interests. Further, voluntary initiatives lack enforcement mechanisms.

→ Find out more about high level guidelines on target-setting practices in the United Nations High-Level Expert Group recommendations.

The Climate Contribution Hub is set up by NewClimate Institute with initial support from the Allianz Foundation. This website aims at providing step-by-step guidance to help businesses and civil society organisations (e.g. NGOs, foundations, trade-unions) measuring and reducing their greenhouse gas emissions and setting up a climate contribution to take responsibility for their ongoing emissions.

www.climateresponsibility.org

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