Goal/Target Setting and Benchmarking
Why set a GHG target?

• Minimizing and Managing GHG Risks
• Achieving cost savings
• Stimulating Innovation
• Preparing for future regulations
• Demonstrating Leadership and brand reputation
• Meet Stakeholder expectations
• Participate in Voluntary programs
Key Steps in Target Setting

Target Parameters:
- Target type & Boundary
- Base & Completion Year
- Commitment Period

Offsets & Double Counting Policy

Target Level

Track & Report Progress

Senior Management Buy In
### Target Setting Process

- **Senior Management Buy In**
  - Facilitates change in behavior and decision making
  - Can create internal accountability and incentive systems
  - Ensures provision of adequate resources

- **Select Target Type**
  - Intensity Target
  - Absolute Target

- **Select Target Boundary**
  - Which GHGs are covered?
  - Which geographical locations
  - Which sources
  - Which businesses

- **Select Target Base Year**
  - Same as GHG inventory Base Year?
  - Fixed Base Year
  - Rolling Base Year
Target Setting Process

Select Target Completion Year & Commitment Period
- Completion Year – Short, Long or Medium Term
- Commitment Period – Single Year or Multi Year

Decide policy on Offsets & Double Counting
- Conditions for Offset use
- Offset credibility
- Double counting policy

Decide on Target Level
- Based on business realities
- Based on reduction opportunities
- Benchmarking with peers

Track & Report Progress
- Performance Checks
- Report on target
- Report on performance against target
<table>
<thead>
<tr>
<th>Absolute</th>
<th>Intensity</th>
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<tbody>
<tr>
<td>• Reduce Scope 2 by 20% from 2012 levels in 2017&lt;br&gt;• Reduce Scope 30% by 2020 compared to 2010 levels</td>
<td>• Reduce Scope 1 per ton of clinker by 20% by 2012 compared to 2005&lt;br&gt;• Reduce Scope 3 emissions per employee by 10% year on year</td>
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<tr>
<td><strong>Advantages:</strong>&lt;br&gt;• Environmentally Robust&lt;br&gt;• Transparent</td>
<td><strong>Advantages:</strong>&lt;br&gt;• Reflects performance improvements&lt;br&gt;• Comparisons across sector peers&lt;br&gt;• Recalculation usually not required</td>
</tr>
<tr>
<td><strong>Disadvantages:</strong>&lt;br&gt;• Complexity in base year recalculations&lt;br&gt;• No indication of efficiency performance</td>
<td><strong>Disadvantages:</strong>&lt;br&gt;• Absolute may increase&lt;br&gt;• Multiple business&lt;br&gt;• Adjustment of monetary values</td>
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Target Boundary

- Which GHGs – CO2 and/or non-CO2
- Which geographical operations – completeness vs reliability
- Different Types of Businesses – Company wide targets/business unit wise/core businesses
### Target Boundary

<table>
<thead>
<tr>
<th>✔ GHGs</th>
<th>✔ Locations</th>
<th>✔ Businesses</th>
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<tbody>
<tr>
<td><strong>Target Boundary</strong></td>
<td><strong>Advantages</strong></td>
<td><strong>Disadvantages</strong></td>
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</table>
| Only Scope 1 | • Data Quality management easier  
• More control on reduction options  
• No double counting or ownership issues | • Less comprehensive management  
• Less accountability or transparency |
| Direct + indirect emissions (Scope 1 + 2 +3) | • Comprehensive management of emissions  
• Offers greater flexibility  
• Simple to communicate | • Indirect Emissions harder to measure  
• Difficulty in tracking double counting & ownership of reductions |
Key Drivers Affecting the Business
• Relationship between GHG & other metrics e.g. production, employees, installed capacity, etc

Reduction Opportunities
• Reduction opportunities available
• Relationship between reduction measures and emission projections

Company Growth Plans
• Revenue/Sales targets; Expansions/Acquisitions
• Investment Strategy

Regulatory Landscape
• Upcoming regulations e.g carbon taxes, markets, product standards

Benchmarking
• With sector peers

METHODS
• Forecasting Method
• Backcasting Method
• Science Based Targets
Track and Report Progress

TARGET RELATED
• Chosen Boundary
• Selected Base Year, Completion Year, Commitment Period
• Offset & Double Counting Policy
• Target Level

TARGET PROGRESS
• Always report absolute emissions according to sources
• In cases of intensity reporting, always report absolute as well as specific business metric
• Report internal reductions and offsets separately and not just net emissions
• Report quantity, origin and nature of offsets used
• Report on sale of reductions externally
• Report overall progress in relation to target
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Thank you