July 11, 2024

Chair Francesco Starace
Science Based Targets Initiative (SBTi)
First Floor, 10 Queen Street Place
London EC4R 1BE
United Kingdom

Dear SBTi Chair Francesco Starace and SBTi Leadership Team,

Thank you for the opportunity to provide feedback on behalf of the American Chemistry Council (ACC) and its members on SBTi's recently released "Chemical Sector Guidance Consultation Draft" (May 2024) ("chemical sector guidance," "sectoral guidance," or "guidance").

ACC represents more than 190 companies engaged in the U.S. business of chemistry, a $639 billion industry with $25 billion in capital investment, supporting a quarter of U.S. gross domestic product (GDP) and creating more than half a million skilled, high paying American jobs.

The chemical industry manufactures products that are critical to fulfilling societal needs and transitioning to a lower carbon future. ACC members are committed to lowering the intensity of greenhouse gas (GHG) emissions within their operations, while continuing to provide the critical products that society demands, including products that will help enable the energy transition.

ACC's new sustainability report, Sustainability Starts with Chemistry, highlights the crucial role the chemical industry plays in advancing sustainability progress around the globe. Chemistry is needed to manufacture a wide range of critical products, from renewable energy solutions like solar panels and wind turbines, durable high-performance building materials, lightweight vehicle parts, EV infrastructure, advanced battery storage, high-tech electrical products, composite materials and more. ACC member companies are exploring, developing and deploying a variety of innovative, lower emissions technologies, from carbon capture, utilization and storage to lower-emissions hydrogen to alternative feedstocks and beyond.

Across ACC membership, companies are developing and deploying solutions to reduce both direct and indirect emissions, and a suitably revised SBTi chemical sector guidance could help inform future actions. However, after much due diligence and socialization with members, as well as coordination with other industry trade association leaders (e.g., the European Chemical Industry Council, Cefic), we want to express concern regarding SBTi's sectoral guidance that we consider problematic for the chemical industry and that will diminish the guidance's viability in advancing a lower emissions future. We are concerned that the current approach of SBTi's chemical sector guidance will discourage additional members from committing due to its specificity and prescriptiveness. Without adequate industry participation, the guidance will not help move the industry toward GHG emissions reduction. We hereby offer overall comments on the chemical sector guidance and submit the survey questionnaire response on behalf of ACC members.

- ACC members are investing in technologies to reduce GHG emissions, focusing on areas with the greatest potential opportunities for emissions reduction. Members recommend a Sectoral Decarbonization Approach (SDA) to apply to High Value Chemicals (HVCs), ammonia, methanol and hydrogen to allow sufficient flexibility to pursue investments with the greatest potential impact. This SDA pathway should be developed based on a cradle-to-gate (C2G) approach and based on products' carbon intensity, which would then be communicated as a combined absolute reduction target. This proposal is aligned to Cefic's proposal made to the Expert Advisory Group during the drafting of the chemical sector guidance. ACC members support a C2G approach, whereby scope 1, scope 2, and scopes 3.1, 3.3 (feedstock and raw material upstream) emissions are integrated into an absolute reduction target.
    - Targets set using this method are more likely to be comparable across companies, easier to communicate to stakeholders, allow the industry to continue to meet society's growing demand for chemical products and will enable better investment in carbon reduction without stifling business growth.
    - A C2G approach is expected to increase flexibility in implementation, improve target comparability and simplify target setting, including for downstream users. It allows efficient allocation of resources across all scopes as abatement opportunities differ across companies and their value chains. A C2G approach is better aligned with chemical production, acknowledging the diversity and complexity of the industry, while maintaining science-based targets.
- ACC supports Cefic's proposal for a sector-specific, C2G Absolute Contraction Approach (ACA) for "other chemicals" that follows the International Energy Agency (IEA) net-zero pathway. SBTi's current divergence from IEA's guidance for "other chemicals" will complicate the adoption of the guidance because the proposed default cross-sectoral ACA of SBTi's corporate net zero standard of 4.2% per year is impractical and infeasible for the wide range of processes represented in the "other chemicals" subsector. Applying this corporate default value, rather than the IEA net-zero projections, is not based on science and artificially reduces the chemical sector's carbon budget.
- Self-produced energy should be incorporated within the C2G chemical sector pathway, rather than the cross-sector global power pathway (which is easier to abate). ACC members support the inclusion of self-generated electricity and steam (co-gen) in the chemical SDA. Product-level electricity usage scenarios may be included in the SDA pathway. Reliability of energy supply is critical to the safe operation of our production plants and offers a significant opportunity for GHG emissions reduction, which supports inclusion of self-produced energy within the C2G chemical sector pathway.
- SBTi's current guidance includes a separate alternative feedstock target expressed as circular elemental carbon in purchased raw materials that does not necessarily result in GHG emission reduction thus deviates from GHG corporate accounting rules and emission reduction objectives the draft guideline aims to accomplish. This also could complicate the delivery of scope 3.1 emissions targets. An additional target for alternative feedstocks is not based on scientific principles and overly restrictive by dictating how a chemical facility may seek to achieve emissions reductions, for example, no-regret solutions like mechanical recycling is not even included as an option for alternative feedstock target.

Incorporation of a non-linear, broad approach, based on carbon intensity of primary chemicals, with built in flexibility similar to credible third parties, such as the IEA, would provide a more holistic and consistent approach for prioritizing investments.

ACC's interest is for the SBTi guidance to reflect the realities of our industry, for companies of all sizes, who manufacture a range of products and materials. The SBTi chemical sector guidance must reflect the specificities and complexity of the global chemical industry. The chemical industry is committed to reducing GHG emissions, while concurrently delivering innovative products and technologies that address societal needs.

The current draft of SBTi's chemical sector guidance is unfortunately not a step forward in advancing a lower emissions future for the industry, as it ignores the realities of the industry, fails to lead with science-based approaches and potentially undermines the innovative capabilities of the industry, ultimately reducing benefits to society. ACC members welcome the opportunity to work together with SBTi as it continues to refine and finalize its guidance.

ACC and its members appreciate the opportunity to comment and look forward to updated guidance that takes into consideration chemical companies' feedback. Please feel free to reach out to Mitch Toomey, Karin Krchnak or me to discuss any questions that may arise.

Sincerely,

Chris Jahn