

Reducing Scope 3 Emissions

As regulations are expected to be tightened to limit individual companies' emissions as well as to raise the level of nationwide emissions management, there is a growing interest in corporate management of Scope 3 emissions among stakeholders. International climate change initiatives including SBTi+ (Science Based Targets initiative) started to require businesses to achieve long-term Net Zero goals for Scope 3 emissions, and global oil and petrochemical enterprises are declaring their commitment to Scope 3 Net Zero.

To achieve long-term Net Zero, it is necessary to establish a specific Scope 3 reduction plan not only at SK innovation but also at the corporate-group-wide level, including major SK innovation subsidiaries. To this end, SK innovation intends to establish Scope 1, 2, and 3 reduction plans for 2022, carrying out continuous efforts to reduce carbon.



The DAC (Direct Air Capture) facilities of Occidental that signed a Net Zero agreement for the supply of crude oil with SK trading international.

Priority Task Implementation Strategy (Mid/Long-term Strategy)

SK innovation set 'Reducing Scope 3 Emissions' as a priority task for the GROWTH strategy and set mid/long-term targets and specific plans.

First, we set a goal of reducing Scope 3 emissions by 75% by 2030 compared to 2019 based on financial intensity in consideration of the growing efforts of our subsidiaries to reduce emissions and increasing ratio of the green assets. At the same time, we also set a target to reduce the absolute amount of emissions by 25% in 2030 compared to 2019 with focus on the energy/chemical business. To this end, we have established direct measures for each company by reflecting their nature of business and came up with action plans such as carbon offset by securing carbon credits.

We are implementing a long-term Net Zero Portfolio with the goal of reducing Scope 3 emissions by 90% based on SKI subsidiaries' integrated financial intensity by 2050. In the energy/chemical business, we aim to reach Net Zero Sales by 2050 by transitioning to green business models, focusing on eco-friendly chemical products and recycling plastics and waste batteries. The goal of the Net Zero Sales is to reduce Scope 3 emissions by 70% in the energy/chemical business, which offsets 100% of the Category 11 (use of products) and Category 12 (end-of-life emissions from all products) emissions, accounting for the largest proportion of our Scope 3 emissions.

Action Plans for 2022

In 2022, SK innovation set a short-term Scope 3 emission management plan along with a mid/long-term Scope 3 emission reduction plan. As the first petrochemical company in Asia to present integrated Scope 1, 2, and 3 emission reduction targets, SK innovation will announce the progress we have achieved in emission reduction.

Alignment with
UN SDGs



Goals for 2030



Reducing Scope 3 emissions based on financial intensity for all SKI subsidiaries by

75% compared to 2019



Reducing Scope 3 emissions in the energy/chemical business in absolute amount

25% compared to 2019

1) Offsetting carbon emissions through external carbon reduction and isolation projects



- Consolidating SKI subsidiaries data and materializing Scope 3 emission reduction plans
- Verification and supplementation of reduction options from the point of view of global standards
 - Classifying and avoiding carbon offset¹⁾ options that are less acceptable from a global perspective
 - Refining Scope 3 reduction estimation methodology
- Adding indicators for managing Scope 3 emissions in the energy/chemical business

Progress in 2021

The progress in 2021 was centered on establishing guidelines for Scope 3 measurement. The target-setting was based on the carbon intensity by fixed assets (Financial Intensity) in consideration of transitions in the business portfolio. The Scope 3 emissions were measured by emission category, with external verification completed. As a result of these efforts, we were able to reduce our Scope 3 emissions by 22% compared to 2019. In 2021, the emissions were measured at 117.11 million tons in the energy/chemical business, and 1.24 million tons in the battery and material business.

2021 Scope 3 Emissions

Subsidiaries	Cat1	Cat3	Cat4	Cat5	Cat9	Cat11	Cat12	Total
SKE	1,047	25	281	0.6	175	7,057	67	8,654
SKGC	118	6	22	0.3	12	6	478	641
SKL	63	1	4	0.03	24	-	103	196
SKIPC	333	5	77	0.1	33	1,465	300	2,214
SKEO	-	-	-	-	-	5	-	5
Total	1,561	37	385	1	245	8,532	949	11,711

Subsidiaries	Cat1	Cat3	Cat4	Cat5	Cat9	Cat11	Cat12	Total
SKO	95	19	1	0.1	1	-	-	116
SKIET	2	5	0.1	0.02	0.01	-	0.01	8
Total	97	24	1	0.1	1	-	0.01	124

Comments from the Department in Charge

SK innovation believes that efforts should be made to reduce Scopes 1 & 2 as well as Scope 3 in order to achieve the 1.5 degree scenario suggested by the Paris Climate Agreement and reach true Net Zero from a global perspective.

Recognizing this, SK innovation prioritized the establishment of the Net Zero plan for Scopes 1 & 2 in drawing up the Net Zero Roadmap. With this, SK innovation has established a plan to consolidate its subsidiaries and reduce Scope 3 for the energy/chemical business by 2050.

SK innovation is promoting business model and portfolio innovation through the 'Carbon to Green' strategy. Through this, the company plans to shift its business structure away from the existing energy/chemical business, which was highly carbon-intensive, to a green/low carbon business. This will result in the dramatic reduction of Scope 3 emissions at the stages of product consumption and disposal.

By expanding its green assets centering on the battery/material business, SK innovation plans to reduce its carbon intensity in terms of financial intensity by more than 90% by 2050 compared to the present. Scope 3 reduction is clearly a challenging and difficult task, but we believe that it is a task that must be achieved through transition to a sustainable business structure with the aim of achieving Global Net Zero.

Now that external stakeholders' demands for achieving Net Zero are stronger than ever before, SK innovation will do its best to meet internal and external expectations and achieve Scope 3 reduction goals so that the company can continue to grow.



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