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on Energy Security and Climate Change



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TRANSPARENCY PROCESSES AND BUSINESS: THE GLOBAL STOCKTAKE & NATIONAL REPORTS

KEY MESSAGES

- The Global Stocktake and transparency processes to report and review national efforts will be essential to success of the Paris Agreement. Ensuring constructive engagement of business (and other stakeholders) will be critical to validate reported information, assure public acceptance, and contribute to identification of progress, opportunities, and challenges.
- **Build trust.** An effective, reliable framework to assess transparency of actions and support will be essential to build confidence among Parties and stakeholders that nations are making progress to deliver on their pledges, that the Paris Agreement is functioning to achieve its collective goals, and to inform deliberations and actions going forward, especially for renewal of NDCs and consideration of appropriate comparability of effort among nations.
- **Implement the updated, enhanced transparency framework.** The Major Economies Business Forum urges Parties to implement fully the agreed transparency regime as soon as possible and to improve it over time based on experience. Developing countries should be encouraged and supported in their efforts to build capacity and participate fully.
- **Rely on existing methods.** To the extent possible Measurement, Reporting and Verification (MRV) procedures that underpin transparency processes should rely on well-established, existing methods, such as those developed by the Intergovernmental Panel on Climate Change (IPCC) and national authorities to measure and report GHG emission inventories. However, new methods will be required to address new concepts and commitments, such

as those to “mobilize finance,” improve performance with respect to “business as usual,” and demonstrate that a party is on track to meet its Nationally Determined Contribution.

- **Avoid double counting.** Nations must develop reliable procedures to assure the integrity of international exchanges through carbon markets or other transfers. This will require both environmental integrity and assurance that such transfers avoid double counting when used to satisfy commitments under the Paris Agreement. Corresponding Adjustments should be made to assure integrity when accounting for of international transfers.
- **Involve business.** Business has valuable experience, insight, and information to inform and improve transparency processes. Individual Parties and the UNFCCC should encourage input and participation by business to help assess and improve transparency procedures. Through its affiliates, partners, supply and value chains, business has direct experience and relevant insights regarding the opportunities and challenges that arise as a result of diverse goals and policies among the parties to the Paris Agreement.

Introduction

The Paris Agreement established two central processes to track and assess progress going forward. First, an enhanced transparency framework to measure and report on action and support to meet pledges and commitments of individual nations, and second, periodic Global Stocktakes (GSTs) to assess collective progress to meet long-term goals of the Paris Agreement (with the first to be complete in 2023).

Effective and reliable transparency systems will be crucial for parties and stakeholders to gain confidence that nations are making progress to achieve their emissions pledges and other obligations under the Agreement. Besides information on fulfilment of individual national NDCs, the transparency system will also undertake the GST to assess overall global progress from all Parties. Input from the IPCC will play an important role in the GST. Parties invited and have received input from IPCC concerning emissions pathways and potential impacts from 1.5°C warming. Contributions from the IPCC’s Sixth Assessment Report are now nearing completion and its

participants will play a central role in the 2023 GST. However, other sources, including those from Business and other stakeholders can also make unique, essential contributions to GST.

The Role of Transparency

As an Agreement based on progressive voluntary contributions from all Parties, successful progress under the Paris Agreement must rely on trust among Parties and encouragement and support from the public and stakeholders to undertake ever more ambitious efforts. This requires credible, effective domestic and international procedures that provide timely information on national and overall progress in implementing and meeting INDCs/NDCs. This will allow Parties and stakeholders to hold nations accountable for progress and provide a reliable basis to update contributions going forward.

Methodological Issues and Other Concerns

Fortunately, over the past three decades Parties (and stakeholders) have gained

extensive experience with Measurement, Reporting and Verification (MRV) procedures, especially using national procedures for firms and facilities to report GHG emissions, and those designed and updated by IPCC and adopted by the COP for nations to report GHG emissions inventories. These provide a strong foundation to underpin the transparency framework.

Methodologies for MRV as well as the rules and procedures must be reliable and credible to assess progress, yet flexible enough to respect the diversity of national circumstances and priorities. Parties have taken important decisions on the form of the transparency process that now must be completed and implemented including with decisions at COP 26.

Some key issues of concern:

- **Timing.** The timely availability of official national information to inform transparency processes may not align with current practices or expectations. For example, national inventories for a given year are typically unavailable until 16-18 months after year's end, *e.g.*, spring 2023 for year 2021. Similarly, IPCC procedures require a period of several months for expert and national reviews of reports and impose cut-off dates for consideration of peer-reviewed literature. For its Sixth Assessment Report, IPCC Working Group 1 (Science) set January 31, 2021, as the cut-off for input, nearly two years prior to completion of GST 2023. It will be important for Parties and stakeholders to account for information lags in the five-year cycles.
- **Methodologies.** Parties have not yet agreed how they will measure means

of implementation, especially regarding finance, but also technology transfer and capacity building. One of the core deliverables of the Paris Agreement has been the commitment by developed countries to mobilize USD 100 billion annually from public and private sources for climate finance by 2020. This poses several difficult methodological questions. Moreover, NDCs of most developed nations provided no information on their contribution of future aid. Clearly, the actions of many developing nations, especially least developed nations, will depend on aid. It is difficult for them to plan their long-term response without better information on finance. Of course, information on aid—how much and by what means—is important also to citizens and taxpayers of donor nations.

- **Progress to meet national pledges.** Unlike commitments in the Kyoto Protocol for Annex 1 Parties that were based on a budget over the entire commitment period, pledges of many nations under the Paris Agreement are framed in terms of achieving a certain level by the final year of their pledge. National reports should explain the extent to which actions through the reporting year place them on track to achieve their goals.
- **Environmental integrity and double counting.** MRV must address issues of environmental integrity of international exchanges and avoiding double counting of transfers that affect achievement of national pledges. Issues that may give rise to double counting can be in the form of “double claiming” (whereby several signatories claim the same emission reduction to comply with their NDCs)

and “double issuance” (whereby signatories register the same emission reduction under several mitigation mechanisms). International transfers that involve markets established by sub-national entities present additional challenges. It is difficult to see how they can be compatible with the Paris Agreement unless they are explicitly accounted for in the national procedures of all nations involved in such transfers. A key tool for integrity is the use of corresponding adjustments when international transfers occur. While other integrity tools may be important, they need to be designed and implemented to minimise transaction costs in order to encourage participation and abatement.

- **Plan for continuous improvement,** Events over the past few decades illustrate the need to recognize that unanticipated developments and experience may require improvements to the transparency process going forward. Well-intentioned plans and actions may be disrupted by unforeseen challenges and opportunities. Formal processes should build in means for evaluation and continuous improvement.

The Role of Business in Transparency

Along with other stakeholders, business will be an important producer and consumer of information and data through transparency processes. Like Parties, business has a clear interest in assuring credibility and integrity of actions in all nations. As well, business has significant experience and insight

concerning both national and international transparency procedures and MRV. For example, in many nations business must file reports on its GHG emissions and other activities, such as emissions trading, as part of national procedures. For business it is important to assure that procedures are efficient as well as reliable. Many companies also have had direct experience undertaking emissions offset projects under CDM and JI mechanisms; they are likely to participate in activities under the Paris Agreement, including those like the Joint Crediting Mechanism based on voluntary agreements among nations.

In many nations, business and other stakeholders participate directly in consultative processes to develop NDCs and assess progress. They also participate in a wide range of informal processes that promote transparency by producing relevant, independent information based on well-established methods, *e.g.*, through company reports and trade associations, and by organizing and participating in workshops and other activities, *e.g.*, with government officials, academia, other stakeholders, and think tanks. For example, the Major Economies Business Forum, in cooperation with Business at OECD (BIAC) organized and held a workshop on NDCs at the OECD. Such activities can provide valuable input and perspectives to inform official transparency process—information that may often be more up to date than government sources.

The UNFCCC and governments should encourage and value these contributions to help assure the credibility of transparency processes and to improve them in the future. For our part BizMEF intends to continue to organize and convene such interactions with delegates

from governments, academia, and other stakeholders.

Conclusion

BizMEF members support the establishment of procedures to underpin efficient, credible transparency processes, especially for full implementation and prompt start of the enhanced transparency process and GST. They will be essential to inform all stakeholders and Parties concerning trends and progress towards achieving NDCs and other commitments under the Paris Agreement and to provide a solid basis to update and renew NDCs. Parties and business have decades of experience using well-established procedures for many elements of MRV, especially for greenhouse gas emissions, that should provide a sound basis to underpin and

continuously improve the transparency processes.

Parties, however, need to address the challenges with developing MRV for new concepts in the Agreement, for example regarding finance and pledges based on improvements to business as usual. Furthermore, the process must define procedures to assess collective progress and to assure the environmental integrity of international transfers through carbon markets or other procedures and to prevent double counting under the Paris Agreement.

Business will actively contribute to formal and informal transparency processes. Parties and the UNFCCC should welcome and recognize such input; it will help to assure the integrity of domestic and international transparency procedures.