COP-26 PERSPECTIVES:
LAUNCHING A RESILIENT SUSTAINABLE RECOVERY TOWARDS GLOBAL NET ZERO

COP26 : URGENCY AND OPPORTUNITY

The Major Economies Business Forum (BizMEF) notes with strong concern the recently released IPCC AR6 WG1 Report, which highlights serious human-induced effects on climate, and underscores the urgency of accelerated action by all countries and stakeholders.

As COP26 gets underway, there is no doubt: governments, business and society as a whole have to go even further and faster together to deal with the risks of climate change. And the headwinds we face collectively are considerable – an ongoing pandemic, political polarization in many parts of the world, and an economic downturn that has unleashed unemployment, aggravated energy insecurity, disrupted supply chains and resulted in many unmet needs and demands for public finance.

The UN deliberative process has been slowed by the obstacles posed by the pandemic, and in spite of dedicated efforts by the UNFCCC, Parties, and stakeholders (business, subnational and a host of others) to maintain momentum and move forward, we have lost valuable time and ground. We welcome the re-launch of the Major Economies Forum, and priority attention from the G7, G20 and OECD, among others. Tackling climate change will require enabling and synergistic frameworks inside and outside the UNFCCC structure, across the multilateral system, including the WTO.

We must seize the opportunity COP26 offers to create inclusive and sustainable economies, in line with the Paris Agreement, through coherent and effective policy frameworks that drive transformative action at scale and further mobilize and engage the private sector in innovation, investment and implementation, as well as employment creation and policy collaboration.
As part of this, Parties should set out credible and ambitious Nationally Determined Contributions (NDCs) for the next Paris Agreement five-year review cycle – encompassing clear pathways for policy reform to enable business to take necessary actions in the near, medium and long term to achieve global net-zero emissions by 2050, while delivering the UN Sustainable Development Goals, and advancing other priority aspects of the Paris Agreement, such as adaptation and resilience, investment and finance, and innovation and its deployment. While ambitious targets are important, they will not be achieved without well-designed market and economy-wide policies, including those that promote efficient international cooperation.

Energy access and security are indispensable elements of a sustainable resilient recovery. Recent energy disruptions, shortages and price-hikes highlight how essential joined up policymaking and implementation are, and the importance of avoiding abrupt or too narrowly conceived government decisions that will impact energy access and markets, affecting workers and consumers. Employment creation and conducive business environments with adequate support and incentive frameworks are also essential for a sustainable and sustained recovery. The ongoing crisis shows us how essential it is to create and maintain quality employment while supporting businesses that are facing disruptions. For business to transform on a global level and lead the change, Parties and the international community need to proceed deliberately for a just and well-planned transition, that takes into account consumers, employers, workers, and people throughout society.

A new chapter must be launched from Glasgow, one that focusses on impact and shared prosperity, creating opportunities to meet critical energy and employment needs while advancing mitigation and adaptation as rapidly and cost-effectively as possible.

BizMEF wishes to highlight the following recommendations for COP26 and beyond:

➢ Take decisions on essential rules and procedures to complete the Paris Rule Book, especially concerning Transparency and Article 6.

Business wishes to see progress on required Measurement, Reporting, and Verification (MRV) and procedures. Decisions taken in Glasgow will likely affect actions and reporting required of business going forward.

Concluding the Rule Book for Article 6 remains a high priority, given the potential of international cooperative approaches to enable higher ambition to be achieved at lower cost. Parties must develop ways to assure environmental integrity and avoid double counting in mitigation efforts, especially through cooperative actions between nations. 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 within the Paris Agreement).

International transfers that involve markets established by sub-national entities, can present additional challenges. It is difficult to see how they can be compatible with the Paris Agreement unless national procedures explicitly recognize and account for the actions of sub-national participants in international exchanges.

A key tool for integrity is the use of corresponding adjustments when international transfers take place. While other integrity tools may be important, they need to be designed and implemented to minimize transaction costs in order to encourage participation and abatement.
➢ **Strengthen Future Ambition through Transparency.**

For governments and their citizens to increase ambition in the future, they must gain confidence that the Paris Agreement is functioning well, and that more effective, affordable, and efficient options, especially for mitigation, will become available in the future as national circumstances evolve. With other stakeholders, business is both an important producer and consumer of information through national and international processes. Like Parties, business has an essential interest in assuring credibility and integrity of plans and actions in all nations. As well, business has significant experience and insight concerning both national and international transparency procedures and MRV, and of the magnitude of the effort required for deep emission reductions. For example, in many nations business must file reports on 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 have direct experience undertaking emissions offset projects under the Clean Development Mechanism and Joint Implementation; they are likely to participate in activities under the Paris Agreement, including those like the Joint Crediting Mechanism based on voluntary agreements among nations. Moreover, businesses conduct and support a large share of the research, development and demonstration (RD&D) being done on new energy and other technologies, and many advances occur in the private sector. Through their own RD&D and planning processes and extensive links to academic and national laboratories, businesses are deeply immersed with, and affected by, issues concerning RD&D of advanced technologies and associated infrastructure.

➢ **Involve Business and other stakeholders in the Global Stocktake at all levels**

Business and other non-state actors have valuable experience and information to inform domestic and international processes such as those relating to transparency and the global stocktakes. Parties and the UN Framework Convention on Climate Change (UNFCCC) secretariat should encourage input and participation by business to inform these procedures and to help assess and improve them.

Through reports, publications, workshops and dialogues, business (and other nonstate actors) can contribute information on trends and progress and provide perspectives that will inform governments and citizens. Experience can also help to improve national efforts and the transparency framework under the Paris Agreement.

Complete solutions to establish rules and procedures will take time and will need to be improved based on experience. There is an opportunity, then, to build foundations for MRV, transparency, and other procedures (e.g. for GHG markets) in stages, improving them as experience is acquired going forward. Rules should build from years of experience using and improving existing methods, such as those by IPCC to measure and report national and sectoral greenhouse gas (GHG) emissions inventories and decades of business experience measuring and reporting emissions.

New methods will be needed to address new concepts and commitments—such as those to improve performance with respect to “business as usual” and to “mobilize finance”—and to measure and report progress and trends on ill-defined aspects of Nationally Determined Contributions (NDC).

➢ **Strengthening Trust, Building Capacity, Avoiding uni-lateral trade barriers.**

As an Agreement based on progressive voluntary contributions from all Parties, progress under the Paris Agreement must rely on trust among Parties and encouragement and support from stakeholders to take on ever
more ambitious efforts. This requires credible, effective domestic and international procedures for timely information on national and overall progress and effort. Besides information on fulfilment of NDCs, these systems also need to establish procedures to assess global progress from the entire portfolio of all Parties’ NDCs, to renew and extend NDCs, and in developing countries to consider finance and technology mobilization that can help overcome obstacles. The time to implement such effective procedures is now.

NDCs provide a creative way for nations voluntarily to submit contributions based on national priorities and circumstances, and to self-describe why their commitments were appropriate. Although the use of one universal global emissions accounting system is the ideal, BizMEF appreciates that not all nations have adequate capacity now to adopt common MRV practices or other means of credible tracking and disclosing progress towards objectives. Consequently, we recommend that the Paris Agreement should actively seek to build capacity so that all nations can follow similar standards for MRV as soon as practical. This will be essential to promote transparency and for governments and stakeholders to assess comparability of efforts to address climate risks while taking account of differing capacities for action.

In addition, we encourage countries to pursue trade-synergistic policies to enhance collective ambition and promote the broadest deployment of innovative technologies and energy sources. Recent developments highlight the economy-wide challenges that emerge once international supply chains are disrupted. Unilateral measures that are contrary to WTO rules risk trade tensions, exacerbate mistrust, promote uncertainty concerning the viability of policies that affect trade, and add difficulty to the collective objective of raising ambition together.

➢ Recognize the Technology Imperative and Strengthen Collaboration to Accelerate Innovation.

As business and governments work together to address the climate challenge, it’s important to be mindful of key global trends and circumstances that should inform prioritization of investments, policy development, and broader action. First among these is the reality that global energy demand has, and will continue to, increase steadily in the decades ahead.

Nearly all of this demand growth will come from developing countries seeking to expand energy access and raise the standard of living of their citizenries—unquestionably noble pursuits. The key, therefore, will be meeting that demand growth with low carbon energy sources; and the key to that is catalyzing the innovation to make clean energy the most affordable option for these countries.

Moreover, in its 2020 Energy Technology Perspectives report, the International Energy Agency projected that 45% of future global emissions reductions necessary to meet midcentury net zero goals must come from technologies that do not yet exist on a commercial scale. Recognition of these realities of energy demand growth and the current lack of sufficient clean energy alternatives illustrates that accelerating technology development and clean energy innovation is an imperative that demands greater attention and effort. In fact, achievement of the growing multitude of emissions targets emanating from national and subnational governments as well as from the business community will arguably be more dependent on technology and innovation than any other factor. BizMEF therefore encourages greater investment and cooperation from the public and private sector to meet growing energy demand with clean, affordable energy sources.
LOOKING AHEAD // THE ROAD FROM GLASGOW

BizMEF intends to continue its efforts to share experience and views through parallel activities and platforms that can inform negotiators, national governments, business, and other non-state actors. In particular, we plan to promote discussion of the barriers and opportunities to achieving long-term goals.

The Paris Agreement sets out ambitious aspirations to limit climate risks in the near and long terms. Achieving these goals will require extraordinarily large and complex changes in technologies, facilities, infrastructure, and supply chains across multiple sectors of the economy. Indeed, success will require tens of thousands of multibillion-dollar investments in technologies, facilities, and infrastructure sustained over many decades, involving many technologies that are not currently economic.

Both as actors and sources of innovation, investment, information and expertise, business will be an essential participant in discussions concerning realistic and effective approaches to drive the necessary change, and how to manage their potential consequences for the environment, economy, and society. BizMEF members intend to promote the discussion of opportunities to achieve this as well as of barriers that can stifle the necessary pace and scale of changes for an inclusive, resilient recovery towards net zero and energy security.

--------------------------------

ABOUT BIZMEF / OVER 10 YEARS OF RESPONSIBLE ALL OF ECONOMY BUSINESS VIEWS

Launched in Copenhagen in 2009 at COP15, the Major Economies Business Forum on Energy Security and Climate Change (BizMEF) is a partnership of major multi-sectoral business organizations from major economies and international sectoral associations. Modelled after the government-to-government Major Economies Forum, BizMEF is a platform for these groups to:

➢ promote dialogue and exchange views on climate change and energy security across a broad spectrum of business interests including major developed, emerging, and developing economies;

➢ highlight areas of agreement among participating organizations on the most important issues for business in international climate change policy forums; and

➢ share these views with governments, international bodies, other business groups, the press, and the public.

Organizations that have participated in BizMEF meetings represent business groups in Australia, Brazil, Canada, China, the European Union, Denmark, Fiji, France, Germany, India, Italy, Japan, Mexico, Morocco, New Zealand, Peru, South Africa, Turkey, the United Kingdom, and the United States, as well as international sectoral associations.

Collectively, BizMEF organizations encompass more than 25 million businesses of every size and sector. Because BizMEF partnering organizations represent a broad range of companies and industries— including energy producing and consuming companies as well as energy technology and service providers—the partnership is able to provide robust and balanced views with an economy wide perspective on a range of issues.