Business Briefing: Accountability for Non-State Actors
August 2023

Introduction

It is crucial that climate action at all levels of government and business is credible, with proper processes in place to demonstrate progress and hold actors to account when they fall short of their climate commitments. Accountability is particularly relevant this year as the first global stocktake (GST) will conclude at COP28. The global stocktake is a process designed to enable countries to assess where they are collectively making progress towards meeting the Paris Agreement, and where there is more work to be done. This inventory will be a key tool to hold the many international stakeholders to account, providing a "moment for course correction" as Simon Stiell, UNFCCC Executive Secretary, has described it.[1]

It is expected that the findings of the GST technical assessment will show that there has been inadequate collective progress, leaving world off-track to limit global warming to 1.5°C[2]. This means it is more important than ever in the decade of action for non-state actors to play their part. Since the launch of the Race to Zero Campaign by the High Levels Champions in 2020, the number of non-state actors with commitments to halve emissions by 2030 and reach net zero by 2050 at the latest has significantly expanded, demonstrating non-state actor commitment.[3] On the first day of the Bonn Climate Change Conference (SB58), the UN published its 'Recognition and Accountability Framework' for non-Party stakeholders,[4] alongside its first implementation plan under the framework,[5] which focused on net-zero pledges for non-State actors. Together, these documents aim to boost recognition and transparency of voluntary climate commitments made by non-Party stakeholders, namely the private sector.

CISL hosted an official side event at the Bonn Climate Change Conference entitled 'A Global Stocktake for Non-State Actors: How to drive accountability and action' in partnership with Climate Chance, CDP, and the World Benchmarking Alliance. This event was timely given the publication of the UNFCCC's Framework on the first day of the Conference. The panel discussion demonstrated the relevance of the GST to non-state actors, particularly corporations, and sought to understand: the key barriers and enablers to encourage more businesses to develop and deliver transition plans; the role of government in supporting businesses to be more transparent; the interaction between local non-state actors and corporations, and how the UNFCCC can better support accelerated action. The panel event concluded with a discussion on the key actions to drive accountability and action of non-state actors ahead of COP28, and the full recording can be found here.

UNFCCC Recognition and Accountability Framework
Context:

The UNFCCC Recognition and Accountability Framework for non-Party stakeholder climate action was developed in response to a request from Parties at COP27 to the UNFCCC secretariat to ensure greater

[1] Why the Global Stocktake is a Critical Moment for Climate Action | UNFCCC
[2] TD1.2_GST_SummaryReport.pdf (unfccc.int)
[3] https://unfccc.int/news/un-climate-change-unveils-plan-to-showcase-leadership-and-enhance-accountability
[4] UNFCCC_Recognition_and_Accountability_Framework_v1_04062023.pdf
[5] Integrity_Matters_recommendation_8_UNFCCC_draft_implementation_plan_v0-1_04062023.pdf

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accountability of voluntary initiatives.[6] The draft implementation plan, which sits under the framework and is currently out for stakeholder engagement, responds to the UN Secretary General's urgent call to enhance the credibility of net-zero commitments. It will establish a new process to monitor and assess the voluntary commitments of non-state actors, informing the outcomes of the global stocktake at the end of 2023 and the update of countries' nationally determined contributions (NDCs) in 2025.

The UN Secretary General also established the High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (HLEG) in 2022 to develop clearer standards for net-zero emissions pledges by non-state actors.[7] The Framework's draft implementation plan seeks to bring to life the recommendations of HLEG's *Integrity Matters* report. Recommendation 8 is the most relevant as it focuses on 'increasing transparency and accountability', calling for non-state actors to disclose their greenhouse gas data and progress towards net-zero targets; report in a standardised open format and via public platforms that feed into GCAP; have their reported emissions reductions verified by independent third parties; and provide accurate and reliable disclosures.[8] In response to the recommendations, the Secretary General stated:

> *"We must work together to fill gaps from the lack of universally recognized credible third-party authorities – and we must strengthen mechanisms positioned to conduct this verification and accountability process. It is my deep belief that the UNFCCC should play a decisive role – and I invite its Executive Secretary to present a plan early next year." [9]*

Framework Overview:

The Framework itself is a short document which sets out the principles of engagement, governance, and data management to better recognise leadership and ensure greater accountability in relation to non-Party stakeholders' voluntary climate commitments. It acknowledges the foundational work of existing coalitions to establish science-based norms for target-setting and progress reporting, seeking to take this into account alongside the expertise of the High-Level Champions on enhancing transparency. It establishes that voluntary pledges by non-Party stakeholders will be recognised via the UNFCCC Global Climate Action Portal (GCAP), which will be upgraded to act as the UN's data access point for all non-Party stakeholder voluntary climate action commitments.

The Framework outlines four principles of engagement:

1. **Holistic** - acknowledge the existing and growing community of stakeholders enabling and tracking the progress ambitious non-Party climate action commitments
2. **Inclusive** - engage with a broad range of stakeholders to communicate the aims of the Framework and consult on its implementation plans via open dialogues
3. **Collaborative** – encourage cooperative approaches with stakeholders on efforts that bring greater coherence and credibility to voluntary commitments
4. **Accessible** – advocate and deliver public access to non-Party stakeholder climate action commitments and progress made

The framework also sets out four key governance elements:

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[6] UN Climate Change Unveils Plan to Showcase Leadership and Enhance Accountability | UNFCCC
[7] Credibility and Accountability of Net-Zero Emissions Commitments of Non-State Entities | United Nations
[8] high-level_expert_group_n7b.pdf (un.org)
[9] Bogus Net-Zero Pledges 'Rank Deception', Sham Must End, Secretary-General Stresses at Launch of Report by High-Level Expert Group on Non-State Actors' Commitments | UN Press

1. **Mobilise progress** – collaborate with the High-Level Champions and the Marrakech Partnership to mobilise cities, regions, corporations, and financial institutions to commit to ambitious climate targets, provide transition plans, and report on progress
2. **Build capacity** – inspire greater activation for engaging with the implementation plan of the Framework and delivering pledges, plans, and reports, particularly across sectors and geographic areas currently underrepresented in GCAP
3. **Enable innovation** – collectively identify challenges in pledges, plans, and reporting to unlock innovative solutions to systemic limitations and to promote enabling environments
4. **Foster assurance** – increase public understanding of reliable information through coherent processes and systems of credibility to inform and inspire additional action

Lastly, the Framework sets out five principles for data management:

1. **Authentication protocols** – data received by GCAP from non-Party stakeholders must be authentic (i.e., true and collected from real-life phenomena)
2. **Accuracy checks** – datasets must be validated prior to submission to GCAP
3. **Comparability requirements** – aim for data interoperability and harmonisation, with comparable datasets sent by data providers or directly to GCAP.
4. **Secure infrastructure** – digital infrastructure should enable ease of data sharing with GCAP, and must adhere to data security requirements
5. **Open data** – information received by GCAP must be accessible and searchable through visuals dashboard or downloads

Processes and systems established within the implementation plans are expected to follow the principles of engagement, governance, and data management set out in the Framework.

UNFCCC Recognition and Accountability Framework Draft Implementation Plan
Context:

According to the Framework, implementation plans should set out specific objectives, deliverables, and timelines to enhance the recognition and accountability of climate action pledges, plans, and reporting by non-Party stakeholders. They should provide assurance to Parties and to the public across four main areas:

1. The integrity of voluntary commitments,
2. Credibility, leadership, and recognition of progress towards commitments,
3. Identification of systemic barriers non-Party stakeholders face in undertaking climate action
4. Transparency around the systemic impact of those who have not taken or are not delivering on their voluntary climate commitments.

Implementation Plan Overview:

The draft implementation plan annexed to the Framework provides clarity to non-state actors that "their commitments will be publicly recorded, their progress independently verified, their successes and best practice recognised and their challenges acknowledged" through the implementation of the plan.[10] The UNFCCC emphasises its intention to pursue "deep collaboration with all stakeholders" to further elaborate and deliver on its plan, which will be implemented iteratively through COP28 and up to COP29. A public dialogue will be held during each UNFCCC session for stakeholders to highlight their experiences with the implementation of the plan, ensuring lessons learned inform delivery in the longer term.

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[10] Integrity_Matters_recommendation_8_UNFCCC_draft_implementation_plan_v0-1_04062023.pdf

Through the draft implementation plan, the UNFCCC seeks to answer two main questions: (1) How will it ensure that there is a common accessible public record of pledges, plans, and progress reports, and (2) How will it ensure that appropriate validation and verification is provided for each of these?

Ensuring there is a common accessible public record of pledges, plans, and progress reports:

For **net-zero pledges and transition plans**, non-state actors which are members of coalitions or initiatives will be invited to register on the Global Climate Action Portal (GCAP), submit their pledges and plans via a standardised format, and report annually on how they are aligning their efforts with *Integrity Matters.* Net zero pledges are intended to clearly set out the non-state actor's climate targets, and the transition plans set out the course to achieve these targets. GCAP will be technically upgraded to enable direct submissions, and the UNFCCC has committed to produce guidance to support submissions, including clarity on the information they should contain. It has also noted the need to establish a process for non-state actors which are not members of coalitions or initiatives in order that they can register pledges and submit plans directly on GCAP. The guidance will then be transformed into standardised templates to submit net zero pledges and transition plans for publication in GCAP.

For **progress reports**, non-state actors will be required to produce annual disclosure of all value chain emissions and use of carbon credits to analyse progress with respect to their registered plans. The draft implementation plan emphasises that although GCAP will be the UN's data access point for all stakeholder commitments, it is expected that data on individual entities will be shared in aggregate format by other existing reporting platforms, rather than by each individual non-state actor. The UNFCCC has already established partnerships with reporting platforms through collaboration with CDP, and is also partnering with the Climate Data Steering Committee and NZDPU to develop a public utility which will be available free of charge for non-state actors to provide their core progress reporting on GHG emissions and carbon credit usage.

Ensuring that appropriate validation and verification is provided:

The draft implementation plan recognises that there is currently a wide diversity of approaches employed to track and report on progress, with the resulting confusion making it difficult for policymakers, investors, and businesses to see where real progress has been achieved. A more robust overall analysis of net zero pledges and transition plans is therefore needed in order to verify and validate non-state actors' climate action.

Pledges should be generated using a robust methodology consistent with limiting warming to 1.5°C with no or limited overshoot, and this should be verified by a third party. HLEG's *Integrity Matters* report acknowledges that there is currently no universal and credible third-party verifier. To resolve this, the UNFCCC secretariat suggests creating a **working group of pledge verification entities** to "ensure exchange of best practice, consistency in approaches and alignment of approaches with the HLEG recommendations."[11]
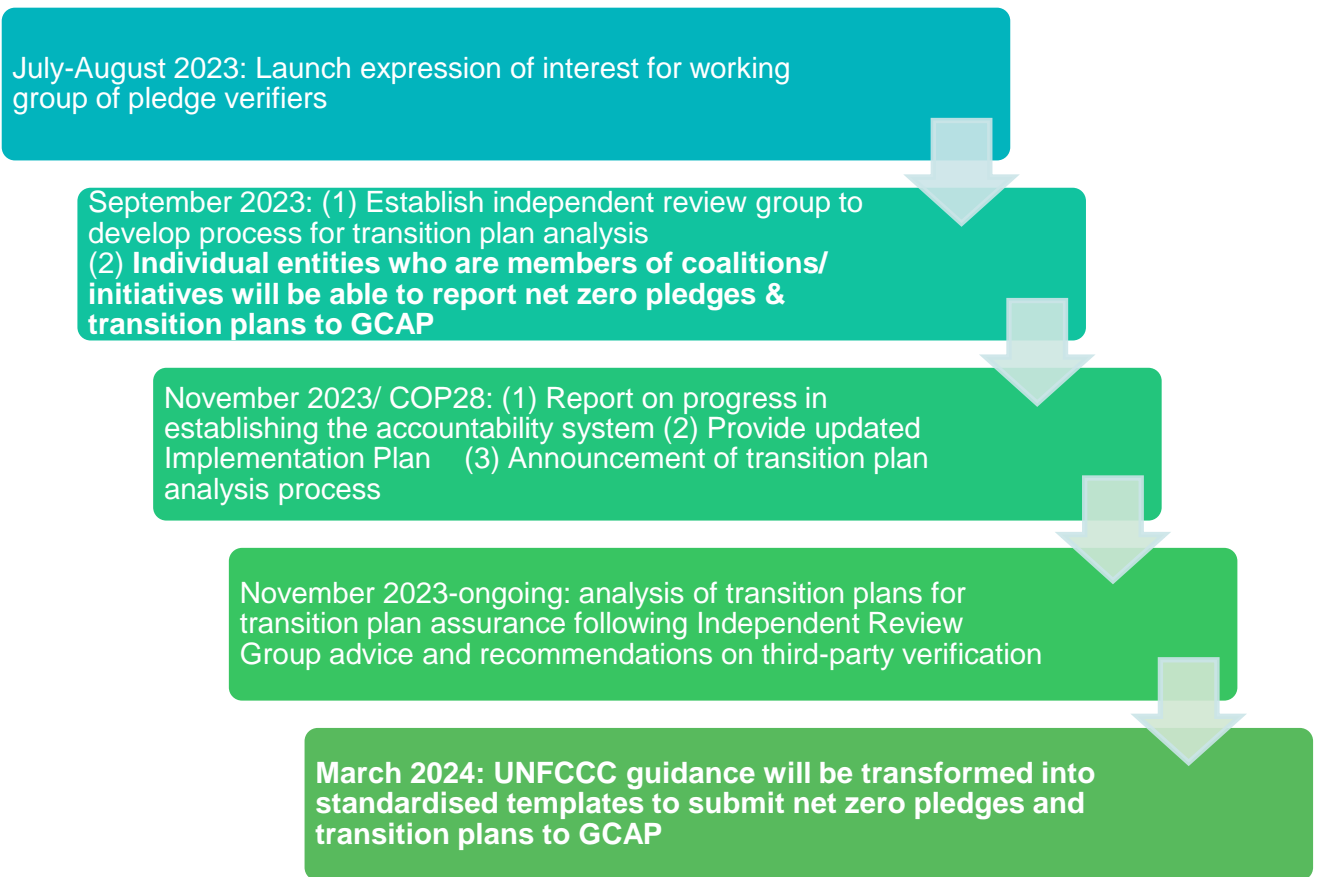
For **transition plans**, the UNFCCC recognises that the pathway to net-zero will vary by actor, sector, and geography, and with a variety of challenges in the way of the transition. This means that turning a credible pledge into tangible delivery will depend on a context-specific transition plan which is built on the evolving value chain of each non-state actor. Despite this nuance, the UNFCCC does propose two approaches to validating the credibility of transition plans:

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[11] Integrity_Matters_recommendation_8_UNFCCC_draft_implementation_plan_v0-1_04062023.pdf

1. **Convening entities who conduct regular and publicly available assessments** to identify commonalities and divergences in their approaches and methodologies and document the most appropriate uses of these approaches
2. **Convening a group of independent experts** to guide the creation of appropriate analysis processes of transition plans of individual actors and recommend approaches to assure alignment with *Integrity Matters*

Lastly for **progress reports,** the UNFCCC notes that verification of reported emissions will require the creation of a universally accepted approach to third-party verification of annual emission inventories. With this in mind, the UNFCCC secretariat commits to assessing challenges related to the availability and consistency of **third-party verifiers for annual emissions inventories** and the appropriate verification cycles and approaches needed for different sectors, scales, and geographies. The **creation of a centrally accredited pool of verifiers** is proposed as one option, in addition to **collaboration with existing national accreditation authorities**. Lastly, the draft implementation plan sets out a timeline for the UNFCCC deliverables which has been summarised below.

July-August 2023: Launch expression of interest for working group of pledge verifiers

September 2023: (1) Establish independent review group to develop process for transition plan analysis
(2) **Individual entities who are members of coalitions/ initiatives will be able to report net zero pledges & transition plans to GCAP**

November 2023/ COP28: (1) Report on progress in establishing the accountability system (2) Provide updated Implementation Plan   (3) Announcement of transition plan analysis process

November 2023-ongoing: analysis of transition plans for transition plan assurance following Independent Review Group advice and recommendations on third-party verification

March 2024: UNFCCC guidance will be transformed into standardised templates to submit net zero pledges and transition plans to GCAP

Potential Risks and Implications for Business
Overview:

The UNFCCC's draft implementation plan under the Framework presents an excellent opportunity to accelerate climate action by clearly defining what credible net-zero pledges and plans look like and holding non-state actors to account on their progress towards these. However, analysis of the proposals in the draft implementation plan raises some high-level potential risks and challenges for implementation which will likely affect non-state actors including businesses which must take part in the accountability process. These risks include duplication of existing work; challenges around UNFCCC oversight given its bureaucratic

slowness and limited capacity, associated questions about whether the UN is best placed to oversee the recognition and verification process for the private sector; whether an upgraded GCAP is the most appropriate instrument; and the danger of a one-size fits all approach to non-state actors which covers corporations, financial institutions, cities, and regions as well as smaller non-state actors. These issues are elaborated below.

Risk of duplication

There are many organisations already working on non-state actor accountability and accelerated climate action. CDP is a not-for-profit charity which runs the global disclosure system for investors, companies, cities, states and regions to help manage their environmental impacts. The UNFCCC will need to make sure it works with such organisations, rather than duplicating work and complicating the reporting process. This is already on the UNFCCC's radar as the Framework commits to take into account the work of existing coalitions and alliances in establishing science-based norms for target setting and progress reporting, and the implementation plan notes collaboration with CDP. If data is to be submitted in aggregate, guidelines on the format of this data will be critical to ensure it is comparable.

Stakeholder engagement with other international platforms will also be important to strengthen accountability reporting and avoid unnecessary replication, for example the Climate Champion's Race to Zero campaign already requires members to make net-zero *pledges*, *plan* an interim target, *proceed* with climate action, and *publish* data on progress which feeds into the GCAP. This overlap is already being managed as exemplified by the joint statement from the UNFCCC Executive Secretary and High-Level Champions to Race to Zero partners which states that Race to Zero will not process with the annual review of the campaign which was due to commence on 15 June 2023 to avoid duplication of efforts.[12] Instead, the Race to Zero will focus on working with non-state actors and network partners to identify and address barriers and opportunities to mobilise net-zero pledges and action.

Risks related to UNFCCC leadership

While the UNFCCC secretariat is well placed to initiate the development of a plan on improving the transparency, verification, and accountability of voluntary climate commitments as the UN entity tasked with supporting the global response to the threat of climate change, there are concerns related to its capacity, slowness, and appropriateness as an overseeing body. UNFCCC decision-making is a time-consuming process by nature, and this means that it may not match the agility needed to deal with evolving business needs.

The UNFCCC is also a relatively small secretariat, which means taking on responsibility potentially limitless data management and verification of submitted plans, pledges, and progress reports is very ambitious. In terms of process, it remains to be determined how non-state actors which are not members of coalitions or initiatives (which themselves are not clearly defined) will be able to register and submit plans to GCAP, and there are concerns related to mixing both aggregate reporting from existing initiatives with direct submission by individual non-state actors. The implementation plan recognises the capacity challenge and proposes the establishment of a centrally accredited pool of verifiers, or collaboration with existing national accreditation authorities, but building a large enough pool and ensuing all verifiers on the same page will take time and investment. In this regard, the draft implementation notes that "special attention will be needed to build sufficient capacity in developing countries to verify emissions reductions", but does not address how this will be done, or the scale of the challenge.

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[12] Joint_Statement_from_UNFCCC_Executive_Secretary_and_High_Level_Champions_to_Race_to_Zero_partners.pdf

The private sector is justifiably concerned about the risks associated with data sharing, and the broader idea of UN-mandated obligations which may be onerous for transnational corporations although not legally binding. Lastly, there are questions related to the UNFCCCs proposed process, including whether an upgraded Global Climate Action Portal (GCAP) is actually the most appropriate instrument to track the credibility of corporations' climate commitments, and what information businesses should include in a pledge, transition plan, and progress report. The UNFCCC will publish guidance on this by March 2024, but how the guidance will be developed and how stakeholders engagement will inform this process is less clear.

Risk of a one-size-fits-all approach

Given the diversity of entities under the non-state actor grouping which HLEG groups in terms of businesses, financial institutions, cities, and regions, it is difficult to comprehend one approach for tracking accountability. Even within the businesses grouping, corporations vary significantly in their size, sector, and geography which means their transition plans will need to be very specific. The UNFCCC implementation plan does note the fact that "transition plans will differ by entity, by sector, and by geography, with the challenges faced in that transition comprising a mixture of unique internal actions and culture changes, as well as broader contributions to systemic change". This does however raise challenges for how to verify these transition plans, hence the UNFCCC's proposal to convene entities who conduct regular assessments to recommend best practice, as well as convening a group of independent experts to guide the creation of an analysis process for transition plans.

Although the submission and verification of net-zero pledges should be more straight-forward than the transition plans, there is still the question of who the UNFCCC will include in its working group of pledge verification entities, and how they will be chosen following expressions of interest. It is also unclear how a single UN-oriented process for recognition and verification can successfully take into account the diverse standards and priorities internationally, and how agreement on a "universally accepted approach to third party verification of annual emissions inventories" will be reached. This relates to the potential for legal issues surrounding UN-accredited verification bodies.

Implications for business

Given that the Framework and its draft implementation plan address voluntary commitments to climate action by non-state actors, this is unlikely to have profound implications for businesses unless it is translated into domestic legislation, however it will shape the policy environment. Businesses should take part in the UNFCCC's stakeholder engagement process on accountability and submit any major concerns and follow the process as it develops. It is likely that once the implantation plan has been further developed, guidance has been released to support submissions, and standardised templates have been produced, businesses will need to register their net-zero pledges, submit their transition plans, and report on their progress towards these via GCAP.

It is in the interest of businesses to comply with the new process as it develops in order to demonstrate to the public - including their customer base - that their net-zero pledges are credible, and that they are walking the talk on climate action. Although the new Recognition and Accountability Framework could be used as a tool following the GST to highlight where businesses are off-track and demand better, it is also intended to recognise non-state actors which are leading the way. For businesses committed to climate action, a more transparent process for tracking accountability should reflect well on them as long as their net-zero pledges and transition plans are science-based and realistic. By demonstrating action on the ground to reduce emissions, businesses can also accelerate the ambition loop whereby private sector leadership reinforces bolder government policy in a positive feedback loop for climate action.

Next Steps: Contributing to the consultation

The finalisation of the Framework implementation plan is currently being informed by the 'Integrity Matters Implementation Dialogue'; an inclusive stakeholder engagement process. The Dialogue is expected to enable discussions on the systems and processes needed for recognition and accountability of net-zero pledges and progress reporting. The process began with consultations at the Bonn Climate Change Conference in June and will end in September 2023 with the opening of the UN General Assembly.[13] The co-chairs of the Dialogue will then deliver the recommendations to the UNFCCC Executive Secretary, which will inform a more detailed implementation plan for the Recognition and Accountability Framework.[14]

Due to the lack of early stakeholder engagement, the timeframe for the consultation process has been extended with the initial consultation process expected to focus on upgrading GCAP, and dialogue on the verification process and standards likely to continue until December, but how this evolves will depend on the co-chairs who are yet to be elected. CLG Europe and CLG UK members can feed into the drafting of the We Mean Business Coalition consultation response via their respective CISL secretariats, and CLN members should also consider responding to the consultation in September. To note, there is currently no online platform through which to submit feedback to UNFCCC.

Useful resources:

- HLEG *Integrity Matters* report
- UNFCCC Secretariat Recognition and Accountability Framework
- Draft Implementation Plan
- CISL SB58 event 'A Global Stocktake for Non-State Actors: How to drive accountability and action'
- UNFCCC SB58 Side event 'Consultation on possible approaches to Recognition and Accountability for non-party Stakeholders Climate Action'

Prepared by Aoife Blanchard, Project Manager, Corporate Leaders Network for climate action, on behalf of the CLN Secretariat. Last updated 8 August 2023.

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[13] Joint_Statement_from_UNFCCC_Executive_Secretary_and_High_Level_Champions_to_Race_to_Zero_partners.pdf
[14] UN Climate Change Unveils Plan to Showcase Leadership and Enhance Accountability | UNFCCC