



International Chamber of Commerce and UNFCCC Business and Industry Constituency Submission:

UNFCCC Secretariat Recognition and Accountability Framework & Draft Implementation Plan with respect to Net-Zero Pledges of non-State actors and Integrity Matters

The International Chamber of Commerce (ICC) is the institutional representative of 45 million companies in more than 170 countries. Our members include many of the world's largest companies, small and medium-sized enterprises (SMEs), business associations and local chambers of commerce – working across all sectors around the globe.

ICC is deeply committed to the objective of the Paris Agreement and this commitment was reaffirmed in the ICC Centenary Declaration in 2019¹, endorsing the Intergovernmental Panel on Climate Change findings on the urgent need to keep the global temperature increase below 1.5 degrees Celsius and making action on climate a central pillar of ICC's Global Strategy for this century.

ICC has served as the United Nations Framework Convention on Climate Change (UNFCCC) Focal Point for Business and Industry NGOs Constituency (hereafter BINGO) since the early 90s, providing the main and official engagement platform for the private sector to engage in the UNFCCC and COP processes and also serving as the principal communication channel with the UNFCCC Secretariat, Parties and other Constituency Groups.

Businesses – through ICC and BINGO – have been engaging actively and constructively in the UNFCCC process, providing technical expertise and real economy insights to the negotiations, but also exchanging with governments and other civil society groups on opportunities and challenges, with the positive intent of taking learnings into their local contexts and informing the development of strategies to achieve net zero.

We recognise that integrity of actions and initiatives from all non-State actors, in particular business and financial institutions is more critical than ever and we welcome continued efforts by the UNFCCC Secretariat, countries and international institutions, to bring greater transparency and recognition of non-Party stakeholder climate action – that can lead to enhanced voluntary action, uptake of robust reporting, and can strengthen best practice and guidance around net zero leadership.

In response to the call for inputs and feedback on the UNFCCC Global Climate Action Recognition and Accountability Framework and Draft Implementation Plan with respect to

¹ ICC Declaration on the Next Century of Global Business <https://iccwbo.org/news-publications/policies-reports/icc-centenary-declaration/>

Net-Zero Pledges of non-State actors and Integrity Matters announced on 4 June 2023, ICC would like to offer the following reflections and suggestions with regards to (i) elements contained in the UNFCCC proposal as well as (ii) the consultative process.

1. Substance: Elements contained in the UNFCCC Recognition and Accountability Framework and Draft Implementation Plan, building in particular on key questions outlined in ICC response letter from 12 June 2023 (see Annex)

Mandate and scope

We are wholly supportive of efforts to bring greater transparency and recognition around climate action by business and all non-State actors and, applaud the UNFCCC Executive Secretary's dedication as well as Governments' commitments made at COP27² to amplify the credibility and impact of voluntary non-state initiatives, through enhancing and strengthening the UNFCCC Global Climate Action Portal (GCAP) (originally known as Non-state Actor Zone for Climate Action or NAZCA).

The business community welcomed the launch of the platform in 2014, signalling the solidification of the key role of non-state and sub-national actors in the climate process alongside governments. The portal has been seen as an important tool with great potential to aggregate, catalyse, and showcase climate action and progress by non-State Actors. The 28% increase in participants in GCAP since COP26 in 2021³ - amongst which 90% more companies – can, certainly, be seen as a testament to the seriousness with which the private sector is engaging in the Portal and approaching climate action.

However, as GCAP evolved, challenges and difficulties, in particular with regards to continued engagement with initiatives and entities, low response rate to the annual progress tracking, data aggregation, transparency and interpretation, tracking progress have increased.

Addressing these issues and upgrading the current platform into a robust tool should be a first-order priority and the focus of the mandate provided by the Parties in Sharm el-Sheikh. Most importantly the Platform should:

- Attract existing and future voluntary non-State actors' commitments and initiatives at scale;
- Avoid any duplication with existing reporting platforms and initiatives (i.e. CDP, SBTi, UNGC CoP) and allow submissions from these platforms to be easily aggregated and transferred to GCA; and
- Keep compliance burden and related costs to a minimum and provide a platform that business and all non-State actors have full confidence in engaging in.

² Decisions 1/CP.27 and 1/CMA.4 taken respectively by the Conference of the Parties to the UNFCCC and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement in Sharm el-Sheikh in November 2022

³ UNFCCC Yearbook for Global Climate Action 2022

https://unfccc.int/sites/default/files/resource/Yearbook_GCA_2022.pdf

Furthermore, whilst we recognise that there are some intersections with the recommendations of the High-Level Expert Group on the Net Zero Emissions Commitments on non-State entities, notably recommendation 8 on increasing transparency and accountability – and we are certainly appreciative of the work of the UN Expert Group – we consider that effort as separate from and falling outside the mandate provided by the Parties to the UNFCCC and Paris Agreement to the UNFCCC Secretariat.⁴

Recommendations of the “Integrity Matters” report have been developed by a non-regulatory body, outside of the Convention, and should, therefore, not be taken as a sole foundation for this effort, nor have the recommendations a legal standing enabling them to be the common reference point or baseline for NSA actions and commitments under the UNFCCC.

The UNFCCC proposal and implementation plan should focus purely on addressing existing difficulties and finding solutions to enhance and upgrade GCAP to an instrument that can maximise its potential to provide greater transparency of NSA commitments and progress and incentivise greater NSA ambition and action by all NSA.

Finally, given the mandate’s focus on building a strengthened GCAP portal and a more transparent, robust data base and also to provide more clarity to the public on the nature and objective of the planned work, we recommend that the Secretariat considers renaming its proposal and implementation plan “UNFCCC Recognition of Enhanced Transparency: Draft Implementation Plan for an Enhanced Global Climate Action Portal for non-Party stakeholder climate action”.

Whilst we understand that there is accountability for compliance with legal rules and mandatory regulation, the concept is often understood with a connotation of failure, punishment, or untrustworthiness. Given the voluntary nature of the platform and the mission to attract an increasing number of initiatives and entities and build trust and confidence amongst stakeholders to engage in the platform, we believe that enhanced transparency and transparency of information are the more appropriate terms to use in this context.

Transparency of information and data

Better information and data of non-State actor (NSA) climate action can guide and inform climate policy and action and can help build trust among stakeholders. Priority should be given to identifying appropriate solutions to increase transparency of information and data provided through GCAP, leveraging already existing work and efforts.

As such, it is imperative to better understand the nature and extent of current progress reports required by GCAP, as well as already established and planned partnership with reporting and disclosure platforms, such as CDP, the Climate Data Steering Committee and the Net-Zero Data Public Utility.

⁴ Decisions 1/CP.27 and 1/CMA.4 taken respectively by the Conference of the Parties to the UNFCCC and the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement in Sharm el-Sheikh in November 2022

Any additional burden/complexity for entities that are already reporting to voluntary domestic or international initiatives must be avoided. Progress reports should be based solely on existing voluntary reporting frameworks and initiatives, such as SBTi and Race to Zero. Coalitions and alliances' existing science-based norms for target-setting and progress reporting should be taken into account and where applicable, initiatives and individual entities, that are not already reporting to an existing platform, may refer to one of the existing initiatives.

Validation and Verification

Robust monitoring, reporting and verification (MRV) frameworks are a cornerstone underpinning and facilitating impactful climate action across the globe. Such systems, if developed and implemented effectively, can encourage transparency, accountability and trust between all stakeholders and can provide a high degree of assurance to the public that efforts to combat climate change are yielding the expected results.

In this regard, we welcome and support the important existing work done and under development by national governments, in the context of the implementation of their Nationally Determined Contributions, that will take into account and have an impact on NSA actors' climate action and commitments.

Parties under the Paris Agreement committed to transparency of action and support as a central component of the Accord, agreeing to also establish an Enhanced Transparency Framework (UNFCCC, 2015c, Article 13) and important additional components and provisions for the review of contributions, including Article 14 on the global stocktake to be undertaken every five years to assess collective progress.

Transparency through robust MRV processes is also pivotal to ensure environmental integrity under the market mechanisms defined under Article 6 of the Paris Accord, where MRV systems and methodologies are currently being developed. In addition to the existing rules in place under national and subnational compliance systems, efforts have been advanced in the voluntary carbon market, such as by Integrity Council for the Voluntary Carbon Market (ICVCM) and the Voluntary Carbon Markets Integrity Initiative (VCMI), to provide a credible and rigorous means of identifying high-integrity carbon credits that create real, verifiable climate impact, based on the latest science and best practice.

Guidelines and standards in this area continue to evolve, and it is important to give that work enough time to establish itself, be tested in a real economy context and be further improved and strengthened.

The UNFCCC Secretariat's aim should, therefore, not be centered on creating an additional, new reporting/disclosure framework, nor to become a third-party verifier for non-State actors voluntary actions and commitments. Focus should be on leveraging and promoting existing efforts at national and international level and most importantly under the different provisions of the Paris Agreement, including Article 6 and Article 13.

Timelines

Given the complexity and scale of the work planned as well as the urgent need for close consultation and dialogue with business and all non-State actors on all aspects in the development and implementation of the UNFCCC effort to enhance the GCAP portal, we believe that it will not be realistic to achieve a workable outcome within the current set timeline, as presented in section II of the draft implementation plan under paragraph 20 & 27.

We further note discrepancies and inaccuracies between the timeline presented in the draft implementation plan published on 4 June 2023 and the information note from 15 September 2023, in particular with regard to steps planned between July and COP28 as well as the Town Hall consultations planned for October and November 2023.

We strongly encourage the Secretariat to clarify and revise the proposed timeline and planned steps accordingly. This should also allow for sufficient time for consultations and dialogue with Parties, business and non-State actors at each stage of the process – starting with an open consultation on the feedback from the formal written consultation process at or after COP28.

Governance and Resourcing

With regard to the various oversight/verification groups envisioned in the UNFCCC proposal, the need for and purpose of such groups should be carefully assessed and evaluated. It will be important to provide further clarity on the mandate of these groups, their governance and composition. There should be clear terms of reference and any such group should include and engage experts from civil society, and in particular the private sector, and considering regional diversity and gender parity.

Further providing full clarity and transparency with regards to additional resources and funding provided to the project as well as where and how this funding will be allocated, in particular funding received from a variety of philanthropic sources for the first phase of this work will be important. Clear terms of reference and clear governance are imperative in this regard.

2. Process: How the consultation should happen and who needs to be engaged

The announcement of the UNFCCC Secretariat Recognition and Accountability Framework and Draft Implementation Plan has caused a significant degree of uncertainty and concern across a broad range of the business community. This is due, in part, to the lack of engagement and consultation with the private sector in the early phase of the development of the UNFCCC initiative.

We also note with regret that the BINGO constituency has not been consulted in the selection and nomination process for the two individuals to co-chair the UNFCCC engagement process.



In order to build trust and confidence, it is therefore imperative to establish a deep, meaningful and inclusive dialogue with the private sector and all non-Party stakeholders over the coming months and engage them in the development of all elements and steps of implementation of an Enhanced Global Climate Action Portal.

We truly welcome the commitment to establish an inclusive and consultative process to receive stakeholder input on the expected outcomes. Such a process should be at the centre of the UNFCCC initiative and should be held prior to the start of any work planned by working groups or oversight bodies.

Consultations should be held in the form of informal consultations open to Parties, business and all stakeholders and should focus on individual provisions and elements contained in the proposal and over a realistic timeframe, starting with an initial consultation at or after COP28.

We further recommend the establishment of a business consultative group of representatives of different sectors and jurisdictions – and through the BINGO constituency – that in close collaboration with the co-chairs of the UNFCCC engagement process, will help test and assess suitability, workability and applicability of specific elements and provisions.

Outcomes from informal consultations and expert advice provided by the consultative group should be captured in the form of informal documents and should be reflected in the co-chairs recommendations to the UNFCCC Executive Secretary at the 60th Sessions of the UNFCCC Subsidiary Bodies in June 2024.

We trust that the above feedback and contributions will be helpful in defining appropriate next steps and establishing a process in which the private sector and all stakeholders have full confidence and trust. We remain committed to working with the UNFCCC Secretariat, all Parties and stakeholders to build an Enhanced Global Climate Action Portal that can spur voluntary leadership initiatives and action, particularly in a critical decade of action, and in line with science.



Annex

The Secretary General

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Paris, 12 June 2023

Dear Executive Secretary,

I am writing further to your communication of 4 June 2023 regarding the establishment of a UNFCCC Secretariat Recognition and Accountability Framework for non-Party stakeholder climate action.

As discussed at our meeting in February this year, ICC is wholly supportive of greater recognition of, accountability and transparency around climate action by all non-Party stakeholders – both to accelerate the pace of decarbonization across the economy and to give enhanced recognition to actors that are meaningfully delivering on their voluntary commitments.

That said, I felt it important – not least given our role as Business Focal Point to the UNFCCC – to alert you to the significant sense of uncertainty that the publication of the UNFCCC Secretariat Recognition and Accountability Framework has created across a broad cross-section of the business and finance community. The framework appears to be far more prescriptive than earlier briefings from your team had suggested. In particular, a number of important substantive issues have been raised with us by businesses that merit careful consideration at the earliest possible opportunity.

By way of illustration, these include:

- What is the legal basis for verification requirements that go beyond existing net zero standards?
- How will the proposed standardized reporting interact with existing climate-related disclosure methodologies and national laws and regulations? And, by extension, how will the proportionality of any new system be assessed?

- What will be the composition of the various oversight/verification groups envisioned in the framework – and, moreover, how will these be governed transparently?
- Has the UNFCCC fully assessed the resourcing required to implement such a granular system effectively, in addition to the existing Enhanced Transparency Framework?
- What would be required of individual companies – would they be expected to register and report their activities directly or not?

In raising these matters, I am deeply conscious of the – very welcome – commitment outlined in your communication to establish a new dialogue to inform the design of the systems and processes that will be needed to implement the framework. Our ultimate concern is that prevailing uncertainties regarding a new, additional, overlapping UNFCCC accountability mechanism could have a substantially chilling impact on the development of existing essential climate action partnerships.

In this context, I urge you to ensure that the implementation dialogue incorporates deep, meaningful and inclusive engagement with all non-Party stakeholders, including the private sector with the aim of establishing a process and systems in which all stakeholders have full confidence, is proportionate in terms of stakeholder costs and is capable of being adopted at scale in the real economy in developed and developing countries. I hope you will view ICC as a natural partner to achieve just that in the coming weeks and months.

With best wishes.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "J.W.H. Denton", is positioned above the typed name.

John W.H. Denton AO
ICC Secretary General