

Major Economies Business Forum

on Energy Security and Climate Change



www.majoreconomiesbusinessforum.org



Major Economies Business Forum Transparency and Measurement, Reporting, and Verification

Key Messages

- **Build trust.** An effective, reliable framework to assess transparency of actions and support will be essential to build confidence among all Parties and stakeholders that nations are making progress to deliver on their pledges, and to inform deliberations and actions going forward, especially renewal of INDCs.
- **Speed up transparency guidance.** Because the Agreement requires nations to renew or update nationally determined contributions (NDCs) at five-year intervals—long before completion of Intended NDCs (INDCs), *e.g.* in 2020 for the period ending in 2030—the Major Economies Business Forum urges Parties to establish and implement the transparency regime as soon as possible and to improve it over time based on experience. Developing countries should be allowed gradually access to Measurement, Reporting and Verification (MRV) and supported in these efforts.
- **Rely on existing methods.** To the extent possible MRV procedures underpinning transparency processes should rely on existing methods, such as those developed by the Intergovernmental Panel on Climate Change (IPCC) to measure and report national and sectoral GHG emission inventories. However, new methods will be required to address new concepts and commitments, such as those to “mobilize finance” and to improve performance with respect to “business as usual.”
- **Avoid double counting.** Nations must also develop transparency procedures to assure the integrity of international exchanges through carbon markets or other

procedures. This will require both environmental integrity and assurance that international transfers avoid double counting under the Paris Agreement.

- **Involve business.** Because business has valuable experience, insight, and information to inform and improve transparency processes, Parties and the UNFCCC should encourage input and participation by business to help assess and improve MRV and transparency procedures.

Introduction

The Paris Agreement (Article 13) establishes an enhanced framework for transparency of action and support. An effective and reliable system will be crucial for parties and stakeholders to gain confidence that nations are making progress in achieving their pledges and other obligations under the Agreement. It should be in operation as soon as possible to inform deliberations to update and renew contributions going forward—as required already in 2020 for the period through 2030.

Fortunately, over the past two decades Parties (and stakeholders) have extensive experience with Measurement, Reporting and Verification (MRV) procedures, especially those designed and updated by the IPCC for national emissions inventories and adopted by the COP for national reports. These provide a strong foundation to underpin the framework.

The system faces two major challenges, however. First, methodologies will be required to address new concepts under the Agreement, especially those dealing with finance, *e.g.* mobilizing finance from private and public sources, and “contributions” not based on national emissions inventories. Second, Parties must resolve how to design credible, effective procedures that also provide flexibility to account for differentiated circumstance of developing nations.

Article 13 requires the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA) to adopt common modalities, procedures and guidelines for the framework at its first meeting (CMA-1).

Full solutions to these challenges may not be possible at CMA-1, which is scheduled to meet at COP-22 this year. Resolving this dilemma may provide a useful opportunity to build the transparency framework in stages, starting as soon as possible and improving it based on experience going forward.

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 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 be essential for Parties and other stakeholders to hold nations accountable for progress and to provide a reliable basis to update contributions going forward.

Besides information on fulfilment of national NDCs, the system also requires procedures to assess overall global

progress from all Parties. Developing countries should be allowed gradually access to Measurement, Reporting and Verification (MRV) and supported in these efforts. Once again, the timing to implement effective procedures is short: Parties agreed to conduct a facilitative dialogue in 2018 to assess collective progress. Besides assessment of the anticipated outcomes of INDCs, Parties also invited IPCC to provide input concerning emissions pathways and potential impacts from 1.5°C warming in accordance with the best available science.

Methodological Issues and Other Concerns

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 steps towards developing basic principles for tracking emission reductions, in particular by defining the Transparency, Accuracy, Completeness, Consistency, Comparability (TACCC) principles and recognizing the need to assure environmental integrity and to prevent double counting of international transfers under the Agreement.

However, time is of the essence in making the next steps, in particular relating to the development of modalities, procedures and guidelines for transparency, timing of reviews, accounting for NDCs, and capacity building. It will be important to make progress on these issues at COP 22. Indeed, if Marrakech also serves to host CMA 1, decisions in some form will be expected. Some key issues of concern:

- **Timing.** The timely availability of properly vetted, official

information to inform transparency processes may not align with current practices or expectations. For example, official national inventories for a given year are typically not available until 16-18 months after year's end, e.g. spring 2017 for year 2015. Similarly, existing 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. Only now has IPCC begun the process to develop an outline for its report in 2018. In Bonn this year many Parties requested that the final 2018 IPCC Report on 1.5 °C should be ready for consideration by Parties well before meetings of subsidiary bodies (30 April 2018). This implies that information reviewed in the report may not extend much beyond 2015. Similarly, *ex post* review of outcomes in 2025 (concerning INDC pledges made in 2015) may not commence until 2027, by which time additional pledges will have already been made or updated in 2020 and 2025 for the interval through 2030 and 2035, respectively. 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, INDCs 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 to see how they can plan 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. It will be challenging to resolve these issues by CMA 1, or even by 2020 when next pledges are due.

- **Environmental integrity and double counting.** MRV must address issues of environmental integrity of international exchanges and avoiding double counting. 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 INDCs) 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 both nations.

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, they have 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 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 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 INDCS and to assess progress. They also contribute 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 and Industry Advisory Committee, recently organized and held a workshop on INDCS

at the OECD. Such activities can provide valuable input and perspectives to inform official transparency process—information that may 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.

Conclusion

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

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. It will be particularly difficult to resolve all of these issues fully at CMA-1. This may provide a useful opportunity to build the transparency process in stages, recognizing that experience, including unanticipated developments, may require improvements going forward.

Business and other stakeholders will be active contributing to and assessing transparency processes. Parties and the UNFCCC should welcome and recognize such input; it will help to assure the integrity of transparency procedures domestically and internationally.

Business Council of Canada

BusinessEurope

BusinessNZ

Confederation of British Industry

Confindustria

Dansk Industri

Federation of German Industries – BDI

General Confederation of Moroccan Enterprises (CGEM)

Iniciativa para el Desarrollo Ambiental y Sostenible — IDEAS (Mexico)

Institute for 21st Century Energy - U.S. Chamber

Keidanren

Lewiatan

National Confederation of Industry Brazil (CNI)

Mouvement des Entreprises de France (MEDEF)

Swiss Federation of Small & Medium Enterprises

TÜSİAD—Turkish Industry and Business Association

U.S. Council for International Business

World Coal Association

World Steel Association

ABOUT BizMEF

The Major Economies Business Forum on Energy Security and Climate Change (BizMEF) is a partnership of major multi-sectoral business organizations from major economies. Modeled 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 organizations, the press, and the public.

Organizations that have participated in BizMEF meetings represent business groups in Australia, Brazil, Canada, China, the European Union, Denmark, France, Germany, India, Italy, Japan, Mexico, Morocco, New Zealand, South Africa, South Korea, Turkey, the United Kingdom, and the United States, as well as five international sectoral associations. Collectively, BizMEF organizations represent 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 on a range of issues.

For more information on BizMEF, please visit our website at:

www.majoreconomiesbusinessforum.org.