Strengthening climate accountability: an analysis of companies and climate initiatives

World Benchmarking Alliance

réseau action climat france

Contents

Partners presentation

Réseau Action Climat – France (Climate Action Network France - CANFR) is an association under the French law of 1901 founded in 1996 and focused on climate change. It is the French representative of Climate Action Network International (CAN-I), a global network of more than 1,900 NGOs around the world. A federation of national and local associations (36 NGOs in total), it fights the causes of climate change, from the local to the international level, and aims to encourage governments and citizens to take action to limit the impact of human activities on the climate.

CANFR has been working on non-state action credibility and accountability for the past three years. In 2020, CANFR published its own overview of non-state climate initiatives and proposed in 2021 a methodology to better assess their impact.

Founded in 2018, the World Benchmarking Alliance is a non-profit organisation holding 2,000 of the world's most influential companies accountable for their part in achieving the Sustainable Development Goals. It does this by publishing free and publicly available benchmarks on their performance and showing what good corporate practice looks like. The benchmarks provide companies with a clear roadmap of what commitments and changes they must make to put our planet, society and economy on a more sustainable and resilient path. They also equip everyone – from governments and financial institutions to civil society organisations and individuals – with the insights that they need to collectively incentivise leading companies to keep going and pressure the laggards to catch up.

List of acronyms

ACT	Assessing Low Carbon Transition
CANFR	Climate Action Network France (Réseau Action Climat)
CFS	Committee on World Food Security
CSIPM	Civil Society and Indigenous Peoples' Mechanism
COP	Conference of the Parties
ETF	Enhanced Transparency Framework
GCAP	Global Climate Action Portal
GST	Global Stocktake
HLEG	High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities
IFIs	International Financial Institutions
IPCC	Intergovernmental Panel on Climate Change
IRENA	International Renewable Energy Agency
LTS	Long Term Mitigation Strategies
MPGCA	Marrakech Partnership for Global Climate Action
MSME	Micro-Small and Medium Enterprises
NDCs	National Determined Contributions
NGOs	Non-Governmental Organisations
NSAs	Non-State Actors
NZDPU	Net-Zero Data Public Utility
SIDS	Small Islands Developing States
UNFCCC	United Nations Framework Convention on Climate Change
UNFSS	United Nations Forum on Sustainability Standards
WBA	World Benchmarking Alliance
WECF	Women Engagement for a Common Future
ZEZ	Zelena Energetska Zadruga

Executive summary

As we approach 2030, strengthening climate accountability will be a critical tool in achieving the Paris Agreement. Since 2015, States have not succeeded in implementing the 1.5°C scenario. With the Global Stocktake happening inside the United Nations Framework Convention on Climate Change (UNFCCC), and the new National Determined Contributions (NDCs) in 2025, States will have to address their insufficient efforts and will need to implement significantly more climate policies. This statement is also true for non-state actors (NSAs)[1]: in the past few years, the greenwashing around net-zero pledges has been a growing issue. Antonio Guterres himself denounced it several times, such as in July 2023: *"The world is in a race against time. We cannot afford slow movers, fake movers or any form of greenwashing"*[2]. Indeed, **most climate initiatives[3] and companies are struggling to shift to an implementation mindset**. They do not have a comprehensive vision on climate and **do not include enough cross-cutting issues**, such as human rights, gender equality or biodiversity. In this report, most of the actors and initiatives analysed did not achieve their climate pledge yet.

Accountability of NSAs will be critical to ensure they effectively contribute to implement the Paris Agreement. This report addresses the following question: **could the international climate regime provide both the conditions and the framework to create more accountability for NSAs?**

The report concludes that the international climate regime can not be responsible for solving all these issues, but it must provide the guidelines to support solutions. This must happen in parallel to initiatives and companies themselves who have to improve their climate action, and of course States who shall regulate NSAs. In terms of solutions this means:

- **The UNFCCC** should be the main facilitator in determining international climate ambition, including non-state action. It **should have a dual role: monitoring States' climate commitments and acting as an arbitrator for non-state commitments.**
- The UNFCCC should improve non-state climate action accountability through the **implementation of the *Accountability Framework for non-party stakeholder climate action*[4].**
- To achieve the above **States must accept that the UNFCCC exercises a role of arbitrator** over non-state climate action. During the Global Stocktake at COP28, States **must deliver a mandate to the UNFCCC** to be able to do this tracking work and arbitrate which initiative or NSA has the right profile to attend its conferences. **The UNFCCC budget must also be increased to conduct this work.**
- **States** have a very important influence on companies. They **can use their legislative power** to guide and regulate them towards a more sustainable and just ecological transition.
- Climate initiatives and companies must use their influence and impact accordingly. In practice this means:
- **Respecting all the recommendations from the *High Level Expert Group (HLEG) on Net Zero Commitments*** report regarding Net Zero Target commitments. HLEG released additional Net-Zero criteria for companies to better evaluate how they align with its recommendations. WBA has conducted a mapping of this alignment with its own ACT[5] methodology which can support companies in advancing their decarbonisation strategy (see figure 2 page 16). Authors of this report strongly encourage the UNFCCC, States and NSAs themselves to consider HLEG net-zero criteria and recommend establishing them as a common reference for non-state climate action tracking. This will strongly support initiatives and companies in raising their climate ambition.
- **Respecting the implementation of the *UNFCCC Accountability Framework for non-party stakeholder climate action*,** with full reporting of coalition activities and projects, and full recording of results every year
- Finally, authors strongly recommend to all actors of climate action (UNFCCC, States, companies, initiatives etc.) to **strictly respect human rights, indigenous people's rights, and foster gender equalities and intergenerational justice** while implementing climate action. There is no chance to achieve the Paris Agreement goals without abiding by these principles.

COP28: GLOBAL STOCKTAKE OUTCOMES NEEDED TO IMPROVE NSA ACCOUNTABILITY

The Global Stocktake mechanism will be tested for the first time at COP28. While it is very focused on state action, it can deliver four important results to enhance NSA accountability:

1. Give a mandate to the UNFCCC secretariat to enhance NSA accountability through the implementation of the *UNFCCC Accountability Framework for non-party stakeholder climate action*
2. Recognize the need to include HLEG recommendations under the Accountability Framework
3. Recognize the need to enhance financial and human resources for the secretariat to conduct this work
4. Enhance access to reliable climate data for NSAs and ensure such data is used to align NSA's transition plans with national and sectoral decarbonisation strategies

Purpose of the publication and structure

Since 2015, NSA's initiatives and climate commitments have been rising. The Global Climate Action Portal (GCAP)[6], existing since 2014, lists 30,763 actors engaging in climate actions, with a majority of companies (13,909 actors listed so far) and cities (11,361). On the portal, 149 initiatives are reported, representing 194 States. This can be considered as a large movement, established in less than 10 years.
This is an important part of the Paris Agreement's spirit: everyone has responsibilities to address the climate and biodiversity crises. Now after 8 years, the impact and relevance of these commitments are still not clear. Starting with global agendas all the way to the company level, there is a need to make climate accountability consequential.[7] So far, there has been no robust accountability mechanism in place to review the climate commitments made by NSAs.

However, there are solutions to enhance transparency for non-state climate action. These include the ACT Initiative and the World Benchmarking Alliance (WBA) Climate and Energy Benchmarks, the publications of the New Climate Institute and the Net Zero Tracker[8], reports of Climate Chance[9], the Transition Pathway Initiative[10] or the CA100+[11], among others. Inside the UNFCCC, there is a dedicated space for non-state climate action, the Marrakech Partnership for Global Climate Action (MPGCA). In order to create more ambition and action among the members, a Race to Zero was created by the COP champions, as well as a Race to Resilience. These Races gathered commitments of many NSAs (mainly from the private sector) and tried to set up principles for transparency and tracking progress. Despite the more demanding new criteria[12] of the Race to Zero, these initiatives are still not a formal accountability mechanism for NSAs. The GCAP portal itself is not fully reporting impacts and progress of its members, initiatives are mostly reporting their members, date of foundation and goals. Many do not report (or not fully) on their governance structure, nor their progress towards the goals they communicate or activities they actually do every year.
In 2015 we saw opportunities to raise climate commitments, but it is now too limited: we need actions and to shift towards the implementation of NSA's pledges. Indeed, there are only 7 years left to limit global warming to 1.5C as per the Paris Agreement and while there are always more and more climate commitments from NSAs, GHG emissions are still on the rise.

The coming years from 2023 and beyond will be very important for climate accountability: **with the Global Stocktake (GST) happening inside the UNFCCC, and the new NDCs in 2025. States will have to face their insufficient efforts and implement significantly more climate policies and measures. This statement is also valid for NSAs.** The UN General Secretary (UNSG), Antonio Guterres, called for the creation of an expert group in 2021 to assess the result of the net zero commitments that have been announced so far. The *High Level Expert Group (HLEG) on Net Zero Commitments* launched a report[13] at COP27, where the risk of greenwashing and delaying efficient emission reductions was pointed out.
It is critical that the UNFCCC and States shift to a new mindset which involves holding companies accountable on the credibility of their transition plans. The initiatives such companies are part of should also be held accountable.

Next to the HLEG report and the Global Stocktake, there is a final reason why this year can act as a catalyst for change on NSA accountability. The UNFCCC launched in June 2023 the *Accountability Framework for non-party stakeholder climate action*[14], with several consultation phases planned in order to improve NSA accountability in the coming years. In that regard, CANFR and WBA shared a joint submission with the UNFCCC proposing methodological aspects and using case studies to better evaluate climate initiatives and companies[15]. **Overall findings from this report reveal the gap that exists in holding NSAs accountable for their actions.** The average score for initiatives that were assessed was slightly below 50%, with only three of the nine initiatives scoring above 50%. Similarly, there is a long road ahead for companies to develop credible transition plans. While the number of companies assessed in this report is relatively small, analysis from WBA of a larger group of 320 companies across different sectors also shows the gap that exists at the company level. Apart from electric utilities which are on average at a more advanced stage of their low-carbon transition, the majority of companies in other sectors have yet to implement credible transition plans. Yet, this work can act as a first step and inform the UNFCCC and States of the need to increase the robustness of existing accountability mechanisms for NSAs.

This publication has two main objectives: first, it aims to raise awareness among policy makers, Non-Governmental Organisations (NGOs), but also journalists and the wider public on the critical need for NSA climate accountability. Second, this report provides ideas for UNFCCC experts on the development of an accountability system and a global evaluation in 2025 for NSAs, ahead of the next round of NDCs.

Case studies

summary of reflections

Authors are grateful for the feedback and time contributed by the following companies and initiatives: Ørsted, Enel, Iberdrola, Mitsubishi Estate, Just Transition and Decent Jobs Pledge from the Private Sector, Caring for Climate, Getting to Zero Coalition, SIDS Lighthouses initiative

The full case studies as well as methodological aspects behind this report can be found online in WBA and CANFR's joint submission to the UNFCCC[16]. The following initiatives and companies were evaluated

INITIATIVES

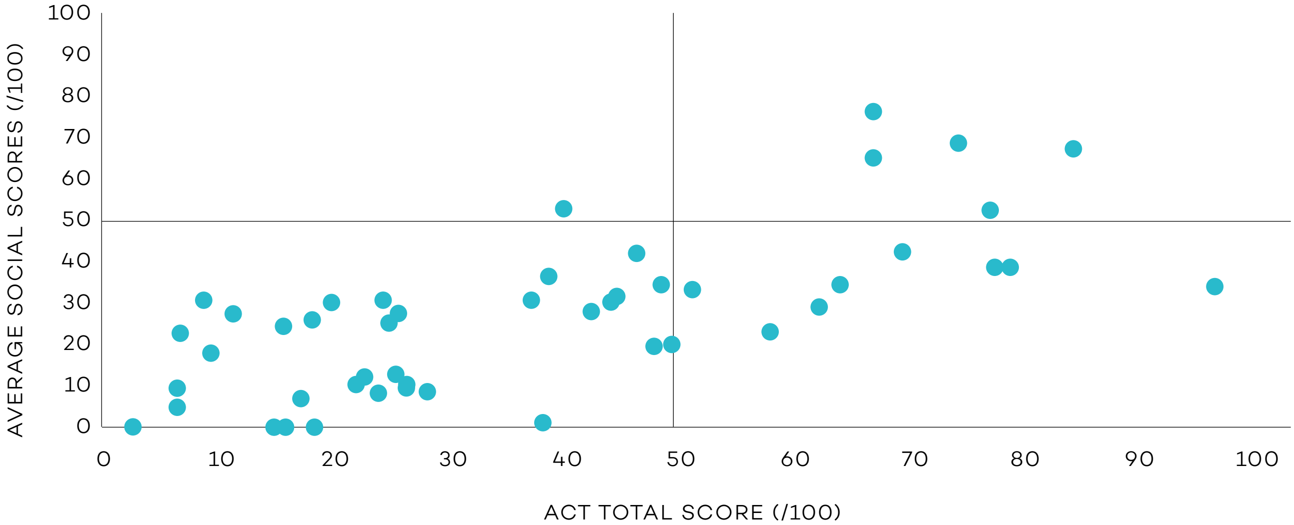
EP100, RE100, Just Transition and Decent Jobs Pledge from the Private Sector, EV100, Caring for Climate, Responsible Corporate Engagement in Climate Policy, Getting to Zero Coalition, Cool Coalition, SIDS Lighthouses initiative

COMPANIES

JLL, Mitsubishi Estate, Prologis, Ørsted, Enel, Iberdrola, ENGIE, Renault, BMW

For most initiatives, governance is a challenge: for instance, there is no balance between actors from the Global North and South[16] (the North being overrepresented) and also a lack of representation of civil society and indigenous communities. Only a few initiatives fully report on their governance and results on GCAP, or even on their own website. **Most of them, when they do provide their results, tend to communicate on a global assessment rather than a detailed tracking of their members' actions.** This makes it very challenging to assess the impact of these initiatives. Interviews from companies revealed a number of key points worth considering especially on how initiatives and companies are collaborating in GCAP and Race to Zero. For example, it became apparent that companies often join initiatives more as a means of showing to their internal management or the general public how they are addressing climate issues broadly. However, companies often do not join initiatives that are the most relevant to reducing their emissions. This can be seen in the fact that electric utility companies will join initiatives such as *EV100* when transport only represents a very small share of their emissions. **There is also a disconnect between the initial targets set by an initiative and how the company then raises its climate ambition.** How a company increases the credibility of its transition plan is often more linked to other factors including government or company specific policies that go beyond the initiative's remit. Companies did indicate that initiatives were useful though, but more in mobilising various companies rather than truly tracking progress or supporting individual members. Few initiatives apart from the *Just Transition and Decent Job Pledge from the Private Sector* are addressing just transition and wider social aspects. **This is concerning especially as evidence from WBA does not show a clear correlation between the decarbonisation performance of companies and their social and just transition strategy** (see figure 1). Only 5 companies (or 10% of the electric utilities assessed by WBA) perform above average on both their climate and social scores. This shows that there is a need for frameworks and methodologies on just transition to improve company engagement on this topic. Lastly, companies highlighted the disconnect between initiatives and their own government targets and the need for initiatives to take into account changes happening internationally. This includes for example supply shocks as happened with the energy price crisis. This last point underlines the need to better connect the actions of States with those of NSAs.

FIGURE 1:
MAPPING OF CLIMATE AND SOCIAL SCORES FOR ELECTRIC UTILITIES[18]



If robust governance and tracking were not part of most initiative's mandates, some of them are doing the effort and provide good practices

On the governance side of initiatives, **most of them explain their lack of transparency or robustness of their internal functioning by the fact that they were not created to last in time.** As illustrated by the *Just Transition and Decent Job Pledge from the Private Sector*, initiatives were mostly meant to mobilise companies and other actors for climate, not coordinate their efforts over time and track their results. This point about the lack of monitoring of progress from initiatives was also reinforced during interviews with companies. It can also explain why so few initiatives are establishing an evaluation process of the results of their members, especially companies: this was not in their initial mandate. **Moreover, most of them do not have enough capacity to track their members** (especially large initiatives such as *Caring for Climate* with over 400 members) and would need to adjust their indicators to the several sectors / national contexts members are facing. **Finally, another challenge is the quality of the data that companies are providing to initiatives**, or even to GCAP itself when they report individually. During interviews some companies raised concerns that there was currently in GCAP no third party accountability mechanism to verify the integrity of the claims being made or the quality of the data being reported. This is one of the HLEG recommendations and UNFCCC and GCAP teams should ensure that existing methodologies such as ACT and the methodology developed by CANFR for initiatives can be used to verify the claims companies and initiatives make.

Non-State action gathers attention and fosters a dynamic around climate: however, implementation of concrete targets is still a challenge

Initiatives mentioned as a success capacity to mobilise a lot of members for climate issues, across the globe and sectors. **NSA climate accountability was a very new topic before the Paris Agreement and mobilising them on climate so quickly after its ratification can be considered a feat.** With these large and new communities around climate, they managed to raise topics on the political agenda such as just transition for example, and create a platform for companies mostly to circulate their demands to policy makers. They also created alliances (such as with trade unions for the *Just Transition and Decent Job Pledge from the Private Sector*). Finally, as most of their activities are focused around events, capacity building and knowledge production, the majority of initiatives could provide expertise and contents[18] to help companies implement their decarbonisation strategies. Yet, these activities remain focused mostly on raising the awareness of their members on climate topics. **Most initiatives analysed in the submission are still struggling to shift to implementation**, except the *SIDS Lighthouses initiative* which could implement some concrete projects, and the *Getting to Zero Coalition* which is testing pilot projects.

GOOD PRACTICES OF ACCOUNTABILITY AND GOVERNANCE IN CLIMATE INITIATIVES

The *SIDS Lighthouses initiative* produces an annual progress report where partners provide their updates every year. Next to this exercise, the coordination team (based inside IRENA - International Renewable Energy Agency) is developing indicators and evaluation standards around the SIDS priorities for the energy transition. The *Getting to Zero coalition* is a good example of an initiative with robust governance mechanisms. The World Economic Forum and Friends of Ocean Action are founding partners, and the lead is in the hands of the Global Maritime Forum. Decisions are based on members, and the Project Team inside the Global Maritime Forum is here to support and assist. In working groups and task forces, strategic discussions, work programs and expertise are developed among members, partners or supporting organisations. Finally, there is a strategy group, composed of 8 to 15 individuals nominated by the project team for 2 years. Depending on their involvement and expertise they provide strategic guidance to the initiative. Most of the interviewed initiatives did not have very demanding criteria for actors to become members, since their mandate is to mobilise at the widest level and create a momentum. But the *Getting to Zero Coalition* developed a recruitment strategy, based on several criteria, such as *ambition*: the applicant must endorse the ambition of the *Getting to Zero Coalition* of full sector decarbonisation by 2050. This is also an impactful practice to set accountability at the beginning of the process when a company wishes to join.

A final element on tracking and governance is that if some initiatives do not have enough power or capacity to ensure a better accountability from their members, they try to evolve. For example, *Caring for Climate* has not been active since 2016, but the UN Global Compact Team who was leading it is now supporting other initiatives requesting more transparency and results to their members. The B-Team leading the *Just Transition and Decent Job Pledge from the Private Sector* is not working anymore with the entire membership regularly, but with a focus group of companies being more ambitious than others.

There are several reasons that can explain the implementation challenge companies and initiatives face:

- **Initiatives still suffer from a lack of geographical balance**[20]**.** This means the expertise and the needs from the most impacted States (Global South mainly) can not be sufficiently considered and thus, targets or activities might not be relevant enough in different contexts.
- **Civil society is not closely involved in many of the initiatives**, despite the fact that the expertise of grass-roots organisations is key to ensure that the implementation of pledges is inclusive. Similarly, civil society is often excluded from contributing to the governance structure of initiatives.
- **The fast-changing context and new topics being raised on the agenda** each year makes it challenging for initiatives and companies to engage on all fronts simultaneously, and quickly enough.
- Even if climate is becoming a key priority for most initiatives and companies, **the linkages with other cross-cutting issues are still difficult to raise,** such as human and labour rights, gender equality or biodiversity protection.
- For initiatives, **the diversity of their members can be a barrier for better accountability** since it is too hard to monitor everyone with small teams and with such a diversity of contexts and sectors.
- **For initiatives, raising funds for their projects is a massive barrier**, next to finding partners to be able to implement pledges on the ground.

If there is no support from States via national policies, initiatives and companies will be less likely to implement their targets and achieve their results

All interviewed initiatives mentioned that they are very limited in terms of accountability and implementation results, because **States are not providing enough frameworks and support.** This point was also reinforced by companies. Initiatives do not have the power to regulate their members or to provide enough incentives or support them in their transition. They can only guide them and report their results.

For example, on the topic of just transition, there is a crucial need for national and local legislation. Just transition cannot be effectively enforced only by initiatives or companies. As such, States have a key role to play not only in supporting just transition legislation but in the way they design regulatory and fiscal policies[26] and how they embed just transition in NDCs and Long Term Mitigation Strategies (LTS)[27]. Finally, States play an essential role in holding companies accountable. They can regulate their national companies through laws as it will be explained later in the report[28], with mandatory climate disclosure and due diligence laws as an example.

Companies and initiatives recognise the need to have tracking and transparency tools provided by the UNFCCC, but their actual version must be updated and easier to use

From the interviews conducted, opinions about GCAP were mixed. **It was clear to initiatives that GCAP is not fully updated and could improve in certain areas.** For example, *Caring for Climate* is still shown as an active initiative, when that has not been the case since 2016. Even if some initiatives use GCAP for communication purposes (such as the *SIDS Lighthouses initiative* which hopes to get more partners from its reporting), most initiatives only report their information because they are committed to it, but **they see gaps in the portal that prevents them from using it more in their daily work.** GCAP is generally not visible enough in the UNFCCC sphere and companies or initiatives do not have high interests to report their efforts there. Initiatives already have to report on several platforms every year and some need to prioritise where they report due to capacity issues. **This is also related to the fact that reporting is not mandatory, and this is not pushing companies or initiatives to do it themselves.** Some initiatives also highlighted the fact that the portal is very complex because it is bringing both individual actors and initiatives with very similar reporting systems. This must be better adjusted depending on the context, sector and nature of the reporting members. A similar concern was raised during interviews with some companies that in addition to the quality of the data being reported there could be a better streamlining of the reporting to avoid unnecessary efforts that can represent a cost for certain companies (especially Micro-Small and Medium Enterprises - MSMEs). CANFR and WBA support the fact that GCAP needs to be reviewed to reflect the evolution of the climate accountability space and to increase the usability of the tool.

Opinions are quite similar concerning the Race to Zero movement: Some initiatives are working closely with the team, others do not and are part of it mostly because their members joined the initiative. **Regular engagement between initiatives and the Race to Zero is quite rare, and this can be explained by similar reasons as GCAP: lack of capacity, commitments to several portals and initiatives, need to prioritise, and the lack of visibility of the Race to Zero inside and outside the UNFCCC space.**

Finally, it is interesting to consider the HLEG report that was published in 2022 from the UNSG team, even if this is not a UNFCCC product. Reactions to the report and its recommendations vary. Some initiatives' teams (such as UN Global Compact or the B-Team) were in close contact with the HLEG experts and/or are trying to encourage their members to consult and consider it. **This is new and very ambitious, and according to these teams, it will take time to be owned by companies,** because the criteria developed by HLEG still needs to be adapted according to sectors and geographies. Other initiatives did not have time to consider the report so far or see it as an interesting guidance but struggle to use it in their daily work and to get their members interested about it.

HOW TO BETTER INCLUDE CROSS-CUTTING ELEMENTS IN NON-STATE CLIMATE ACTION: THE CASE OF GENDER EQUALITY

During the assessment of climate initiatives and companies for this report, it became apparent that gender equality considerations, an important element of the ecological transition, are often missing. Yet, the relevance of integrating gender equality targets and indicators to assess climate commitments is crucial and has been scientifically documented within the last IPCC report. Gender equality issues include elements such as unequal access to vital resources and services, decision-making processes, employment opportunities in all sectors and an overwhelming burden of unpaid care work. All these factors prevent women from contributing to climate mitigation, adaptation or to recover from climate disaster. At the climate initiative level, gender equity can be addressed in several ways including by integrating systematic gender analysis at the design phase, and setting specific, measurable gender targets and indicators. At the company level, WBA's core social indicators and just transition assessments include several gender relevant indicators[21]. These indicators are important to show how companies are supporting gender equity. WECF (Women Engagement for a Common Future) has published a simple and useful "*Gender Impact assessment and Monitoring Tool*[22]" and also a report[23] with Zelena Energetska Zadruga (ZEZ). The report demonstrates how cooperative structures can be very effective to implement gender-responsive renewable energy and decentralised energy systems, presenting examples of cooperatives based in Eastern Europe and Western Balkans countries.

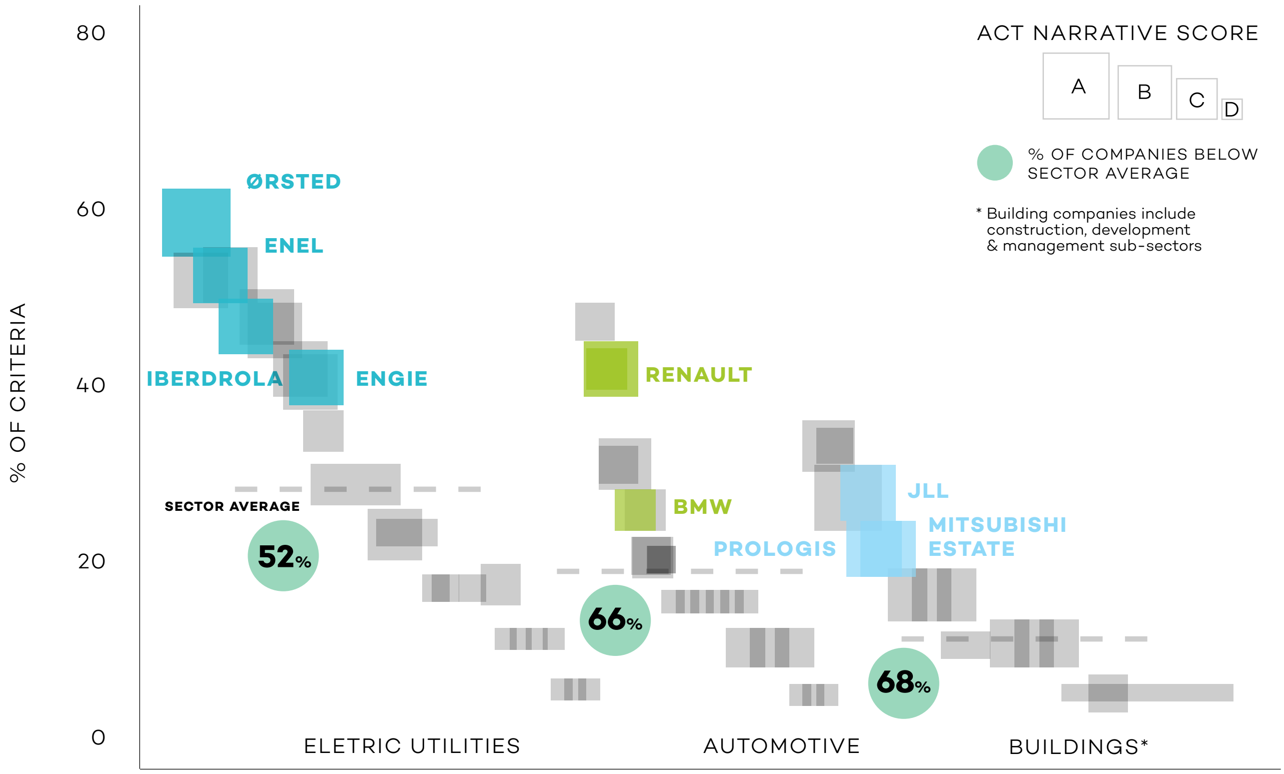
A cooperative has an internal structure with the same bodies as a climate initiative, such as a General Assembly, an Executive Board, an Advisory Board and members[24]. Cooperatives are also following fundamental principles that climate initiatives could integrate, such as balance of interests, acceptability, regional expertise or social justice[25]. These types of governance models could be a true inspiration for climate initiatives, which could also support similar projects as part of their own activities. At the company level, gender integration should not be addressed by a single indicator but a host of criteria as shown with WBA's just transition and core social indicators. Interestingly, WBA's analysis shows that while companies perform better in some dimensions of gender equality, the performance is particularly low for certain indicators and sectors. For example, companies perform better in embedding gender equality in green job creation rather than retaining and re- and/or up-skilling workers. Similarly, only 8% of companies assessed in WBA's 2021 just transition assessment which included electric utilities, oil and gas and automotive companies, disclosed that they have at least 30% of women on their governance bodies.

What model of global governance do we need to support climate accountability?

Authors of this report strongly encourage the UNFCCC, States and NSAs themselves to consider HLEG net-zero criteria and recommend establishing them as a common reference for NSA action tracking. This will strongly support initiatives and companies in raising their climate ambition. This can be done inside GCAP and during the implementation of the *UNFCCC Accountability Framework for non-party stakeholder climate action* for example, but also during other summits such as the New York Climate Week or any other Climate Ambition Summits. Finally, it is important to remember that national governments are the ones regulating companies and are financing many climate initiatives. Due to their important role, some recommendations will also be dedicated to states directly, in addition to the UNFCCC, companies and climate initiatives themselves.

In order to further **operationalise the HLEG criteria,** the High Level Champion's Team could build a group of champions before 2025. These could include both initiatives and individual actors who are already fully reporting on GCAP and using the HLEG criteria for their own monitoring. Figure 2 below shows to what extent the companies assessed in this report align with the HLEG criteria.[29] This type of mapping can be conducted to assess the compatibility of NSAs with the HLEG criteria and to raise their climate ambition over time. Figure 2 shows that overwhelmingly companies are struggling to meet the HLEG criteria. Interestingly based on the scope of this report and the companies assessed, electric utility companies stand out with a higher performance in meeting the HLEG criteria.

FIGURE 2:
HLEG CRITERIA FOR A CREDIBLE NET-ZERO TRANSITION PLAN IN WHICH COMPANIES SHOW GOOD PERFORMANCE



WHAT DOES AN EQUITABLE AND INCLUSIVE INTERNATIONAL CLIMATE REGIME LOOK LIKE?

The international climate regime is relatively strong compared to others, since the Paris Agreement provides a common framework for States to work together towards common goals. COPs are the main climate summits that every year are highly visited by governments, civil society and other NSAs. Not all subjects on the international agenda have such a unique opportunity to convene each year so many actors in one place with such high media and political attention.

However, this does not mean that there is no space to improve governance elsewhere. For example, in the food security community, NGOs are not only observers in the process, they are active participants. Indeed, the Committee on World Food Security (CFS)[29] is one of the most inclusive multilateral platforms. Civil society is self-organised within the Civil Society and Indigenous Peoples' Mechanism (CSIPM)[30] representing 11 constituencies[31] and can actively participate in political products negotiations.

Next to inspiration from other governance systems at the international level, it is important to remember that the UNFCCC is part of a larger globalised economic and political system. This system is not equitable, failing to recognize the needs of the most impacted communities and persons, such as indigenous people. It would be crucial for the UNFCCC and Parties to establish rules for a stronger involvement and better inclusion of these communities or social groups. Next to being more effective in supporting climate action, this would have a positive impact on the international climate regime overall.

1. At the UNFCCC level: a strong Accountability Framework with adequate tools and mandates

The UNFCCC should be the main facilitator in determining international climate ambition, including non-state action. It should have a dual role: monitoring States' climate commitments and acting as an arbitrator for non-state commitments. The latter can be found in various UN or non-UN spaces (Climate Action Summits, Climate Action Week in New York, One Planet Summits etc). While these spaces should continue to coexist, the UNFCCC should ensure that the commitments and the actions carried out are connected and consistent with one another.

During the Global Stocktake at COP28, States must deliver a mandate to the UNFCCC to be able to do this tracking work and arbitrate which initiative or NSAs has the right profile to attend to its conferences. Next to a mandate, the **UNFCCC budget must be increased to conduct this work**. With the UNFCCC secretariat, the High Level Champion's Team also needs to ensure transparency and accountability of the NSAs part of its initiatives (including the Race to Zero, Race to Resilience and the Breakthrough coalitions). Companies and initiatives part of their Races must apply the *Accountability Framework for non-party stakeholder climate action* and report fully every year their results. Without this reporting, members should be excluded from the Races until they provide requested information.

RECOMMENDATIONS FOR THE IMPLEMENTATION OF THE UNFCCC ACCOUNTABILITY FRAMEWORK FOR NON-PARTY STAKEHOLDER CLIMATE ACTION AND THE REFORM OF EXISTING TOOLS

In terms of process, the consultations phases of the Framework should ensure meaningful and equitable participation of civil society, with geographical and gender balance

GCAP REFORM

- **Initiatives and companies must provide all the information** currently requested on the Global Climate Action portal (on governance, membership, goals, outcomes) on an annual basis
- **The UNFCCC teams must update the portal** and remove non-active initiatives
- **The UNFCCC teams shall ensure the value-added of new initiatives** for their members and that they supplement rather than duplicate other already existing initiatives.
- The focus of initiatives (ex EV100) can represent a minor share of the emissions from companies that join. **It is therefore important to ensure initiatives also bring in relevant new members** whose emissions are impacted by initiative actions.
- **The UNFCCC teams should adapt questions and reporting requirements between companies and initiatives, but also depending on sectors** (such as what WBA is doing to assess companies)
    - Clarify the link between initiatives' reporting exercise and initiatives' members reporting exercise
    - Clarify the relationship between GCAP and its companies level data provider(s), knowing that, in some regions, some companies pay to disclose their climate information to some data gatherers/providers
    - Reinforce the connection between GCAP and NSA's mandatory climate disclosure requirements that States implement
- Additional selection criteria are needed for NSAs and initiatives to join the UNFCCC and register on the portal, **with 4 main redlines which cannot be crossed:**
    - Direct or indirect support to the oil, coal and gas industries[32]
    - Violation of human rights, such as forced displacements or land grabbing in project implementation
    - Activities threatening biodiversity[33]
    - Non-respect of gender equality
- **Initiatives that do not comply with this new accountability and monitoring system, must bear consequences.** Otherwise, it will only be an incomplete transparency framework, which will not reduce greenwashing and foster climate ambition. These consequences could be the following
    - No invitation to take the floor during COP, such as in MPGCA or UNFCCC events
    - No badges to attend the COP
    - Visibility on the portal and other communication indicating that the concerned initiative is not respecting the monitoring process or/and is not achieving its goals. If the initiative is still not making any visible progress or is clearly inactive UNFCCC and GCAP teams should take action to either remove the initiative or indicate this very clearly in the portal.

LINKAGES GCAP AND THE HIGH LEVEL CHAMPIONS' TEAM

- **Better coordinate between the Global Climate Action Portal and the High Level Champions' Team** so that companies and initiatives do not have to refer to two separate entities and save some capacities
- **Very few initiatives listed in GCAP and Race to Zero are supporting their members in developing credible transition plans.**[34] This is a current blind spot that needs to be addressed.
- Both the UNFCCC and the High-Level Champions' Team should **provide capacity-building sessions for both companies and initiatives** to increase their reporting efforts and ensure full transparency on their actions
- Both teams should establish a **clear sectoral decarbonisation roadmap** with milestones on the pathway to net zero emissions by 2050 (based on IEA last *World Energy Outlook*)
- Currently there is the GCAP Portal as well as the Race to Zero Data Explorer[35]. **There must be only one UNFCCC tool under the Accountability Framework** to simplify the reporting. This tool should not only track emissions from companies as is currently the case with the Race to Zero Data Explorer but also evaluate initiatives and provide a more thorough accountability framework.
- UNFCCC should not only focus on improving the quality of the data reported in the GCAP portal through **for example new data from the Net-Zero Data Public Utility** (NZDPU). It is also important to ensure this updated data leads to a change in NSA's practices.
- **Ensure the robustness of the data being reported in GCAP and Race to Zero.** The data must be verified through a third party accountability system. The ACT initiative and CANFR open source methodologies are two existing tools that can be used to that effect.

OTHER ASPECTS OF THE NON-STATE CLIMATE ACTION ASSESSMENT IN THE UNFCCC

- The assessment of progress of NSA climate action every year could be carried out by **specialised UNFCCC teams**, and by calling on **external experts** at least every two years. These assessments could be presented during the Global Stocktake sessions. This information should inform States to plan with higher ambition their next NDCs. This is important so that the climate actions of States and NSAs are not siloed and that both can be mutually reinforcing.
- **External experts must be diversified** with the insurance of representativity of civil society, with geographical and gender balance (as well as gender expertise and other cross-cutting issues such as Human Rights)
- **One year before each Global Stocktake, the UNFCCC should publish a report providing updates on the progress made in the past five years.** This report could be co-designed with external experts and representatives of each UNFCCC constituency.
- In the monitoring of climate action, the UNFCCC and the High Level Champion's Team should establish and use the HLEG net-zero criteria as a cornerstone for evaluation, as well as in other climate summits or climate weeks happening every year
- Other platforms do exist outside the UNFCCC, such as CDP. **Actors reporting to the UNFCCC should have a direct link between their reporting on the UNFCCC system and the CDP platform**, so that they do not have to report twice in several spaces[36].

2.
At the national level, States must support and regulate non-state climate action

States are expected to:

- **Engage in the implementation of the *UNFCCC Accountability Framework for non-party stakeholder climate action*** with the highest ambition, going beyond transparency with concrete accountability measures and support the development of non-state climate action regulation as recommended by the HLEG report
- **Ensure that national policies incentivise NSAs to adopt more credible transition plans and support a just transition**. This can include conditionalities for access to public markets and subsidies that are linked to climate and just transition commitments companies make
- Take responsibility for territorial and imported emissions and **include both in their NDCs**
- **Publish every year for the wider public the data concerning the direct and indirect emissions** (scope 1, 2 and 3) and the adverse climate impacts of biggest emitters among public and private companies
- Acknowledge that self-regulation by companies failed in the fight against climate change and that **States need to regulate multinationals with regard to their impact on human rights, the environment and the climate**
- **Establish mandatory human rights due diligence and climate disclosure legislation for large companies** that will have to identify risks and prevent severe impacts on human rights and climate change, resulting from the activities of the company and their whole value chain
- **Ensure consistency between mandatory due diligence laws**
- Recognize that the **development of new coal, oil & gas fields is incompatible with the 1.5°C target**
- Adopt **a domestic mandatory law forbidding exploration/production of new coal, oil & gas fields**
- **Design a framework for the decommission of fossil assets** and make sure those assets are not moving from owners with stronger climate commitments and disclosures to those with weaker standards
- **Recognize that fossil fuel phase out must go hand in hand with a just transition plan,** including gender-responsive measures (such as for instance, disaggregated data or gender-budgeting) and respect of labour rights

Information monitored every year by the UNFCCC should be integrated in Nationally Determined Contributions (NDCs) by States, including in terms of emissions reduction targets. It is also important so that the climate actions of States and NSAs are not siloed and that both can be mutually reinforcing.

Next to regulating companies, **States are important funders and hosts of climate initiatives.** Every COP Presidency, every year, is launching new alliances. Every international summit creates new climate coalitions supported by States. **It means they have a key role to play in ensuring efficiency and transparency policies for such initiatives.**

They can:

- Influence the climate initiatives they are part of and/or finance, so they respect reporting requirements of the UNFCCC and are more communicative and transparent about their governance and results.
- Focus on transparent and transformative initiatives, and officially disengage from others.

Finally, States are limited in the organisation of climate summits and UNFCCC events, since the secretariat has some duty to cover by itself. The UNFCCC must be able to ensure accountability and transparency in its own space. Thus, **States must recognize the UNFCCC as the organ for monitoring and evaluating the impact of global climate action, integrating the activities of multi-stakeholder initiatives and individual NSAs such as companies.** States have to use the UNFCCC convenings to discuss and ensure consistency in reporting corporate targets and transition plans for a greater transparency at the international level.

3.
At the company/ initiative level: NSAs must improve transparency to increase credibility

Finally, climate initiatives and companies could enhance both their ambition and accountability by:

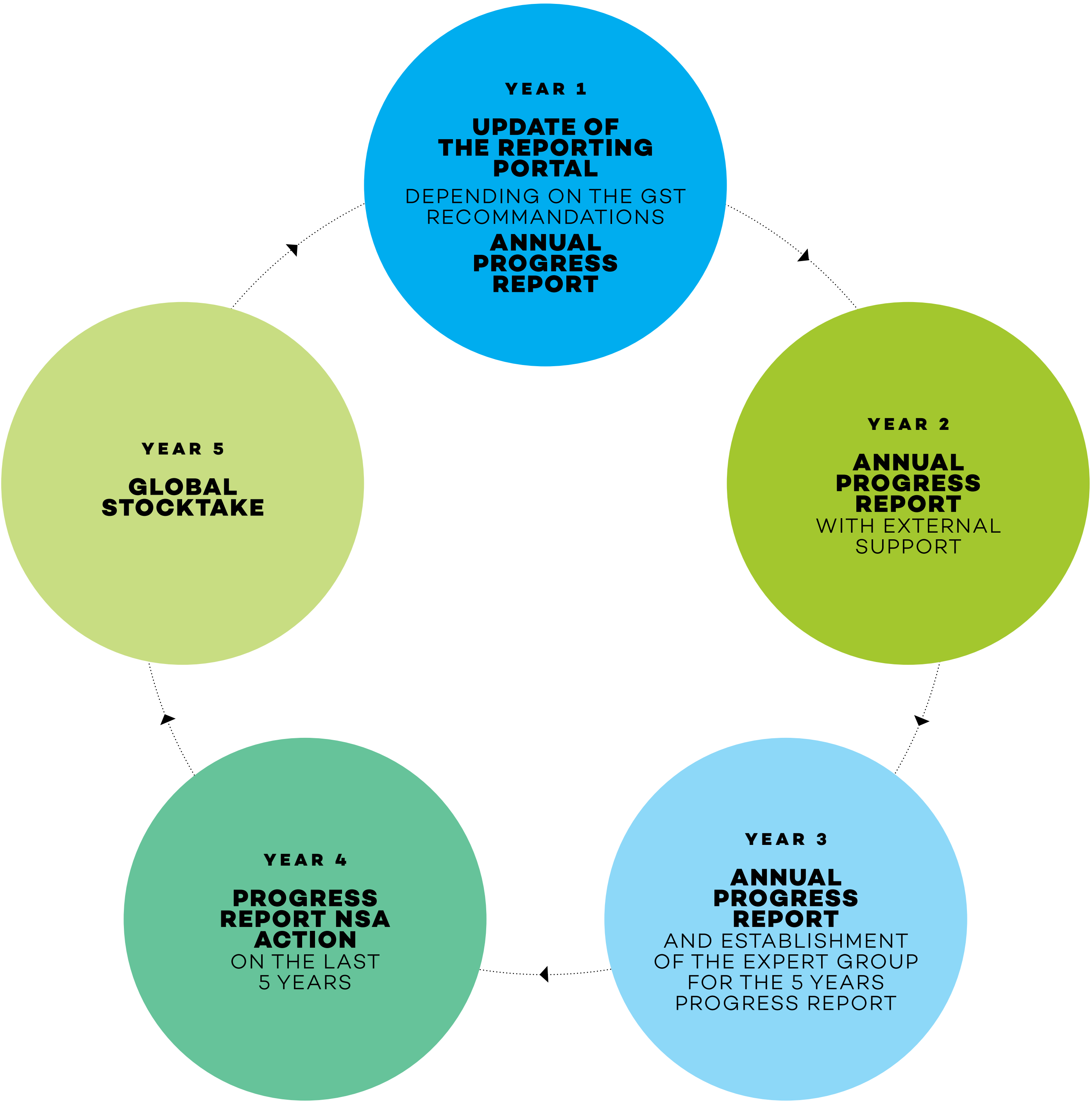
- **Respecting all the recommendations from *the High Level Expert Group on Net Zero Commitments* report regarding Net Zero Target commitments,** among others: Creating a Transition Plan, Increasing Transparency and Accountability or Accelerating the Road to Regulation. From WBA's Climate and Energy Benchmarks, companies can be grouped into four categories. The first category includes companies that are already compatible with a 1.5°C world (a few pure players). The second includes companies that are transitioning and showing credible transition plans that are aligned with a 1.5C trajectory. The third category represents companies that are making progress in reaching the HLEG recommendations with tangible signs of improving their transition plans. Finally, the fourth category encompasses companies that are showing no willingness to engage and have yet to develop any form of credible transition plan. Initiatives should support companies in the third and fourth categories to reach the level of ambition in the first and second categories. In turn this can create a dynamic and first mover coalition where laggards raise their ambition. Evidence from WBA (see also figure 2 page 19) shows that the majority of companies fall either in the fourth or third category with very few companies in the first and second categories. For example, WBA's 2021 electric utilities benchmark (which will be updated in November 2023) shows that of the 50 companies benchmarked, only 7 have either already transitioned or are in transition[38].
- Initiatives are currently focusing on one aspect such as electrifying the vehicle fleet, expanding renewable energy capacity or setting science-based targets. **Yet few initiatives are connecting the dots, making the link with the need for transition plans and the necessity for a just transition.** As can be seen from WBA's Climate and Energy Benchmarks, there is a lack of correlation between company scores on climate and on the social indicators, meaning companies can be climate leaders but for example have no effective just transition planning in place. Figure 1 gives an overview of this mapping for electric utility companies (based on ACT and just transition scores). While initiatives were often set for one sole purpose it is central that just transition considerations not be left on the sidelines or to a handful of initiatives such as the *Just Transition and Decent Jobs Pledge from the Private Sector*.
- **Respecting the implementation of the *UNFCCC Accountability Framework for non-party stakeholder climate action*,** with full reporting of coalition activities and projects, and full recording of results every year
- **Communicating transparently about the internal governance of the initiative's/actor's**, and establishing an inclusive decision-making body, as well as governance tools such as a charter, work plan, and financial statement.

- Ensuring the sustainability of the initiative's/actor's goals and activities **using environmental, economic and social criteria.**
- **Ensuring the inclusiveness of the collective initiatives,** as well as balance in the representativeness of its members, including different types of actors and geographical areas
- Elaborating and communicating a **clear strategy and vision on how to integrate gender in core values and concrete activities.** Governance and holistic approaches are key to fighting against climate change.
- Establishing a **concrete *do no significant harm* policies** while implementing projects, advocacy messages or any other activities, by considering beyond gender other crucial cross-cutting issues in the strategy of the initiatives or the company, such as human rights or nature protection
- **Ensuring the initiative does not lead to a duplication of efforts** but actually brings value-added in reducing companies' emissions and raising climate ambition.
- **Ensuring initiatives aim at structural emissions** reduction in the real economy
- Initiatives members **must explicitly recognize that their economic activities are contributing to the risk of overshooting the 1,5 °C target** and the occurrence of dangerous climate change
- **Prioritising the reduction of emissions** and ensure that selling fossil assets is not a credible mitigation policy for companies
- **Initiatives taking a step backwards in terms of climate commitments will have to provide clear, detailed justifications backed up by the best available science**
- **Involving stakeholders and third parties** in monitoring the level of compliance within the initiative

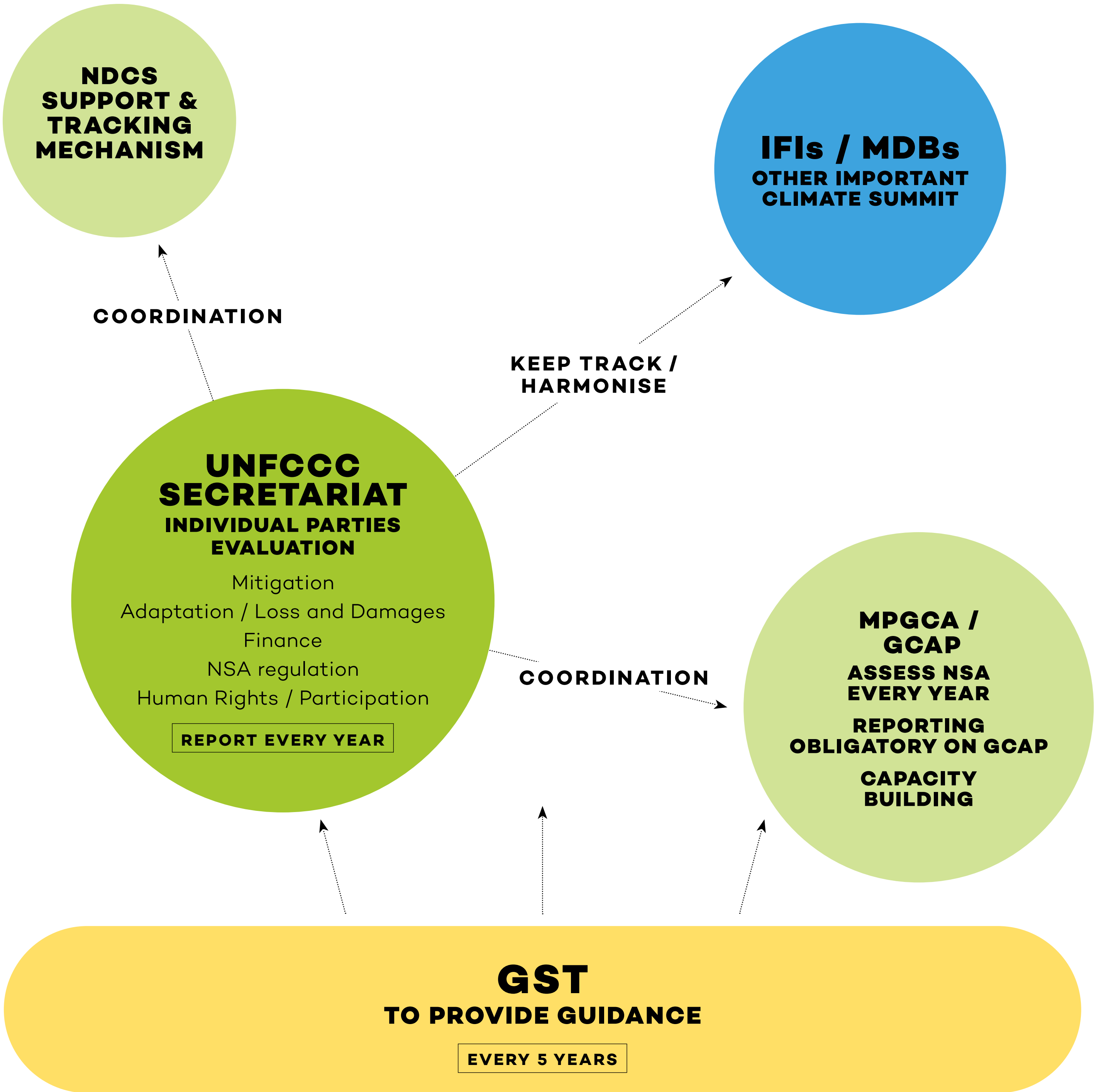
Proposal for a UNFCCC accountability mechanism for non state action

This report proposes a vision for climate accountability that goes beyond the NSA field. This vision stems from several informal discussions with NGOs, think tanks and other partners. It is also inspired from the following C2ES discussion paper, *Re-invigorating the UN Climate Regime in the wider landscape of climate action*[39], proposing a new understanding of the UNFCCC. We only have seven years left to change the course of climate change and stay within a 1.5°C budget, and we need climate accountability to make this possible. It means that ideally, this updated version of the international climate regime should be established for 2025 at the latest. This is why authors of this report have based their vision on existing mechanisms as much as possible to avoid creating new institutions. As 2023 is the first Global Stocktake, a key outcome would be a mandate from States to the UNFCCC to engage in a reform of its functioning, where among others, this vision could feed into the discussions.

GRAPHIQUE :
PROPOSED UNFCCC ACCOUNTABILITY CYCLE FOR NON-STATE ACTION



GRAPHIQUE :
GLOBAL VISION OF ACCOUNTABILITY AT THE UNFCCC LEVEL[40]



The Global Stocktake would be the compass.
It provides guidance on what to achieve, and how, from whom. Without the Global Stocktake, there is no common planning. Its format would stay the same, happening every 5 years in the middle of an NDCs cycle. The only change that would be recommended is to allow more human and financial resources to the UNFCCC team on the GST, so that the collection and restitution of inputs can be complete. To finish, the Global Stocktake should remain very participative and inclusive: for the first one which is still happening in 2023, at least the technical phase allowed frank and constructive conversations between States and Observers, which is very rare in a formal UNFCCC negotiation item. The political phase of the GST, as well as the next GSTs to come, should remain with at least the same level of participation and inclusion.

The UNFCCC secretariat would be the main facilitator.
The secretariat should coordinate all aspects of accountability with its own mechanisms, such as NDC tracking and NSA accountability framework. It must also be in contact with institutions and processes outside the UNFCCC space, such as those involving International Financial Institutions (IFIs) or other Climate Summits (the Climate Ambition Summit in September for example). These institutions and entities would have to report to the UNFCCC concerning their results on their commitments for the implementation of the Paris Agreement. The UNFCCC must also have a strong connection with the Convention of Biological Diversity to ensure both accountability for climate and biodiversity.

A NDC Support and Tracking Unit would be established
This is the new element of the vision that needs to support States to implement and enhance the ambition of their NDCs. This unit must be composed of UNFCCC staff and several external committees on all pillars of the Paris Agreement (Mitigation, Adaptation, Loss and Damages, Means of Implementation, Technology Transfer, Human Rights and others). These committees must ensure the representation of civil society as well as important groups who have the knowledge to support States in their work, such as Indigenous people. The committees can be solicited by the States on relevant issues for technical advice, or by the UNFCCC secretariat directly.
Next to support, this unit should track the individual progress of NDCs. This is the only way to ensure accountability of state-climate action: during the past 8 years, States did not implement their NDCs, or even worse, their NDCs were not ambitious enough to stay on 1,5. That means that the system is not working. Through the negotiation of the Enhanced Transparency Framework (ETF) next year, States should agree on what to communicate on their progress. Next to these, States must agree that the UNFCCC is allowed to publish every year these communications on progress that have been made by States, on an individual basis.

The MPGCA and GCAP would be responsible for reporting efforts and results by NSAs
These two teams would be responsible for reporting the efforts and results from NSAs under the new *UNFCCC Accountability Framework for non-party stakeholder climate action.* It would also be the space to implement a policy against conflict for interests inside the UNFCCC, making it consequential for NSAs which are not reporting or respecting the HLEG criteria. Participants for COP and other climate summits from the UNFCCC should be selected based on their real progress and alignment with the Paris Agreement. Every year, a report on progress has to be published, such as one report on the past 5 years before the Global Stocktake (see in the UNFCCC accountability cycle page 23). These reports should be an important source of information for the GST and the next NDCs.

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FOOTNOTES

1. This report focuses on companies but the field of NSAs is broader and includes financial institutions, cities and local authorities, civil society, universities and think tanks, among others
2. *'We cannot afford greenwashing': Guterres highlights key role of Net-Zero experts*, NetZeroWeek, July 2023, https://netzeroweek.com/we-cannot-afford-greenwashing-guterres-highlights-key-role-of-net-zero-experts/#/
3. By climate initiatives, authors of this report refer to initiatives listed in the Race to Zero. These initiatives include different members and seek to raise NSA climate ambition. Please refer to a previous report of CANFR which is defining with more details climate initiatives: *Overview of multi-stakeholders coalitions*, 2020 https://reseauactionclimat.org/wp-content/uploads/2020/11/coalition_etatdeslieux_en.pdf
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15. To find the submission, please consult the following link: https://reseauactionclimat.org/action-climatique-des-entreprises-et-des-coalitions-multi-acteurs-le-compte-ny-est-pas/
16. To find the submission, please consult the following link: https://reseauactionclimat.org/action-climatique-des-entreprises-et-des-coalitions-multi-acteurs-le-compte-ny-est-pas/
17. An important caveat is needed here at the company level as companies headquartered in the Global North also have activities in the Global South. A more detailed analysis that was not possible to conduct for this report would be necessary to analyse this more in depth.
18. WBA's electric utility benchmark will be updated in November 2023. Average social scores represent the average between core social indicators and just transition scores from WBA.
19. Examples: Caring for Climate, United Nations Development Program, *Business and Climate Change Adaptation: Toward Resilient Companies and Communities*, 2012, https://unglobalcompact.org/library/115 Caring for Climate, *The Guide for Responsible Corporate Engagement in Climate Policy*, 2013, https://unglobalcompact.org/library/501 Just Transition Think Lab, UN Global Compact, https://unglobalcompact.org/take-action/think-labs/just-transition
20. On the GCAP portal, 19 857 European actors are reported, 3,893 Northern American actors against 2390 in Latin and Central America and 995 in Africa. However, this does not mean that the companies have no activities in the Global South. A more detailed analysis that was not possible for this report would be necessary.
21. For WBA's just transition methodology the gender specific indicators part of the climate and energy benchmarks show whether a company demonstrates the measures it takes to ensure that the re- and/or up-skilling, training or education opportunities embed equality of opportunity for women and vulnerable groups. The just transition indicators also show how a company demonstrates the measures it takes to ensure that green and decent jobs embed equality of opportunity for women and vulnerable groups. As part of the core social assessments these indicators reveal whether a company discloses the proportion of its total direct operations workforce for each employee category by gender. Similarly, the core social indicators show if the company has a public commitment to gender equality and women's empowerment, if it has time-bound targets on gender equality and women's empowerment, if there are at least 30% women on the highest governance body and if the company discloses the ratio of the basic salary and remuneration of women to men in its total direct operations workforce for each employee category by significant locations of operation.
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28. See Part 2, section b
29. This mapping was conducted by examining the level of correspondence between WBA ACT indicators and the HLEG net-zero criteria. It was found that about 65% of ACT indicators can be directly linked to the HLEG criteria (or 15 of the 23 indicators). For those indicators that overlap, WBA then established a high minimum threshold to determine at which stage companies are meeting or not each HLEG criteria.
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35. https://opennetzero.org/dataset/race-to-zero-data-explorer
36. It is important to caution that companies should not have to pay to have the right to disclose including on GCAP
37. High Level Expert Group on Net Zero Commitments, *Integrity matters: Net Zero commitments by businesses, financial institutions, financial institutions, cities and regions*, November 2022, page 14: https://www.un.org/sites/un2.un.org/files/high-levelexpertgroupupdate7.pdf
38. For a better overview of how to determine if a company is in transition or not, thresholds can be used, for example to be considered in transition a company should be rated at least 12B= (which includes a performance, narrative and trends score) based on the ACT evaluation framework. Amongst other factors, this requires electric utilities to significantly scale their share of low carbon capex, reduce their share of fossil fuel electricity generation and improve the quality of their transition plans. For further details on this and the ACT methodology see p81-83 https://actinitiative.org/wp-content/uploads/act_finance_banks_road_test_v0.pdf
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40. The report is proposing a vision focused on the UNFCCC: it is important to note that reforms should also be linked to the ongoing discussions about updating standard and disclosure requirements from ISSB, ISO, CDP and other actors who are already part of the international accountability sphere. Also, other ideas for an effective international climate regime can be found on the following paper, where for example a proposition for a new COP format is proposed: Re-invigorating the UN Climate Regime in the wider landscape of climate action, C2ES Discussion Paper, Lavanya Rajamani, Sebastian Oberthür, Harro van Asselt and Kaveh Guilanpour, March 2023 (can be found on the GST portal - 07/03/2023)

CONTACTS

Climate Action Network France: contact@reseauactionclimat.org

World Benchmarching Alliance: j.roth@worldbenchmarkingalliance.org, r.poivet@worldbenchmarkingalliance.org

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