Business Engagement in Implementing National Climate Pledges & The Paris Agreement
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The Major Economies Business Forum on Energy Security and Climate Change (BizMEF) is a partnership of leading multi-sectoral business organizations from major economies, and leading international business sectoral associations. Modeled after the government-to-government Major Economies Forum, BizMEF is a platform for these groups to:

- promote dialogue, exchange views and highlight areas of agreement on climate change and energy security across a broad spectrum of business interests including major developed, emerging, and developing economies;
- promote dialogue on climate change, technology cooperation and investment; and
- share these views with governments, international bodies, other business organizations, the press, and the public.

BizMEF provides responsible business views and practical input to inform deliberations in the United Nations Framework Convention on Climate Change (UNFCCC).

BizMEF has set as its objective the enhancement of substantive business engagement in the UNFCCC. In our view, the effectiveness and sustainability of the UNFCCC and its Paris Agreement depends on ensuring a place at the table for the private sector as an important societal partner in next steps for the Paris Agreement.

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The United States Council for International Business (USCIB) advances the global interests of American business both at home and abroad. It is the American affiliate of the International Chamber of Commerce (ICC), Business at OECD (BIAC), and the International Organization of Employers (IOE). It is also a U.S. business partner of BizMEF.

USCIB officially represents U.S. business positions in the main intergovernmental bodies and vis-à-vis foreign business communities and their governments.

USCIB addresses a broad range of policy issues with the objective of promoting an open system of world trade, finance and investment in which business can flourish and contribute to economic growth, human welfare and sustainable development.

USCIB formulates its positions working with business experts from its membership of 300 global corporations, professional firms and industry associations. It advocates these positions to the U.S. government and to intergovernmental organizations such as the OECD, the WTO, the ILO and other bodies in the UN system.

USCIB has followed and supported the UNFCCC process since prior to COP 1 and is committed to its success.

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EXECUTIVE SUMMARY

Achieving the ambitious, aspirational long-term goals of the Paris Agreement will require a major increase in effort by all nations – and the business community in all its diversity – in reducing greenhouse gas emissions, developing and deploying technologies, delivering finance and investment, building resilience and pursuing adaptation. Indeed, it is becoming clearer and more broadly recognized that meeting even the objectives proposed under the initial tranche of Nationally Determined Contributions (NDCs) covering the period through 2030 for GHG reductions – and other matters such as finance – under the UN Framework Convention on Climate Change’s (UNFCCC) Paris Agreement will be very challenging.

Current UNFCCC and Paris Agreement negotiations to complete development of the “Paris Rule Book” are vital to implementing the agreement as soon as possible. Yet completing the Paris Rule Book will not guarantee long-term success. Clear and efficient rules, e.g., for transparency and markets, will contribute to building confidence and closing gaps, but ultimately the Paris Agreement will require nations to agree to and implement ever stronger targets in the future. This will demand mobilization of approval and effort across broad segments of business and civil society as well as government.

Based on discussions with business and government delegations involved in the UNFCCC process and working to implement the Paris Agreement, this report will recommend that Parties enhance processes under the UNFCCC and Paris Agreement to consult with and engage representative business organizations and employers organizations to consider how to draw from their experience and expertise to build systems that can accelerate the capability of society to undertake transformational change at a scale and pace that better meets the aspirations of the Paris Agreement. A proposal for the development of a Business Platform: Just Transition to Transformation to serve as an interface between representative business organizations and the UNFCCC is set out in Annex 1 of this report.

International cooperation for both near-term actions and long-term transformation to address climate change lacks necessary national and international governance and procedures to more fully engage the private sector. The Paris Agreement and UNFCCC structures can and should be improved and linked to reflect not only public sector actions and resource deployment, but also to seek out and tap the expertise, implementation, experience and investment of the private sector in all of its diversity and through the entire life-cycle of assessment, policy consideration, implementation, assessment and renewal. This will assist Parties to recognize and overcome existing barriers and seize opportunities, without compromising their essential role as decision makers in the Party-led Paris Agreement.

There has been relatively little attention to this crucial relationship between business and governments for climate implementation at national and global levels. By and large, it has been taken for granted. Yet, first experiences with NDC implementation, and current discussions relating to the Talanoa Dialogue and Global Stocktake provide some examples of how national governments are already interacting and cooperating with business in operationalizing, resourcing and assessing NDCs. These examples and the experiences set out in this report show the diversity of approach, and offer potential models for collaborative policy interactions that can strengthen implementation so that the global community moves from near-term transition to transformation.
Dedicated “platforms” under the UNFCCC are already under development to address particular concerns and contributions by other specific constituencies, e.g., for women and gender, and for indigenous peoples, and greater attention to and recognition of issues for labor pertaining to “just transition.”

Building on this recognition and willingness to consider unique contributions of other constituencies, the time is right to consider a consultative platform to draw from and reflect business considerations. These considerations would include and go beyond those identified in “just transition” involving workers, to encompass the various roles of the private sector to accelerate transformational change. This report’s interviews and survey responses also suggest a number of design attributes to encourage and incentivize public-private consultation and joint action.

Such a business platform would enable better cooperation of government, local communities, labor and society to identify and, at a minimum, begin to discuss ways to enhance cooperation to address challenges of deploying advanced technology systems and infrastructure at a pace and scale to make a difference globally, while also addressing related issues such as poverty alleviation, energy access, employment and the needs of local and regional communities.

INTRODUCTION & SCENE SET

“National governments cannot do it alone. Everyone—including those at all levels of government, as well as business leaders, investors, and civil society—must contribute. This calls for a new form of inclusive multilateralism—one that can also be applied to achieving the Sustainable Development Goals, which complement the Paris Agreement’s commitments.”

The UNFCCC seeks to devise approaches to limit human impacts on climate that in turn touch and influence everything from eco-systems, food and water, oceans and biodiversity to energy access and mix, development, trade, investment and job markets. Yet, by and large, the UNFCCC so far affords only limited attention to those economic and social elements, and has at times been reluctant to increase input from those societal partners in the best position to provide a broad view and experience relating to such economic aspects: the business community.

The UNFCCC is no longer – indeed it never was – a treaty “just” about climate change. It considers and appropriately takes into account a broad array of economic, energy, environmental and social topics.

This broadening of UNFCCC agenda and scope has occurred over the course of more than 25 years of deliberations. In the process, the UNFCCC has created a wider and multi-dimensional purpose for itself, and an important international platform for a variety of social and political interests cooperating to address climate change. Representative business organizations have observed the UNFCCC process for decades, and have been part of that expansion. Over that time, attitudes and expectations of business have also evolved and broadened. Governments are tackling a more holistic and complicated set of challenges now. By the same token, the implications for business are similarly comprehensive, fundamental and interlinked, as companies manage change, in some cases fundamental transformation, over decades.

In spite of this, nearly 30 years after the first COP, the governance structure of the UNFCCC remains relatively unchanged from the standpoint of the “recognition” and “space” afforded to non-governmental entities including business and other non-state actors.

The current initial NDC pledges do not place the world on track to achieve long term goals; that will require future decisions by governments of all major emitting countries to ramp up ambition rapidly and carry through on implementation. The challenge of doing so will be immense given the scale and pace of change.

1 Patricia Espinosa and Anne Hidalgo, Eco Business, August 29, 2018
implied by the long-term goals for key economic actors. Clearly, overcoming these challenges will require mobilization and agreement to commit to the effort from a variety of constituencies, e.g., non-governmental actors, whether from sub-national governments, business or other important societal partners, in the form of commitments and the mobilization of financial and technological resources.

This envisioned involvement of non-governmental sectors, including business, is a necessity for many reasons:

- Needs to mobilize massive amounts of financial and technical resources;
- Greenhouse gas reduction targets reflected in the first round of NDCs, and progress to achieve them;
- The current lack of affordable options that can be rapidly deployed throughout the world to achieve transformational change to a new set of currently uneconomic advanced technologies.

The IPCC Special Report on 1.5 °C scenarios shows the need for governments around the globe to ramp up implementation, increase resource deployment towards climate challenges and strive for even more ambitious targets. Meanwhile, pledged actions so far fall short of achieving even the initial NDCs through 2030. This increasing disparity between announced goals and aspirations and real performance is introducing stresses into the UNFCCC process.

The challenges are not limited to mitigation. In responding to the challenges of adaptation and resilience, again businesses are essential partners in infrastructure and its deployment, and will be expected to develop and deploy solutions in energy, construction, agriculture and water security.

Taken as a whole, these demands are certainly straining the international cooperative process and calling some to question the credibility and effectiveness of the current model. Raising ambition and being able to deliver on that ambition will require a clear-eyed assessment of the effort required and the willingness of the public to support such efforts over the long-term. To be effective and credible, the UNFCCC process must somehow help society summon not only “increased” ambition, but more importantly, increased successful performance. No doubt this will require cooperation involving a wider set of actors, as well as new thinking and fit-for-purpose institutional infrastructure.

The 1st Conference of the Parties in 1995 in Berlin offered extremely limited opportunities for non-governmental organizations and business observers to do more than simply watch from the sidelines. The intergovernmental nature of the process was a fundamental principle in those early negotiations that focused on targets for nations. Since then, all participants have recognized the need for global action by all major emitting nations, including those in the rapidly developing economies of many developing nations.

Also, over that time, the numbers of accredited non-governmental representatives attending UNFCCC negotiations has expanded in both quantity and numbers of constituencies, and in the range of interests and concerns they bring to UNFCCC discussions.

Previous COP presidencies have launched limited but specific discussion platforms between negotiators and “mainstream » business organizations. This was the case with the Mexican presidency at COP 16 in Cancun in 2010, and again with the French presidency in 2015. In the latter case, several stakeholders including MEDEF contributed to a public-private dialogue in 2015 with a Business Dialogue that met three times, in Paris (for a broad « overview » discussion), New York (on carbon pricing and market mechanisms) and Tokyo (on technology and innovation).

Such high-level Business Dialogues with CEOs and Heads of State highlight political momentum and attract critical attention to support implementation. UNFCCC could help assure continuity in such Presidency led Business Dialogue initiatives, by enlarging them to include mainstream representative business organizations, and making them an ongoing process. This would help to address common issues under consideration in the negotiation process, and could also demonstrate the value of a continuing formalized dialogue between
business and governments in the UNFCCC.

Among other institutional innovations, the UNFCCC now encompasses the Global Action Agenda and the Non-State Actor Zone for Climate Action (NAZCA) Platform, inviting voluntary climate actions from subnational and non-governmental actors. And it is true that additional efforts linked to UNFCCC priorities have been created. These extend the international climate change policy galaxy even further. More recently, dedicated platforms for women and gender, and for indigenous peoples and local communities are being put in place.

As encouraging as these enhancements to the UNFCCC are, could it be that the complexity and expansion of the UNFCCC agenda has outgrown its original organizational structure? This question is not raised to challenge the necessity of the UNFCCC, but it does suggest some profound changes should be explored, including to substantively engage representative business in a recognized manner so as to address barriers to and opportunities for transformational change, to attain more ambitious actions and to consider ways to manage the associated costs and impacts.

Improved Institutional Infrastructure that includes and recognizes representative business organizations is required to integrate and synergize climate change policy and action with a broader range of priorities and challenges.

Since 2015, governments have endorsed the UN’s 2030 Agenda for Sustainable Development and its Sustainable Development Goals. This integrated sustainability blueprint envisions linked actions across development, economic growth and environmental and social protections. The 2030 Agenda and SDGs identify sustainability challenges that will require integrated actions, partnerships, metrics and assessment, and recognition that priorities, opportunities and circumstances differ around the world.

Among those challenges is lack of electricity access for roughly 1 billion people, and insufficient investment into energy infrastructure and into public sector research. In a presentation at the March 2018 meeting of the OECD Climate Change Experts Group (CCXG), Dave Turk, International Energy Agency (IEA), cited the World Energy investment Outlook, and pointed out that:

- overall investment in energy infrastructure in 2016 fell 12 % for a 2nd consecutive year of decline;
- R&D in cleaner energy had remained steady, “leaving significant room for growth;”
- Enhancement of reporting of clean energy R&D investment, especially from the private sector was needed.

The UNFCCC has only limited procedures to connect with the private sector to consider the challenges and opportunities to achieve long-term transformational change. The UNFCCC governance and engagement system as currently constructed may no longer be able to tap and marshal the additional expertise and effort required to achieve ambitious goals. Nor do the current procedures mobilize and directly engage main actors outside of governments that are needed for implementation - business and industry, among others. This suggests that governments consider ways to adjust the UNFCCC process to better tap substantial resources outside government to create more and better options for:
• cost-effective policies,
• real-world market-oriented actions, and
• partnership in implementation, investment, finance and innovation.

In their recent paper, “Undiplomatic Action,” Victor and Jones recognize this state of affairs, and examine the question of re-engineering the international process, highlighting 4 key areas for re-orienting priorities to focus on:

• the highest emitting countries,
• high leverage actions (such as short-lived emissions),
• pivotal technologies,
• foundations for better governance.

The authors suggest that changes are needed to stimulate the actions that are seemingly bogged down in the complicated and rigid governance structures currently in place. Among those changes could be a different model of problem solving among governments, working with other sub-national and non-governmental interests with a stake and capability to provide solutions.

A related article earlier this year in Foreign Affairs, “The Two-Degree Delusion, the Dangers of an Unrealistic Climate Change Target” by Ted Nordhaus expresses similar views regarding the need for new ways to engage the broad range of actors with the motivation and capability to contribute to addressing the challenge of climate risks.

USCIB and Business at OECD (BIAC) have participated as recognized contributors in multilateral forums throughout their history. They have first-hand experience with different mechanisms in inter-governmental bodies to include private sector expertise and input, while maintaining the accountability and pre-eminent role of governments. We have also benefited from experiments—such as the inclusive model pursued by the UN in developing the 2030 Agenda for Sustainable Development and Sustainable Development Goals: an open process that invited and reflected review, comment and reflection of stakeholder views on the Agenda and its SDGs throughout their formulation. So there are existing working models for building in and recognizing representative and responsible business groups in consultative and collaborative governance arrangements for the mutual benefit of governments, social partners and the private sector.

There are existing working models for building in and recognizing representative and responsible business groups in consultative and collaborative governance arrangements for the mutual benefit of governments, social partners and the private sector.

We believe that the UNFCCC structure in its current form is not tapping into opportunities to identify and support the needed investment, innovation and implementation envisioned by the UNFCCC and Paris Agreements. While the UNFCCC has made helpful outreach to business, it remains the case that, apart from ad-hoc advisory relations via some of the new UNFCCC entities, the role of business in the UNFCCC continues to be primarily as “observer organizations.”

We do not take that as a reason to walk away from the UNFCCC and start over. Rather, we argue that bringing economic actors who are indispensable to “facts on the ground,” that is, the business community, into a closer
working relationship with the international diplomatic process is necessary not only for current commitments under the UNFCCC and Paris Agreement, but, even more, for the longer-term transformation that will be needed to manage climate change risks.

Thus, this paper considers this moment in the climate process as an opportunity to recommend establishment of new ways for the private sector to work with the UNFCCC and related processes to provide representative and high quality input and expertise for long-term success. How can the current structure of the UNFCCC be updated to be fit for this broader shared purpose, and how can it be improved to fully engage all stakeholders, particularly entities that will deliver implementation, through development and deployment of advanced technological systems, along with new livelihoods, products and services. Long-term planning, investment and development of operational systems and infrastructure will be essential. For these tasks, business has essential capabilities and insights.

This report also continues our investigation into how national governments have already begun to cooperate with their national business communities, and how that cooperation can connect to and even be replicated in the global climate policy implementation process. In the experiences of first developing NDCs (see the 2016 report, “Business Engagement in Domestic & International Implementation of the Paris Agreement: A report for the 22nd Conference of the Parties”) and now beginning to implement them, we can understand the combined strengths as well as distinct responsibilities that public and private sectors bring to the table. These joint efforts to frame and advance climate change policy, whether in mitigation or adaptation, will be necessary to advance all of society efforts. In our view, the more the global process reflects and connects to the actual practice of policy deliberation and implementation at the national and regional levels (both for business and government), the more effective its outcomes will be.

**BACKGROUND**

While the UNFCCC is fundamentally an inter-governmental process, it has a rich 20+ year history of engagement with business and other stakeholders, which has evolved in step with the Convention and its instruments. Accredited business organizations, like other non-state stakeholders, participate in the UNFCCC as observers.

More substantive opportunities for business engagement have emerged in recent years through newly created UNFCCC institutions such as the Green Climate Fund, the Technology Executive Committee, the Climate Technology Center and Network, the Adaptation Committee and Technical Experts Meetings. Through these networks, business has proven itself as a valuable partner of the UNFCCC. The impact and importance of the private sector, highlighted through these interactions and the mention of business as a partner in the Paris Decision, has pushed the Convention to expand opportunities for business engagement. Private sector interaction with these entities already demonstrates the potential of recognized business input and could serve as a foundation for additional institutional infrastructure in the UNFCCC related to INDC review and stock-takes.

In addition, there are other bodies in the UNFCCC where business could be more involved, such as the Paris Committee on Capacity Building.

Although these opportunities represent an opening of UNFCCC structures to non-state entities, for the Paris Agreement to have its desired impact, especially considering its stated timeframe, climate-friendly strategies must be mainstreamed throughout the entire economy. This means economic actors, i.e. business, need to be fully integrated into the development of not only national NDCs, but also into discussions at international level to assess and scale up the whole NDC portfolio and of broader international climate policy. This will require productive dialogue and cooperation between business and governments nationally and in establishing more effective ways to inform international deliberations. The discussions need to move beyond setting targets to considering also the means and policies to achieve them and their impacts on other important priorities.
STARTING ASSUMPTIONS

This report and its recommendations reflect several starting point assumptions:

1. The global marketplace and global companies depend on international commercial and policy infrastructure. The United Nations and the UNFCCC are important elements of this, and business has an important stake in the success of this structure. It will give clarity and offer important opportunities for dialogue and partnership. Without the UNFCCC, it will be impossible to fully address the climate challenge. UNFCCC policies and procedures will be most effective when they work to mobilize and leverage institutions that already exist to promote trade, investment and development.

2. The international business community is committed to the UNFCCC and its implementation, and understands that all the linked imperatives of energy access, security and transition, reducing GHG emissions, investing in new energy infrastructure, deploying innovative technologies and building more resilient societies rely on business engagement.

3. Business regards the concept of “just transition” as a social dialogue in which governments, employers and workers plan for new labor market conditions and other consequences of both climate change and climate change policy. Impact assessments for new policies showing how people in jobs in traditional industries can be offered (e.g., through reskilling) new jobs in future industries are needed for public acceptance for climate policies. For the transformation that limiting GHGs to 2 degrees or lower will entail, transformative change will be needed. These go beyond those associated with labor issues as currently framed in discussions of “just transition.” Indeed they affect entire communities and regions through their impacts on supply and value chains.

INCREASING AMBITION THROUGH VOLUNTARY ACTIONS BY BUSINESS: A FIRST STEP

Thus far, the UNFCCC has been willing to encourage private sector efforts – mainly through voluntary actions and participation in related, parallel meetings, such as the recent GCAP meeting, hosted by Governor Jerry Brown of California. COP decisions in Lima and Paris have created opportunities for companies and other stakeholders to register voluntary initiatives through the Non-State Actor Zone for Climate Action (NAZCA), and the Global Action Agenda, among others. Of course, these efforts are not new. For decades, there have been ongoing voluntary actions by business in core climate change issue areas such as climate finance, measuring and reporting GHG emissions, and promoting efforts in energy efficiency in operations and by customers and support for academic research in a variety of areas.

Dialogue and cooperation are key to achieve better understanding between governments, industry and finance. Since COP21, financial institutions, IFIs (World Bank, GCF, EIB, development banks), banks, insurers and asset managers, have taken significant commitments. Businesses

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worldwide have associated with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) to integrate climate considerations into financial reporting, disclosures and strategies.

Initiatives such as the NAZCA platform, the Lima-Paris Action Agenda, the Marrakech Partnership for Global Climate Action or the Talanoa Dialogue Platform deliver effective results and showcase business and other stakeholder efforts.

Additional clarity on how these voluntary efforts report on their progress, and whether and how that supplements (or overlaps with) NDCs will be a key priority. Existing, well-documented procedures that have been developed and used for many years to track business performance (such as sectoral guidelines, GRI, CDP, etc.) will also contribute important information and evidence of business engagement.

While the growing array of voluntary contributions for near-term action by non-state actors are important and beneficial, they cannot substitute for strong and growing national public policies that will be needed to mobilize the efforts at the scale and pace required for the Paris Agreement to succeed in transforming the economy in coming decades.

The bottom line is that more effective and systematic interactions are needed. The lack of a defined, comprehensive engagement structure for business restricts opportunities for large-scale sharing of expertise, innovation and technology. In other international institutions where more comprehensive, recognized consultation does occur, such as the International Labor Organization (ILO) and OECD, the process creates more efficient and effective sharing of information between governments and business at both national and international levels. This will also help to promote trust and continuous improvement, e.g., through the opportunity to establish effective expert networks. While the business community seeks a recognized platform for consultation in the UNFCCC, we do appreciate the enhanced opportunities that have occurred; these provide helpful examples for how engagement can grow.

THE REPORT’S SURVEY OF BUSINESS & GOVERNMENT INTERVIEWS

In 2016, BizMEF and USCIB produced a first report titled “Business Engagement in Domestic & International Implementation of the Paris Agreement: A report for the 22nd Conference of the Parties (COP22)”. It presented first observations and lessons learned from more than two years of consultations and surveys covering business interactions with national governments in the development of Intended NDCs (INDCS).

As the UNFCCC and Paris Agreement have since moved from development to implementation, this new report expands upon learnings generated in the 2016 iteration. Through a survey of BizMEF partner organizations and interviews with government delegations conducted during the 48th session of the Subsidiary Body for Implementation (SBI 48) and during the resumed session in Bangkok (SBI 48-2), we’ve sought to identify if, how, and to what extent the business community is involved and interacts with government in relation to domestic policies and regulations to address climate change and in relation to international negotiations and other UNFCCC processes.
OVERVIEW: LEARNINGS FROM BUSINESS GROUP SURVEYS & GOVERNMENT INTERVIEWS

Both the BizMEF survey of member companies and associations and interviews with government delegates over the course of this year demonstrated that countries are increasingly acknowledging the critical part business plays in NDC implementation. Other overarching observations include:

- Across the board, whereas consultation periods had been short during the drafting period of (I)NDCs given political pressure to move quickly, consultations in the implementation phase are lasting longer and delving deeper. While progress has been made in this regard, processes for engagement could and indeed should continue to be improved.

- In most nations, implementation of the NDC primarily occurs within the context of sectoral legislation and regulations. Accordingly, business interactions follow normal legal procedures for comment and consultation. This is essential but incomplete, since climate policy should also consider economy-wide implications across supply and value chains as well as cross-border impacts, both positive and negative.

- Interactions between government and stakeholders – including business – regarding international climate negotiations typically occur during briefings, especially before meetings of the Conference of the Parties.

- Several national delegations seemed satisfied to recommend participation by business primarily in support of the Global Action Agenda and similar platforms as the primary means for business interaction with UNFCCC processes at an international and institutional level. While the Global Action Agenda, showcasing positive climate action, is certainly salient and valuable, businesses trust and rely on their participants at UNFCCC negotiations to interact also—and in many cases primarily—on matters of policy, with the dual role of sharing business views and expertise while simultaneously being able to report back to the broad business community on the issues confronting negotiators.
• Some nations such as Japan, South Africa and Morocco, align their energy and climate policies; consequently, climate policy is embedded within the larger scheme of energy development and regulation. On the other hand, the U.S. and the EU envisage and create climate policy as a more focused topic that is not always in alignment or compatible with other objectives and policies.

• The surveys and interviews also highlighted that developing nations tend to place priority on economic development and alleviating poverty, along with employment, inclusion, infrastructure development and more. Climate policies, especially emissions mitigation, must fit within these primary objectives.

AUSTRALIA

Australia’s consultation with business has taken both an all-of-economy approach and/or a sector-by-sector focus. In a 2017 comprehensive review of the suite of policies in place to meet Australia’s 2030 commitments under the Paris Agreement, there was an economy-wide consultation with business and other stakeholders, which generated about 300 submissions from business associations and individual companies. The submissions revealed a demonstrated interest in the long-term strategy for Australia beyond 2030, so Australia agreed to publish by 2020, what a post-2030 strategy might look like. The Australian government also agreed to align their national review cycles with the Paris agreement review cycles.

Australia has consulted specifically with their electric power sector to construct a national energy guarantee that aims to ensure that the national energy system is secure, accessible, and sustainable. Suppliers of electricity will have to guarantee a certain amount of dispatchable power and that the electricity supplied is consistent with the Paris Agreement targets. The guarantee will take a market-based approach; it will not be a subsidized program.

Australia believes climate risk is transforming entire industries, including finance, and hopes for more rapid and powerful transformational change going forward. The Australian government is working on strategies to mobilize private sector finance for green initiatives and action on climate change. Australia is examining which elements of their experiences on climate finance could be shareable with other countries in the region.

BRAZIL

Brazil ratified the Paris Agreement on September 21, 2016. The National Decree 9,073, dated June 5, 2017 promulgated the Paris Agreement in Brazil which then became legally binding in national territory.

With economy-wide targets, the Brazilian NDC is a new milestone for the consolidation of the low carbon economy. The goal is to reduce by 37% the absolute emissions of GHGs by 2025 and an indicative reduction of 43% by 2030 relative to 2005 as a baseline year for emissions. The additional measures forecasted in the forestry, energy and biofuels sectors include:

• Actions in the field of adaptation to climate change make direct reference to the National Plan for Adaptation to Climate Change (PNA); and

• Means of implementation, considering financial mechanisms within the UNFCCC scope, South-South international cooperation and the possibility of adopting economic instruments for carbon pricing.

The Brazilian NDC doesn’t have absolute targets to reduce GHG emissions specifically in the industrial sector. However, it proposes an additional measure to “promote new standards of clean technologies and increase measures of efficiency energy and low-carbon infrastructure”. Other main commitments (additional measures) of the Brazilian NDC are mentioned below:
• Increasing the share of sustainable biofuels in the Brazilian energy mix to approximately 18% by 2030, by expanding biofuel consumption, increasing ethanol supply, including by increasing the share of advanced biofuels (second generation), and increasing the share of biodiesel in the diesel mix;

• Restoring 12 million hectares of forest by 2030 for multiple uses;

• Expanding the use of renewable sources, in addition to hydropower, in the total energy matrix for participation from 28% to 33% by 2030;

• Expanding domestic use of non-fossil energy sources by increasing the share of renewable energy (in addition to hydropower) in the supply of electricity for at least 23% up to 2030, including the increase in wind, biomass and solar.

• Achieving 10% efficiency gains in the electricity sector by 2030.

The main concern of industry regarding the application of the NDC refers to the effects of additional measures in its production chain, that can bring opportunities, but also economic and competitiveness losses. Studies carried out by the Brazilian Confederation of Industry (CNI) revealed that investments of about US$ 85 billion are needed to implement the additional measures of the Brazilian NDC in the electric energy sector. Similar numbers are estimated for investments by the sugar energy sector (US$ 38 billion). According to the study developed by the Inter-American Development Bank (IDB), a mobilization of investments in the order of US$ 240 to $256 billion would be necessary to implement Brazil’s NDC.

The Brazilian industrial sector has been developing initiatives to make their products and processes more efficient and with reduced consumption of natural resources. Brazilian industrial sectors have lower GHG emissions compared with other economic sectors in the country.

The 3rd National Communication of Brazil to the United Nations Framework Convention on Climate Change indicates that the industrial sector accounts for about 7% of GHG emissions of Brazil, disaggregated from the energy matrix. The low GHG emissions, compared to world standards, represents an opportunity for Brazilian industry to offer solutions to combat climate change.
CNI, in partnership with Brazilian government represented by the Ministry of Industry, Foreign Trade and Services (MDIC), recommended strategies to implement and finance Brazil’s NDC based on an integrated analysis of their impacts on the industrial chain. For this, it was necessary to understand the impacts, vulnerabilities, risks, costs and benefits of the proposed measures. In addition, efforts should be made to create a positive agenda focused on seizing the opportunities that could arise from the consolidation of a low emission carbon economy in the industrial sector, increasing its efficiency, competitiveness and employment and income generation for the population.

The strategies recommended to implement and finance the Brazilian NDC in the industrial sector relate to 7 pillars: i) Governance; ii) Financing; iii) Competitiveness; iv) Technology and Innovation; v) Energy; vi) Forestry; vii) Adaptation to Climate Change. Main recommendations for each are set out below:

**Pillar 1: Governance**

1. Consolidate a new model of climate change governance in Brazil.

**Pillar 2: Financing**

2. Existing financial mechanisms for low-carbon development should be strengthened.

3. International partnerships to finance the transition to a low emission carbon economy in Brazil should be developed through bilateral and multilateral agreements.

**Pillar 3: Competitiveness**

4. Compensatory measures for carbon and energy intensive sectors exposed to international trade should be introduced.

5. The National Policy on Climate Change (PNMC) should be reviewed to consider the entire economy.

6. Investments should be made in infrastructure and logistics with the aim of integrating value chain links and mitigating climatic risks.

**Pillar 4: Technology & innovation**

7. Emission mitigation technologies aligned with Brazilian technical, economic, political and institutional contexts should be adopted.

8. Industry’s access to and participation in financial resources should be streamlined to foster investment in low carbon technologies.

9. Funds from future carbon pricing mechanisms should be allocated to Research and Development (R&D) actions.

**Pillar 5: Energy**

10. Programs to train companies on efficient energy management should be created.

11. Climate, energy and waste and by-products policies should be updated in an integrated manner to ensure access to low cost energy and supply security.

**Pillar 6: Forestry**

12. Initiatives should be promoted to integrate links in the value chain.

13. Barriers should be removed and the business environment in Brazil should be improved for implementing reforestation and sustainable forest management activities.
Pillar 7: Adaptation to Climate Change

14. Infrastructure that is more resilient to extreme climate events should be implemented.

15. Incentives should be created to increase the ability to manage and prevent risks in areas most vulnerable to extreme climate events.

Other Relevant Questions Related to the Climate Change Aspects in Brazil:

- The Brazilian Ministry of Finance, in partnership with World Bank and economic sectors, have developed a study to verify the feasibility of implementing carbon pricing instruments in the country (PMR project). The scope of the industrial sector in the project involves cement, steel, chemical, glass, aluminium and pulp and paper sectors.

- The Brazilian government is updating its climate change policy governance with the objective to work in concert with the Paris Agreement model.

- The Brazilian Ministry of Energy and Mines has worked together with the private sector, universities and other areas of Brazilian government to implement a program to reduce GHG emissions, mainly in transport sector, called RENOVABIO. The program seeks to implement and incent increasing uses of biofuels (ethanol and biodiesel) to replace fossil fuels in the vehicles and trucks.

COLOMBIA

As it implements its NDC, Colombia’s government engages business on the design and implementation of domestic, business sector specific policies and regulations as well as public-private partnership initiatives. Colombia has “Sector Action Plans” for different sectors of the economy where private sector initiatives have been identified to contribute to the NDC. This includes mitigation potential per sector and actions recommended for implementation. However, quantitative targets and responsibilities per sector (transport, industry, energy, mining, agriculture/land use, among others) are not officially distributed. According to commitments at COP21, the Government of Colombia, as an entity, is supposed to account for 20% of CO2 national target reductions; quantitative targets for enterprises or business sectors have not yet been decided. Colombia is also involving the business sector in consultations for developing cooperative efforts with other nations. This includes seeking business views to assess opportunities for and to establish:

- Markets for carbon trading
- Technology cooperation and transfer
- Development assistance
- Adaptation/resilience-related public private partnerships or investment schemes

In terms of its engagement in the broader UNFCCC process, Colombia has sought business views from sectoral groups to inform its position on the Paris Agreement “rule book” for information necessary to understand NDCs and the transparency process to report and assess national progress and comparability of effort.

In assessing and reporting on national progress towards achieving the NDC, Colombia’s Ministry of Environment and Sustainable Development organized a public consultation about the national MRV guidelines as well as the registration system to report actions contributing to NDCs from different stakeholders including the business sector. This initiative is not an open discussion. The process includes a regulation proposal, a call for comments on the proposal during a 10-day window, followed by a government decision on the outcome of
the proposed regulation. It is possible to request a meeting with the Ministry during this consultation process, but such a meeting would need to be initiated by a company or an association; the government would not do the first outreach. In the view of ANDI, the consultation process was more active prior to the Paris Agreement than it is now.

Overall, business involvement in climate change is growing in Colombia. There are at least three NAMAs in Colombia promoted by the business sector. Green bonds have also been expanded as a result of promotion by enterprises and the financial sector. Interest is growing regarding the use of alternative energy sources, but it’s necessary to strengthen and improve the effective implementation of incentives already promoted by the government. In the past, it has been difficult to turn incentives into real outcomes that are responsive to business interests. New projects regarding energy efficiency, biodiversity, water protection and new technology investments are also cropping up, which could contribute to NDC implementation (both mitigation and adaptation). The major concern for Colombia’s business sector is potential impacts of NDC implementation on competitiveness of Colombian enterprises given Colombia’s comparatively small contribution to global CO2 emissions, particularly if there is not an equal effort put forth from both developed and developing economies.
INTERNATIONAL FINANCE CORPORATION (IFC) EXAMPLE: INNOVATIVE APPROACH TO UNLOCKING PRIVATE INVESTMENT FOR NDCS PILOTED IN CÔTE D’IVOIRE

**Côte d’Ivoire’s** NDC pledges to reduce its greenhouse gas emissions by 28 percent, in part by achieving 42 percent renewable energy generation by 2030. Underpinning this strong energy-sector NDC goal is significant renewable energy resource potential, an identified project pipeline across solar and biomass and hydro, supporting policies and processes, and a network of interested stakeholders. However, the private sector has so far not been able to invest in the sector at the level required to meet the government’s ambitions.

IFC analysis indicated that Côte d’Ivoire’s renewable energy goals represented a $9 billion investment opportunity. In an effort to convert this potential into active investments, IFC initiated an innovative collaboration with Côte d’Ivoire’s Ministry of Petroleum, Energy, and Renewable Energy Development, to develop enabling conditions that effectively integrate the needs of the private sector. Together, IFC and the Ministry took a practical “Roadmapping” approach to identify technology-specific hurdles and develop solutions to overcome them.

The six-month process led by IFC and the Ministry convened over 100 stakeholders in a series of structured solutions-based dialogues. Stakeholders self-selected to consistently participate across six working groups: hydropower, biomass, variable generation (solar and wind) broken down into utility-scale, off-grid, and mini-grid/distributed generation, and finally the cross-cutting category of finance, policy, and regulation. Participants represented relevant government agencies, large and small private sector actors from across the energy ecosystem, banks, development finance institutions, industry associations, and civil society. These dialogues achieved the three-pronged goal of identifying relevant stakeholders, supporting conversations where they had often never happened before, and capturing challenges and solutions related to specific renewable energy technologies.

These targeted solutions were documented in a report, “Unlocking Private Investment: A Roadmap to achieve Côte D’Ivoire’s 42% renewable energy target by 2030”. This practical approach to jointly identify and prioritize the necessary steps, has helped to improve alignment across the public and private sector on scaling up investments in the sector. The Ministry has indicated that it will use the Roadmap to inform the renewable energy sector strategy it is developing. Project developers and private energy companies have signaled their strong interest in the sector; they recognize the business opportunity and that capitalizing on this can support meeting the government’s NDC commitments.

As the project moves into its next phase, IFC is supporting the development of a platform for continued engagement with the private sector, which includes an information portal and a network of working groups for productive interaction between stakeholders. The long-term goal is to establish a robust renewable energy industry association that effectively advocates for the private sector and works closely with the government to develop new policies.

The most powerful takeaway from this experience in Côte d’Ivoire was the benefit of undertaking the process itself, which demonstrated that NDCs represent a key entry point for stakeholders to collaborate towards a specific goal. While there is no one size fits all model for ensuring private sector engagement to deliver on NDC goals, this targeted model has proven to be one approach that can develop sector/technology specific solutions that businesses can relate to. Replicating this Roadmap approach of identifying investment opportunities that support NDC goals, figuring out market resource gaps, and working to provide this information through collaboration with the private sector, is an imperative as the world works to make the Paris Agreement a success.
Côte d’Ivoire’s NDC Goals By 2030:

- Decrease GHG emissions by 28%
- Source 42% of electricity from renewable energy sources
  - 26% Large hydroelectricity
  - 16% Solar, biomass, small hydroelectricity, wind
- 8.5% / year = annual real growth rate from 2012-2015
- 7% = expected average growth rate from over next three years
- 2,199 MW = installed generation, third largest in West Africa

- 10,000 GWh = 2016 gross electricity generation
- 6,400 GWh = 2016 power consumption (net of energy losses and exports)
- Energy mix
  - 73% natural gas IPPs
  - 27% hydro
  - 4% oil
- $9 billion estimated investment opportunity associated with achieving 42% goal

References:

2 IFC, 2018
3 Ibid
As India implements its NDC, the Indian government engages business on the design and implementation of:

- business sector specific policies and regulations
- public-private partnerships.

Such actions are not only to strengthen the NDC, but also to develop and pursue a low carbon economy through climate change mitigation and adaptation techniques for making the country climate resilient and a safe place to dwell for future generations.

India is also involving business in developing “cooperative efforts” with other nations, including seeking business views to assess opportunities for and establish:

- markets for carbon trading, including offsets
- technology cooperation and transfer
- development assistance
- adaptation/resilience-related public private partnerships or investment schemes

In addition to carbon, water is another core area for business to government (B2G) cooperation. This includes water treatment, water conservation, accessibility.

In developing its position on the Paris Agreement “rule book” for information necessary to understand NDCs and the transparency process to report and assess national progress and comparability of efforts, the government of India is seeking views from sectoral business groups, multi-sectoral business groups, and engages frequently with the business community. There is not, however, a process to consult with business in assessing and reporting on national progress towards achieving the NDC.

The government of India seeks views from sectoral business groups, multi-sectoral business groups and engages frequently with the business community. This engagement is a normal part of consultation with business on international matters, and is not necessarily specific to the climate process.

Pathways and mechanisms for implementing the India NDC remain under development, but the consultation process for Talanoa Dialogue has been initiated.

The Japanese NDC has an industrial sector target, addressed through voluntary action of the Japanese business community. Every year, the Japanese government reviews industry’s initiatives in a Plan, Do, Check, Act (PDCA) cycle, “Commitment to a Low Carbon Society.” This pledge-and-review system is viewed as the central role for industry in the Japanese “Plan for Global Warming Countermeasures” (the Action Plan for Japan’s 2030 NDC).

115 major industrial associations – including electricity; oil and gas; iron and steel; chemicals; electronics and machinery; and automobiles – have been seriously tackling climate change through their action plans as defined in their “Commitment to a Low Carbon Society” for 2020 and 2030. The Japanese government has also convened dialogues with industry as important stakeholders in the process of defining and deciding energy and climate policy.

Japan’s overall “Plan for Global Warming Countermeasures” includes policies specifying innovative
Industry’s PDCA cycle
(Commitment to a Low Carbon Society)
and review by the government

1. Plan
   - Pledge their target by themselves every sector.

2. Act
   - Implement along with their action plan

3. Check
   - Examine and review the progress by independence committee

4. Action
   - Review their action plan and make more ambitious target in case.

Submit report
Reviewed by the governmental Committee every year

Review Process of Keidanren’s Action Plan
The assessment of progress is conducted every year.
The overall performance is publicized by Keidanren Secretariat.

Examples of 2030 reduction target

<table>
<thead>
<tr>
<th>Company</th>
<th>Target indicator</th>
<th>Standard year</th>
<th>Target reduction level for 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan Iron and Steel Federation</td>
<td>CO₂ emissions</td>
<td>BAU</td>
<td>▲ 9 Mil t-CO₂</td>
</tr>
<tr>
<td>Japan Chemical Industry Association</td>
<td>CO₂ emissions</td>
<td>BAU</td>
<td>▲ 2 Mil t-CO₂</td>
</tr>
<tr>
<td>Japan Paper Association</td>
<td>CO₂ emissions</td>
<td>BAU</td>
<td>▲ 2.86 Mil t-CO₂</td>
</tr>
<tr>
<td>Japan Cement Association</td>
<td>Energy consumption per unit</td>
<td>2010</td>
<td>Less than ▲ 49 MJ/t-cement (more than ▲ 1.4%)</td>
</tr>
<tr>
<td>Liaison Group of Japanese Electrical</td>
<td>Energy consumption per unit</td>
<td>2012</td>
<td>▲ 16.55% or more*</td>
</tr>
<tr>
<td>and Electronics Industries for Global</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warming Countermeasures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Japan Automobile Manufacturers Association,</td>
<td>CO₂ emissions</td>
<td>1990</td>
<td>▲ 38%</td>
</tr>
<tr>
<td>Japan Auto-body Industries Association</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Electric Power Council for a Low Carbon</td>
<td>CO₂ emissions per unit</td>
<td>–</td>
<td>About 0.37 kg-CO₂/kWh</td>
</tr>
<tr>
<td>Society</td>
<td>CO₂ emissions per unit</td>
<td>BAU</td>
<td>▲ 11 Mil t-CO₂</td>
</tr>
<tr>
<td>Petroleum Association of Japan</td>
<td>Energy consumption</td>
<td>BAU</td>
<td>▲ 1 Mil t-CO₂ kl</td>
</tr>
<tr>
<td>Japan Gas Association</td>
<td>CO₂ emissions per unit</td>
<td>1990</td>
<td>▲ 89%</td>
</tr>
<tr>
<td></td>
<td>Energy consumption per unit</td>
<td></td>
<td>▲ 84%</td>
</tr>
</tbody>
</table>
technologies, how to foster R&D, improvements in energy efficiency, introduction of renewables, and increasing efficiency of coal-fired power among others. Business was consulted in creation of the Plan:

The Japanese government has set a mid-term target for a 26% reduction in GHG emissions by fiscal year 2030 compared to fiscal year 2013, as well as a long-term vision, which aims to reduce GHG emissions 80% by 2050 compared to 2013.

The long-term vision has three pillars, that focus on reduction of GHGs while stimulating economic growth via the development of innovative technologies through business-government-academia collaboration:

1. **International contributions via technology transfer**: Japan recognizes its ability to share with the global community its advancements in low carbon technologies, and in the process, facilitate economic growth and innovation in Japan. Japan also facilitates technology transfer through public finance schemes involving ODA, JBIC (Japan Bank for International Cooperation), and JCM (Joint Crediting Mechanism). However, only JCM has been recognized as a country contribution.

2. **Global Value Chains**: Japan sees value in broadening the view of GHG reductions from reduction only in factories to reduction throughout product lifecycles (value chains). Japan’s eco-system of industries have been creating innovative, high-performance products and technologies for use throughout the whole value chain. By aiming to reduce emissions throughout product lifecycles, Japan predicts a potential scale of reducing emissions could be greater than or equal to 1.0 B tCO2 in 2020 and 1.6B tCO2 in 2030 globally (based on 7 industries: Steel, Chemistry, Electrical and Electronic, Automobile, City Gas, Power, Papermaking).

3. **Innovation**: Japan views innovation as the key to acting against climate change without sacrificing economic growth. Japan formulated a “National Energy and Environment Strategy for Technological Innovation towards 2050” (NESTI 2050), identifying technological fields with the largest potential impacts on emission reductions. Japan will develop roadmaps for 10 of the identified fields and establish a platform to identify the bottlenecks under industry-academia-government collaboration. Based on the target fields of NESTI 2050, Japan estimates a potential reduction of several billion tons of CO2 globally, up to a 10-billion-ton reduction.
MEXICO

Mexico engaged with its business community on a sectoral basis, including through the Green Climate Fund, and with a business consultation with Mexico’s Minister of Finance for guidelines towards achieving the NDC of Mexico. Other consultations with Mexican business groups have focused on measurement and technical issues, such as developing obligatory reporting for companies that produce more than 50,000 tons of CO2 for sectors including cement, iron, paper, beverage, and construction.

One of the priorities of Mexico’s current administration is to launch a pilot program on carbon markets, and while the private sector has been involved in a consultative process for this, as well as in capacity building for carbon markets, more clarity is still needed on how Mexico’s carbon tax will fit together with international carbon markets and trading.

MOROCCO

Climate policy and NDC implementation in Morocco tends to be either subordinate or embedded within other policies that prioritize jobs and economic growth. The Moroccan business group, Confédération Générale des Entreprises Du Maroc (CGEM), plays the main coordinating role for interactions between the private sector and the Moroccan government. As in most countries, there are certain companies in Morocco that are better at adapting to climate change and to new climate policies than others, and thus have become “climate champions.”

Finding that the most effective means of interacting with the private sector will depend on engaging these “climate champion” companies while simultaneously consulting with all CGEM members, this tends to be the method for business-government consultations. Coupling the groups ensures speed as the climate champions are eager and able to engage quickly, while CGEM offers a broader range of sectoral and company contributions. Morocco’s informal sector is roughly 50%, making it challenging to engage them in formal structures. The main goal of government is to bring this population out of informality; climate change has not yet been a factor in interacting with the informal business sector.

NEW ZEALAND

New Zealand went through a change of government at the end of 2017, and the current administration has made climate change a priority. There are three major aspects of domestic policy that relate to NDC implementation. The principal focus is to prepare a zero-carbon act – a piece of legislation that would set a long term (around 2050) goal to bring New Zealand to a zero-carbon future. Alongside that, there will be an independent climate commission to provide advice to government on a series of carbon budgets that would work towards achieving the 2050 goal. While the commission has not yet been formally introduced, it will likely represent a cross section from business, academics, and other key players in the space, appointed by ministers to provide independent advice.

The second component of the New Zealand’s domestic climate policy is the development and implementation of an emissions trading scheme (ETS), which is regularly reviewed and adjusted to ensure that it’s a useful tool that is fit for purpose to deliver on the government’s goals. At present, the ETS does not have a cap, and it is currently closed to trading. Generally, the goal is to apply a cap as high in the value chain as is possible, with an exception being for the Agricultural sector, where it makes more sense to implement a cap at the farm-level. There are, however, socio-economic issues with capping at the farm-level that leave questions yet to be answered for how best to proceed with a cap on the agricultural production sector.
A second lingering question for the New Zealand ETS is what might be done to expand beyond current coverage; any expansion would presumably occur in a sector-by-sector capacity. Another priority for New Zealand’s domestic climate policy centers on just transition. No legislation has yet been passed on just transition, but it will be looked at from both a sectoral and an all-of-economy perspective. There is and will continue to be public consultation, including with business, on all of these regulatory approaches. There will be a two-month period in the middle of 2018, which has been well-signaled to stakeholders, to provide feedback and consultation on the zero-carbon act and climate commission. The consultation includes written submissions, meetings that are stakeholder-wide that take place throughout the country as well as some targeted engagement, which would normally always include business.

**NORWAY**

In Norway’s implementation of its NDC, the government engages business on the design and implementation of:

- business sector specific policies and regulations
- public-private partnerships

In general, informal contacts, papers and positions are the main source of business advice to government. There are a few existing B2G partnerships, and there are negotiations with the government in order to establish a CO2-fund for transport (tax recycling), such as already exists with NOx.

Norway is involving business in developing “cooperative efforts” with other nations to assess opportunities for:

- markets for carbon trading, including offsets
- technology cooperation and transfer
- development assistance
- adaptation/resilience-related public private partnerships or investment schemes

This involvement is conducted via informal dialogue.

The consultation process with business in assessing and reporting on national progress towards achieving the NDC is incorporated in national policy, as well as effort sharing with the EU. Engagement is a normal part of consultation with business on international matters.

Overall, the government has set targets and business informs policy-makers and identifies technological barriers and missing incentives.

**RUSSIAN FEDERATION**

The Russian Federation Government’s interaction with business to pursue climate change actions takes various forms.

Active discussions are underway and ongoing with the Russian Union of Industrialists and Entrepreneurs, the largest Russian association of employers, within its Committee on Ecology and Environment Management. The Committee provides the Government with private sector recommendations aimed at improving the legislative
and regulatory framework in the fields of environmental protection, climate change mitigation and adaptation, and advancing comprehensive policies and smart technologies to cut GHG emissions.

Another platform to pursue the Paris Agreement implementation is the ‘Climate Partnership of Russia’ formed by Russian companies to consolidate business community efforts to mitigate environmental impacts and help prevent climate change.

Russian companies recognize that it is crucial to shift the focus of business community towards a low-carbon, “green” economy, and they are working to ensure their products comply with the best environmental and carbon emission standards.

The “Climate Partnership of Russia” is engaged in continuous consultations with various government bodies regarding the challenges and opportunities of climate policy in Russia. These consultative processes include interactions with the Supreme Ecological Council of the State Duma (the lower chamber of the Russian Parliament) on the issues of legislative framework to cut GHG emissions and with the Ministry of Economic Development of Russia on facilitating the country’s transition to a low carbon economy.

**SOUTH AFRICA**

As in Morocco, the South African government’s primary aim is to reduce poverty and inequality, but to do so in a sustainable way. The South African NDC takes an economy-wide approach to addressing climate change. The NDC predicts an emissions peak in 2025, then allots 10 years for a plateau in emissions, followed by a decline. The estimated figures for peak emissions and declines are given in a range, which corresponds to mandatory carbon budgets assigned to companies producing 100,000 tons or more of greenhouse gases (GHGs); companies that emit below this threshold are able to participate in the carbon market on a voluntary basis.

South Africa has instituted a carbon tax, which is to be implemented if companies don’t meet their respective carbon budget within five years. Under the tax legislation, companies were required to submit “pollution prevention plans” by December, indicating how they intend to meet their carbon budget within the five-year timeline. The carbon tax would be administered by the treasury ministry, not the environment ministry. Because the Treasury Ministry is not as accustomed to stakeholder consultation as the Environment Ministry, there was an acclimation and learning period, but it has generally been responsive in consulting with stakeholders.

The development of the carbon tax had to pass through a joint-hearing of the South Africa Parliamentary Committee on Finance and the Parliamentary Committee on Environment in which 26 presentations were made by academia, civil society, and business stakeholders to explain how the tax could impact economic growth.

Other domestic legislation was promulgated in 2017 and made reporting on all 6 GHGs mandatory. While larger companies were already reporting anyway, the new legislation mandates smaller companies to report as well. South Africa’s domestic legislation on reporting is all designed to fit into the international process of reporting, asking the question, “what will be reduced, by when?”

To consider their mitigation strategy, the South African government set up a technical working group, which included a cross-section of companies – mostly associations from chemicals, energy and mining sectors – for a potential analysis study. Each sector provided the technical working group with growth plans (protected by confidentiality agreements) before the NDC was developed, then the government developed a mitigation plan based on the private sector’s projected business growth and their own mitigation plans. The South African
environment agency led the group, but it included all relevant government departments, including energy, transport, trade and industry.

Broadly speaking, developing countries seem to be seeking better information on means of implementation so they can plan their long-term responses.

SWITZERLAND 🔴

The Swiss Federal Act on the Reduction of CO2 Emissions (The Federal CO2 Act), which was implemented by the Confederation, represents legislation that is specific to climate policy. It is at the core of Swiss climate legislation and has been updated several times, including for meeting Swiss commitments under the UNFCCC.

Article 1 of the Swiss Federal CO2 Act defines its aims:

“This Act is intended to reduce greenhouse gas emissions and in particular CO2 emissions that are attributable to the use of fossil fuels (thermal and motor fuels) as energy sources with the aim of contributing to limiting the global rise in temperature to less than 2 degrees Celsius.”

The two main sectors affected under the Act are heating fuels and road fuels. These sectors can fulfill their CO2 reduction commitments through caps and certificates, and companies that propose to the government their own self-mitigation strategy may be exempted from the carbon tax. The Act is presently in “Phase 2” for the period of 2012-2020. The revision as of January 1, 2013 set more stringent targets, measures and strategies to address climate change via emission reductions in Switzerland, including market-based carbon trading mechanisms, which can be linked to the EU ETS. The next step for the Act will be to move into a third phase, for the years 2020-2030 for implementing the Paris Agreement. The affected and relevant economic sectors remain engaged in consultations as the Federal CO2 Act continues to evolve.

REGION: EUROPEAN UNION 🇪🇺

The EU NDC stems from decisions made by EU leaders in October 2014. There are several pieces of legislation that combine to form the overall EU NDC:

- Emissions Trading System (ETS)
- Effort sharing regulations
- Energy efficiency
- Renewables
- Land-use, etc.

EU engagement with stakeholders on climate policy begins first with an online survey consultation. There is also a consultation specific to industry when drafting new legislation. A most recent example of this is the EU’s public consultation on its to-be defined long-term GHG emission reduction strategy, which was launched before the Summer of 2018. Once a proposal becomes public, the role of the European Commission changes to facilitate compromise. Consultations vary from in-person meetings to online consultations to meetings with high-level government representatives. Each piece of climate legislation has a review clause that coincides with global stocktake, and the EU is seeking further information and clarity on the global stocktake from COP 23’s Talanoa Dialogue and the IPCC special report.
In general, the EU doesn’t expect the use of international carbon markets to be a factor in achieving the EU NDC. The reduction of emissions in the EU must be done internally without involving credits or allowances from international carbon markets, yet internally, the EU ETS is key to achieve this reduction.

Countries like Switzerland and Norway are “takers” of the results of ETS because they’re not member states – hence they’re not involved in the consultation.

While the EU NDC is comprehensive and applicable to all EU member states, each country creates its own strategy for lowering its emissions. There is a single objective of GHG reduction at EU level and there are individual objectives or targets for the ETS and non-binding sectors. In these last sectors, EU members are not free to fix their targets. They are set at EU level (for example, in the case of Spain, emissions from non-binding sectors in 2030 must be 26% below those of 2005). Strategy to meet reductions in these sectors are up to the member states, but there is a Governance Regulation to guarantee coherence and compliance both at national and community (EU) level.

In France (an EU member), the government has introduced specific consultative bodies with the participation of civil society to take its position in the elaboration of legislative and regulatory proposals related to sustainable development. French business group MEDEF is a member of:

- the Economic, Social and Environmental Council,
- the National Council on Ecological Transition, and
- the Committee on Green Economy, which assesses the efficiency of green taxation, economic schemes to address environmental issues

These bodies prepare opinions on major regulations and pieces of legislation. Moreover, specific steering groups are implemented to consult stakeholders, including business, in the implementation of national energy and climate policies, which are part of France’s contribution to the EU NDC. These steering groups include:

- the steering group on “Programmation pluriannuel de l’énergie” and
- the national low-carbon strategy

The German government (an EU member) engages business on design and implementation of business sector specific policies and regulations as well as all of economy policies and regulations as it strives to implement its NDC. It is also involving business in developing cooperative efforts with other nations, specifically markets for carbon trading and technology cooperation and transfer.

In developing its position on the Paris Agreement “rule book,” Germany seeks views from multisectoral business groups. Their engagement with the business community is frequent as also is their engagement in seeking business views on issues that should receive attention as part of the Talanoa Dialogue and future stock takes to assess progress and inform development of future NDCs. Engagement is a normal part of consultation with business on international matters, as opposed to the engagement being distinct to climate policy and process.

Domestic legislation in Poland (an EU member) is not distinct from climate policy, and though there is no framework dedicated specifically to climate policy, there are several government institutions with an interest in the issue. Consultation as part of the normal regulatory process is extensive in Poland. The legal system makes participation of businesses a necessary part of the legislative process; trade unions, chambers of commerce, and employers federations must be consulted throughout. If legislation gets passed without the proper consultation process, it could be challenged in the constitutional court.

Tri-partite dialogue, involving the government, trade unions and employers’ federations, is a normal part of Poland’s regulatory process. Employers’ federations are direct counterparts of the trade unions, and the two have similar rights as well as obligations.
In Spain (an EU member), the main climate-specific initiatives are related to the Spanish Green Growth Group and the Spanish Platform on Climate Action. These two initiatives are important examples of the implementation of the Marrakesh Partnership on Climate Action in Spain. Business interacts on these climate specific policies in addition to consultation that occurs in the context of routine legislative and regulatory processes, e.g., on energy and environment.

THE PORTFOLIO OF NDCS: ACHIEVING THE LONG-TERM GOALS

While nearly all nations have submitted NDCs, many do not describe the policies they will use to achieve stated goals. Thus, over time, many NDCs will need to be revisited, updated, and clarified. Goals that are not based on economy-wide outcomes—and even some that are—lack clarity on metrics to evaluate outcomes. Moreover, few NDCs provide any information on finance: neither the amounts to be supplied nor how they will measure concepts such as “mobilizing” from public and private sources. BizMEF members encourage all nations to engage business, academia, and other stakeholders to provide informed input concerning NDCs, their environmental, economic and social consequences, and progress to achieving goals.

Comparability of Effort

In the “pledge and review” approach to climate policy under the Paris Agreement, increased attention should be directed towards comparing mitigation efforts among comparable countries. Comparisons are likely to involve consideration of specific sectors rather than whole-of-economy metrics, since competitiveness concerns tend to be more sector specific. The UNFCCC, national governments and stakeholders, including businesses, want to know: (a) if and how peer countries are or will undertake comparable efforts to GHG emissions mitigation, and more importantly, (b) if the aggregate effort across the whole portfolio of NDCs is adequate to achieve the 2 degree goal, which, at present, it does not.

According to the Asociación Nacional de Empresarios de Colombia (ANDI), a BIAC Partner organization, a major concern for Colombian business is their small contribution (less than 0.46%) to global CO2 emissions, and the competitiveness impact for Colombian enterprises if there is not an equal effort from developed and developing economies.

In their 2017 article, “Beyond headline mitigation numbers: we need more transparent and comparable NDCs to achieve the Paris Agreement on climate change,” Pauw et al., explain their NDC Explorer, an online interactive database of all current INDCs (N = 165) and NDCs (N = 133).

They propose that increased comparability of INDCs and NDCs can serve at least three purposes. “First, it reveals some of the weaknesses of the scope and content of NDCs, including the omission of important mitigation sectors and the limited focus on assessment and review. Second, it can support civil society to hold governments accountable for implementing NDCs. Third, increased transparency can help actors such as development banks and climate funds to check whether their climate projects address the NDCs and to mainstream climate change in the broader project portfolio.” This third point can also be extrapolated from green/development banks and climate funds to the business community, particularly to MNEs that must comply with the entire portfolio of country mitigation commitments.

BUSINESS & THE FULL PORTFOLIO OF NDCS

Leading representative business organizations include many multinational companies doing business in sectors and nations that are critical to the long-term success of the Paris Agreement. Their experiences, understanding and insights are relevant, bearing in mind that companies are exposed not just to consequences of a single NDC, e.g., in the nation of their corporate headquarters, but also to the implications of the entire portfolio of current NDCs in nations around the world, and to the development of national progress reports and
Companies are exposed not just to consequences of a single NDC, e.g., in the nation of their corporate headquarters, but also to the implications of the entire portfolio of current NDCs in nations around the world, and to the development of national progress reports and future policies. Companies will, indeed must, respond to NDCs as implemented.

Firms with global reach are also essential actors in efforts aimed at innovation to develop and deploy advanced technologies across the globe. As a matter of routine, planners and management seek to understand and account for the likely impact of policies and changing technologies and other key market conditions (not just climate policies) on their own operations, investments, supply chains and customers across the globe. This is especially relevant in sectors such as energy, transport and land use with long planning horizons and expensive, long-lived capital investments and needs for compatible, evolving public and private infrastructure.

**INFORMATION NEEDS IN THE PARIS AGREEMENT: A PUBLIC-PRIVATE SECTOR INTERSECTION OF INTEREST & EXPERTISE**

Any assessment of progress ought to begin with a clear understanding of the agreement undertaken and objectives to be achieved. However, much of the “transparency framework” remains to be clarified in the Paris Agreement because of the incomplete nature of the Paris Rulebook at the time of this writing, and the diverse nature and contents of current NDCs.

Development of the transparency process and other key frameworks will allow not only national governments and negotiators, but also elected officials, citizens, taxpayers and others to understand the commitments undertaken on their behalf and to contribute to assessments of progress and ways forward. In this context, the basis for NDCs and national progress reports should evolve to a more common format so national efforts are clearer and can be more readily compared. Moreover, additional information is essential to assess national commitments and efforts in key areas besides mitigation (a primary focus of most developed nations’ NDCs) and to understand how various mechanisms and opportunities, will work in practice, especially those that may govern cooperative actions and GHG markets. Going forward, the range and types of future information needs will be far greater than those in place today. This provides an opportunity for continuous improvement that can better clarify outcomes and expectations and align nations.

NDCs are diverse in format and content; even if not explicitly stated, of necessity, they will reflect national priorities and circumstances. While NDCs of developed nations were required to specify mitigation outcomes on an economy-wide basis, they were not required to follow any particular guidelines, e.g., with respect to baselines, timeframes, or specific policies to achieve outcomes. Nor do NDCs describe many important assumptions that underpin their pledges.

NDCs of developing nations have no common template. Consequently, they exhibit a wide range of choices with respect to mitigation, for example in terms of improvements over an unspecified business as
usual projection, or efficiency improvements in specific sectors. Going forward, this complicates the task of understanding if progress is on track, especially if key conditions change that may have been critical to achieve the stated goals, e.g., recessions, unanticipated disasters that affect key sectors, or the introduction of unexpected technologies.

Notably, the Paris Agreement itself states that national actions and support are to be undertaken in at least five major areas: mitigation, adaptation, finance, technology transfer and capacity building (the latter three often referred to as means of implementation), with others still under debate to some extent, including loss and damage from climate change. However, by and large, NDCs, especially of developed nations, focus on mitigation and spend little or no time on other actions or support, while developing nations have called for more clarity on all aspects of the Agreement. Thus, progress reviews should consider aspects besides mitigation, yet there is little basis to judge progress against stated goals, since they are absent from NDCs of developed nations. For example, collectively developed nations undertook a commitment to mobilize, by 2020, 100 Billion $US per year from public and private sources to assist developing nations. This phrasing is silent on burden sharing that would permit explicit assessment of commitments by each nation, as well as the total.

Besides information on NDCs, other key aspects of the Agreement require clarification. Article 6, which addresses the role of voluntary actions among nations including markets and some opportunities for “offset” projects remain to be determined. Whether they exist and how they operate can make an enormous difference in the economic efficiency of mitigation efforts, and the distribution of efforts among nations, economic sectors and businesses.

Going forward, the Agreement further calls for nations to develop and report new information, for instance, on investment pathways consistent with the Paris Agreement. This raises a thicket of challenges, especially with respect to burden sharing among nations in mitigation and finance, levels of financial aid that may be implied or required, and ways to interpret the implications of such information without any sense of the implied level of commitment inherent in the report. While this section focused on information to assess progress with international aspects, other information will be essential to judge progress against domestic goals and policies that may be legally binding.

5-YEAR CYCLES, TRANSPARENCY & THE GLOBAL STOCKTAKE: WHERE DOES BUSINESS FIT?

The Paris Agreement establishes a new process of 5-year cycles to measure and report domestic actions, assess global progress in the context of long-term goals and national efforts, and renew national commitments for future actions. This new dynamic makes clear that domestic actions will be in a constant state of scrutiny and assessment: first, on their own terms domestically; second, in the context of their implications for collective long-term goals; and third in comparison with the efforts of other nations, especially those deemed to be peers or key competitors, either overall or in specific sectors.

When coupled with the related efforts of the Intergovernmental Panel on Climate Change (IPCC) to develop special Reports and future full assessments, the overall processes of reporting, assessing and renewing effort will create a relentless set of drivers unlike those seen so far with the slow pace of action in the Kyoto Protocol and UNFCCC. As discussed below, these formal national and international procedures to inform the broader transparency discussions will be accompanied by additional informal activities undertaken by a variety of actors, including business, academics, think tanks and related institutions of various sorts, especially those dealing with economic development, energy and energy access, technology, agriculture, land use, resilience and adaptation.
Business will be both a consumer and a producer of relevant information to inform the transparency processes associated with the Paris Agreement. This would apply to the formal domestic and international processes now under development and ongoing informal processes in which business and other non-State Actors (NSAs) normally participate for important public policy processes. All are important for their own purposes and inform one another. They aim at building understanding of progress and confidence that nations are meeting their domestic and international obligations, are preparing to commit to and achieve future ambitious steps, and that comparable participants are making comparable effort.

In light of the limited progress to achieve long-term goals of the Paris Agreement embodied in initial NDCs covering the near-term through 2025-2030, transparency and related stocktaking procedures will be crucial to provide insight not just on progress but also on the potential for future actions, including barriers and opportunities. This will be especially so now in the 1st period with so much at stake, so little progress compared with the efforts required to achieve the long-term goals as set out in the IPCC Special Report on 1.5 °C.

Main recommendations from business with respect to the overall UNFCCC transparency process and the ways in which business can contribute:

- **Establish rules and procedures soon.** Business obligations, actions and opportunities under the Paris Agreement depend both on national legislation and regulations where we conduct business and on possibilities for international cooperation. The sooner national regulators and negotiators establish and clarify the rulebook and other foundations necessary for action, the sooner business can develop and prepare strategies and plans to meet our obligations in the places where we do business and adjust to these new obligations and opportunities. This is true not only for mitigation but in many essential areas such as reporting and markets.

- **Start with existing approaches and improve them based on experience.** Rules should build from decades of experience to develop and improve existing methods, such as those by IPCC to measure and report national and sectoral GHG emissions inventories, and those implemented by business to measure and report GHG emissions from facilities and operations. New methods will be required to address new concepts and commitments that are part of national obligations under the Paris Agreement (that may entail new reporting obligations for domestic businesses, as well as nations), such as those to “mobilize finance” and to improve performance with respect to “business as usual.” As with developing inventories, we encourage officials to proceed in steps allowing them to establish procedures soon using existing tools as possible and improve them based on experience, for example, through updates as part of the five-year cycles established under the Paris Agreement.

- **Involve business.** Business has valuable experience and information to inform domestic and international processes. Parties and the UNFCCC should encourage input and participation by business to inform these procedures and to help assess and improve them. BizMEF intends to continue our efforts to share experience and views through parallel activities and platforms that can inform negotiators, national governments, business and other non-state actors. In the near-term these include informing the 2018 facilitative dialogue and the review and update of NDCs.

- **Timing in reports and transparency.** The availability of properly vetted information to inform the official transparency framework and broader transparency regime for governments and stakeholders may not align with expectations or current practice. For this reason alone, informal process conducted by competent non-governmental entities will play an essential role. For example, official national inventories for a given year are typically not available until 16-18 months after year’s end, e.g., spring 2018 for year 2016. It will be important to account for these lags in five-year cycles to review and renew NDCs. This challenge provides an opportunity for business, academics and other non-state actors (NSAs) to contribute more up-to-date, relevant information on progress and trends that can help fill that void with authoritative, albeit unofficial input.
• **Contributing to progress assessments:** Business has important information and experience to contribute to assessments of national and global progress and options for future steps. Through reports, publications, workshops and dialogues, business (and other NSAs) can contribute information on trends and progress, e.g., in technology, finance, trade, investment, intellectual property rights, and provide perspectives that will inform governments and citizens. For example, many firms in the energy industry publish detailed global energy outlooks. They and representatives of major energy users routinely interact with institutions such as the International Energy Agency, the US Energy Information Agency, the International Renewable Energy Agency (IRENA) and the Organization of Petroleum Exporting Countries (OPEC) that prepare long-term energy outlooks. These experiences can also help to improve national efforts and the transparency framework under the Paris Agreement.

• **Methodologies for means of implementation.** 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, the NDCs of most developed nations do not provide information on their contribution of future financial 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 their 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 2020 when next pledges are due.

• **Markets, environmental integrity and double counting.** Done well, markets can provide an important mechanism to minimize the cost of mitigation and other efforts. However, rules must be consistent with efficient market principles, including to assure that emissions claims are reliable, and verifiable. Parties must develop ways to assure environmental integrity and avoiding double counting in mitigation efforts, especially through cooperative actions between nations. Issues that may give rise to double counting can be in the form of “double claiming” (whereby several signatories claim the same emission reduction to comply with their NDCs) and “double issuance” (whereby signatories register the same emission reduction under several mitigation mechanisms). 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 national procedures explicitly recognize and account for the actions of sub-national participants in international exchanges. Timely development of clear, efficient procedures will be necessary to assure integrity of markets.

• **Accounting for differences among nations.** NDCs provided a creative way for nations voluntarily to undertake contributions based on national priorities and circumstances, and to self-describe why their commitments were appropriate. Going forward, BizMEF appreciates that not all nations have adequate capacity now to adopt common MRV practices, or to assume NDCs of similar structure. We recommend that the Paris Agreement should actively seek to build capacity so that all nations can follow similar standards for MRV as soon as practical, and to evolve standards for NDCs leading to more clarity in pledges and ability to assess trends and outcomes to achieve them. This will be essential to promote transparency and for governments and stakeholders to assess comparability of efforts to address climate risks while taking account of differing capacities for action.

• **Long-term strategies to manage risks.** The Paris Agreement contains ambitious goals to limit climate risks (limiting global temperature rise, peaking national emissions as soon as possible, and achieving net zero emissions in the second half of the century) and invites Parties to communicate mid-century strategies for low GHG development. Achieving these goals will require transformational change in technologies, facilities, infrastructure, and supply chains across multiple sectors of the economy.
Is your government involving business in developing "cooperative efforts" with other nations to implement and strengthen the NDC?

Yes, my government is involving business in developing "cooperative efforts" with other nations: 14 respondents

No, my government is not involving business in developing "cooperative efforts" with other nations: 4 respondents

My government is not developing "cooperative efforts" at all: 2 respondents

Is your government seeking business views to assess opportunities for and establish (check all that apply):

- Markets for carbon trading, including offsets: 14 respondents
- Technology cooperation and transfer: 16 respondents
- Development assistance: 10 respondents
- Adaptation/resilience-related public private partnerships or investment schemes: 12 respondents
- My government is developing the above efforts, but not engaging business: 1 respondent
- My government is not developing any of the above cooperative efforts at all: 6 respondents
- Other: 6 respondents
Like Parties, business has an essential interest in assuring credibility and integrity of plans and actions in all nations. As well, business has significant experience and insight concerning both national and international transparency procedures and MRV, and of the magnitude of the effort required for rapid transformational change. For example, in many nations business are obliged to file reports on emissions and other activities, such as emissions trading, as part of national procedures. Business will be an essential participant in discussions concerning transparency, ways to enhance ambition to drive transformational change, and their potential consequences for the environment, economy, and society.

OPPORTUNITIES & CHALLENGES TO ACCELERATE LONG-TERM, GLOBAL, TRANSFORMATIONAL CHANGE ACROSS MULTIPLE SECTORS

At the national level for business, it is clear that NDCs and their review will need to reflect supply and value chains. In the next cycle of review of NDC implementation, it will be important to invite all-of-economy assessments, in addition to sector-by-sector breakdown and analysis. This must include the implications of the entire portfolio of NDCs as implemented, e.g., on investment and trade.

At the global level, the inclusion of regional reviews and an inclusive “bird’s eye” view of the NDCs as a joined-up system will most effectively provide the total picture of action to advance NDCs in their totality, rather than only looking at each NDC in isolation.

Transformational change at the scale and pace required to meet the long-term goals of the Paris Agreement will require massive, sustained investment in a wide variety of areas, most importantly in facilities and operations to produce, transform and deliver energy, major end-use technologies, and the infrastructure and support systems required to supply and use energy (as well as technology systems that enhance resilience and adaptation). In turn this will only occur if governments are prepared to impose credible, durable, long-term mitigation policies, e.g., a carbon price at a very significant level.

Efforts to assess the challenge of transformational change have primarily focused on the “mitigation gap,” i.e., the difference in projected emissions without additional actions and those judged to be consistent with long-term goals in the Paris Agreement. This provides some information on the scale and pace of required effort from an environmental perspective based on projections from climate and economic models over the next several decades. This would require literally tens of thousands of multi-billion-dollar investments annually for decades to come—most of which would need to be planned, financed, built and operated by the private sector. The effort required implies (roughly) a doubling of investment in energy supply and infrastructure from one trillion US$ per year to two trillion.

However, this does not address the scale of the economic, political and social challenges such an effort would entail. For example, over relatively short periods entire industries would potentially be phased out
or developed with enormous implications not only for “business” but also for its shareholders, employees, other firms and employees in supply and business chains, and for the communities where these businesses operate. Of course, opportunities may also arise for new businesses that are currently non-economic and would be stimulated into existence through public policies that create a variety of winners and losers (and consequently those that might oppose or support such changes).

For the private sector to undertake such groundbreaking and transformational investments, it will require confidence that they will generate an adequate, risk-adjusted rate of return and that activities to approve, construct and operate new energy and other infrastructure systems will be available in a timely fashion. It will also require confidence that proposed long-term policies are sustainable. Currently, that is simply not the case.

Opponents of various technologies and approaches find it relatively easy to delay authorizations and approvals through a variety of procedures. These include requiring approvals from numerous, independent authorities, each applying different criteria and judgements at different jurisdictional domains ranging from national to state and local. As well, in many parts of the world, even after decisions have been taken, legal challenges can slow down decisions for years. These procedural obstacles increase costs and make initial plans irrelevant. In such circumstances it can become extremely difficult, even for major corporations with the support of their governments, to undertake risky investments in currently non-commercial technologies, such as carbon capture and storage. With development planning and approvals taking so long, rules and procedures (and markets) can change even as projects are being developed, especially if there are changes in government, e.g., as a result of elections.

This is neither inherently good nor bad; it is part of existing procedures. Nonetheless, these circumstances and the multiple opportunities for procedural roadblocks make progress challenging. They also make it difficult to develop realistic estimates of mitigation costs when using economic simulations in computational models that incorporate optimistic assumptions about the state of technology and ideal, least-cost policy frameworks. Moreover, compared with incremental change in investments in a small number of sectors, major increases in investment in multiple sectors will introduce shortages in areas of limited capacity, e.g., for engineering design and planning of complex facilities or for manufacturing key components such as compressors. Such shortages could lead to inflation in project costs, delays in completion, and, in many cases, to suboptimal implementation because designs may need to be reworked to utilize available equipment rather than the right equipment.

Addressing such shortages and other constraints will require a suite of solutions, including increasing human and technical capacity, e.g., through education, but this takes time. To advance transformational change, it is vital to resolve or improve the situation for decision making in these circumstances. The challenges are complex and deeply political, and require consideration and open discussion.

Besides enhanced procedures for timely decision making and a clearer understanding of the relevance of idealized long-term economic models, numerous other factors should be addressed to build the capacity to accelerate transformational change. These include, for example, assuring that essential human capital and skills are available to underpin the effort required to plan, design, construct and operate advanced
technologies at a rate twice present capabilities, and around the globe especially in rapidly growing, currently relatively impoverished economies. This requires education, training, streamlined, enhanced legal frameworks for decisions and operations and improved management and accountability to assure successful outcomes. Fortunately, such skills and capabilities would also underpin the renewed focus on a sustainable development agenda across the board.

CONCLUSIONS

TRANSFORMING INSTITUTIONAL INFRASTRUCTURE INSIDE AND OUTSIDE THE UNFCCC SO THAT IT CAN TACKLE AND DELIVER RESULTS ON THE “WICKED PROBLEMS” OF CLIMATE CHANGE

“Because wicked problems affect multiple stakeholders, all constituencies must be represented—authentically—in the process...Those left out won’t contribute their valuable knowledge, and may even sabotage the solution.”

The question this report seeks to answer is: what institutional structures should be developed now so that the international community will be in a position to develop and undertake better informed long-term action towards the “wicked problem” of climate change and the transformation towards lower-carbon societies and commercial systems.

Part of that answer is to develop a practical, comprehensive, substantive interface with representative business and employers groups. This relationship should link and network with the consultative and working relationships at national and regional levels with governments in capitols and with their national business partners.

Changes in governance structures to integrate sustainability and climate change issues and work with business and other non-state entities will be necessary outside the UNFCCC as well. In 2019, the United Nations will conduct a series of high level meetings touching facets of international cooperation towards the 2030 Agenda for Sustainable Development: on financing for development, SDGs and climate change.

The necessary synergy and co-evolution of climate, economic and trade systems will not arise naturally; political will and effort will be required to anticipate, resolve and avoid problems. Member states that participate in multiple trade, economic and climate forums have the main responsibility to seek alignment and synergy across the WTO, UNFCCC and MEA structures, and here again, business can play an important role in bridging and connecting these processes with pragmatic experience and implementation.

Climate and trade are strongly interlinked. For example, climate criteria are now increasingly embedded into free trade agreements. The priority is to ensure a good coordination between the UNFCCC and WTO agendas to enhance deployment of cleaner technologies and energy, and to address trade impacts and reduce trade

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barriers that arise from significant differences in national mitigation objectives and policies, including market mechanisms and explicit or implicit carbon pricing.

The business community is at the heart of solutions and resources that will have to be mobilized across every sector, and in synergy with meeting other societal needs and wants. A dedicated platform for representative business organizations is a vital next step to increase both near- and long-term ambition and success towards the current UNFCCC and Paris objectives.

There are important lessons in the current NDCs and their implementation, as well as in existing UN and multilateral bodies that do consult and cooperate with business in a recognized manner. The Paris Agreement's first 5-year cycle, Talanoa process and global stocktake provide opportunities to engineer in and recognize major societal partners such as business, and build from first experiences in NDC development and implementation at the national levels.

The success of the UNFCCC process and the ability of the international community to mobilize for sustainable development will depend on ongoing and substantive dialogue and partnering with business via inclusive and collaborative multilateralism.

ANNEX I

PROPOSAL FOR A BUSINESS PLATFORM TO ADDRESS OPPORTUNITIES AND BARRIERS TO ACHIEVE THE LONG-TERM GOALS OF THE PARIS AGREEMENT: FROM JUST TRANSITION TO TRANSFORMATION (JTT)

The UNFCCC is moving to establish dedicated platforms for several important constituencies, such as women and gender, and indigenous peoples and local communities. In light of the 5-year cycle of NDC implementation, assessment, discussion and improvement, we believe a new structure for enhanced consultation and dialogue with business and employers is needed that can serve as a resource to governments on NDCs individually and collectively.

A central focus of a business platform on "Just Transition to Transformation" (JTT) would be to identify opportunities and barriers to accelerate long-term transformational change that will be essential to achieve the goals of the Paris Agreement. Elements associated with the consideration of “just transition” could be a timely starting point, since just transition matters clearly involve employers, shareholders, local and regional communities, along with labor organisations, and supply and value chains. Traditional, long lived relationships face major stresses during times of change, especially rapid change (see for example “Anchoring Long-Term Strategy in Near-Term Action,” Jacoby 2018). Over time, a dedicated JTT business platform could evolve to address other major concerns, e.g., development and deployment of advanced technologies, issues associated with obtaining essential permits and approvals across multiple jurisdictions, training and finance.

Business would play a central role in a JTT business platform: organizing and financing business participation, consulting with representative business groups for input and outreach on developments, liaising with other NSA groups, nations and Regional groups and the UNFCCC Secretariat to organize and conduct its activities.

The JTT business platform would connect with the networks of existing national, regional, and global representative employers, business and workers groups. It would also include major representative international business sectoral organizations.

The JTT business platform would provide representative business technical and operational expertise relating to greenhouse gas emissions reductions, energy efficiency, adaptation and resilience, technology innovation and deployment, investment and finance to strengthen and implement NDCs, both individually and collectively.
The JTT platform would also aim to build transition-relevant capacity and engage representative business and employers’ organizations in under-represented developing countries.

The JTT business platform would invite perspectives and inputs from:

- Workers organizations
- Local communities
- National governments
- Sub-national authorities

The JTT business platform would have the capability to respond requests from the UNFCCC and its subsidiary bodies for information and expertise. It would hold an annual dialogue with the UNFCCC associated with the annual meeting of SBs. It would also generate an annual report and recommendations addressed to the COP, and contribute to the 5-year cycle of review, assessment and renewal of NDCs.

Every 2 years, the JTT business platform could partner with UNFCCC to convene an implementation roundtable, that would bring GCF, CTCN, Adaptation Committee together with the Platform to identify priorities and gaps and highlight areas where coordinated cooperative action could deliver results.

The JTT Business Platform would not replace existing structures for business and industry observers and roles in the UNFCCC, its subsidiary bodies or associated bodies (CDM, CTCN, GCF, etc.) but rather synergize with them as appropriate.

The JTT’s secretariat would regularly liaise with the UNFCCC, and also with each of the recognized constituencies through their UNFCCC focal point and their self-standing institutional infrastructure.

If recognized, the JTT could

- Produce useful analysis that could inform the global stocktake every 5 years.
- Facilitate the representation and participation of business during the global stocktake
- Facilitate dialogues with the governments in the preparation of their next round of NDCs, taking into account the outcome of the global stocktake.

A first scoping phase could begin in 2019, to connect with experts in national governments, UN bodies including the ILO, and with representative business, employers, workers and subnational governmental organizations. The scoping phase would consider:

- Existing structures and models for consultation and dialogue
- Good governance practices
- Procedures for transparency and accountability
- Inclusiveness

The first scoping phase could engage with the COP24 Presidency and High Level Champions. The scoping phase would deliver recommendations to launch the platform at COP25, following a series of consultations with governments and stakeholders.
Implementing the Paris Agreement: Opportunities and Barriers to Accelerate Transformational Change: Business Workshop on October 10

Co-sponsored by Business at the OECD and the Major Economies Business Forum

The Major Economies Business Forum (BizMEF) and Business at OECD (BIAC) convened a workshop at OECD October 10. This Workshop engaged over 50 invited participants from business, governments, UNFCCC, OECD, IEA, academia, NGOs and think tanks to consider: Business Engagement in Implementing NDCs and the Paris Agreement.

The workshop addressed how business currently works with national governments and the international Paris Agreement processes, and considered ways to develop more productive interactions at the international level to promote progress as nations build the institutional infrastructure to report, review and renew pledges for action in five-year cycles.

The starting point of the Workshop discussions was this: true progress towards delivering UNFCCC and PA objectives will require transformational change at an unprecedented pace and scale, and that governments and business will need to work more closely to identify and find ways to overcome barriers and create opportunities for that to occur.

The first set of NDCs, most running through 2030, do not put countries on track to meet the current PA goals, let alone the more stringent constraints necessary to limit warming to 1.5 °C, as described in the just completed Special Report by the Intergovernmental Panel on Climate Change.

Achieving such unprecedented progress at adequate scale will depend on decisions taken by future governments around the world, but also on engagement and action by the private sector. Lowering the cost and increasing the range of options available to reduce emissions and strengthen resilience to climate risks will be essential in this regard; again, the private sector plays a central role.

The workshop addressed the Talanoa Dialogue questions:

1. Where are we? Experience in implementing NDCs & next steps,
2. Where are we headed? Perspectives on the Paris Agreement: Now through 2030 and Beyond, and
3. How to get there? Accelerating transformational change: opportunities and barriers.

The final session focused on BizMEF’s proposed platform for enhanced business interactions with the UNFCCC and PA with a focus on ways to accelerate progress. (The Agenda and available presentations are posted under the Events tab on the BizMEF web site.)

Workshop participants highlighted the following:

- **Policy integration and ongoing dialogue between government officials and business is vital to resilient and sustainable NDC implementation:** Several NDCs embed climate policy in a nation’s broader strategy for sustainable development with emphasis on employment, especially youth unemployment, empowering women and increasing the role of renewables in its energy mix. Many countries address their national energy and climate policy in tandem.

- **Timely and reliable information in the PA “transparency processes” now under development is critical to build trust among nations and stakeholders that nations are meeting their pledges and preparing to do more.** Business and other stakeholders typically share “common objectives” which could support positive partnerships among Agencies, business, NGOs, and others; trust deficits continue to be a stumbling block to this collaboration.
• PA longer-term outcomes will depend almost entirely on domestic policy development in the major emitting nations, and that will often occur independent of the international process. The fundamental nature of the “pledge and review” process requires leadership to build effective coalitions rather than top-down efforts to bring the whole world into a common approach. The focus should be on understanding the steps that have to be taken now to place nations in a position to deliver on longer term ambition.

• Enhanced consultation and substantive engagement of business can help the international community tackle disconnects between current NDCs and the capacity to achieve long-term strategies for stringent future national policy. The private sector requires clarity and substance from national policy-makers in order to plan, invest and implement long-term strategies. Serious efforts would be required to establish the policy infrastructure necessary to price carbon at a level that would be sufficient to deliver major emissions reductions. Other actions that require more attention include creating acceptable frameworks for Carbon Capture and Storage at large scale, and to address short-lived pollutants, such as aerosols and methane.

• Pragmatic domestic climate policies based on political and economic reality will be more credible and durable; business and industry is key to informing the development of such policies.

• Business is a leading source of the investments required to develop and deploy more efficient and advanced technology systems (technologies, facilities, infrastructure, supply and value chains and human capacity) that will drive transformational change. However, the criteria to marshal private sector investment would require confidence that investments will deliver an adequate risk-adjusted rate of return, and that necessary permits, infrastructure, supply and value chains and human resources would be available in a timely fashion.

• Policy-makers should work with employers to find ways to achieve a just transition for workers and their communities who face loss of jobs and displacement. These impacts and efforts to ameliorate them add considerably to the costs and efforts required to induce transformational change through government policy.

• The next step in the evolving role for business in UNFCCC as “observers” and on advisory boards would be to establish a dedicated platform for the private sector. Parties have established recognized platforms for some constituencies, e.g., women, indigenous peoples and organized labor, under the PA. Such a platform for business could help nations identify and overcome barriers to progress that currently limit successful implementation of ambitious climate policies. Business needs to continue to demonstrate the value of business involvement, which could address the skepticism and doubt about establishing a “recognized” platform for business.
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