

# Major Economies Business Forum

## on Energy Security and Climate Change



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## Major Economies Business Forum

### Building Foundations: Rules, Reporting, Progress Reviews and Implementation of the Paris Agreement

#### Key Messages

- **Establish rules and procedures soon.** Business need clarity and a predictable environment in which to make plans and investment decisions. It is important, therefore, that Parties to the Paris Agreement establish and clarify the rulebook and other foundations necessary for its implementation so that business can, where necessary, review and prepare strategies and plans to adjust to these new circumstances.
- **Start with existing approaches and improve them based on experience.** Rules should build from years of experience to develop and improve existing methods, such as those from Intergovernmental Panel on Climate Change for measuring and reporting greenhouse gas (GHG) emissions inventories. However, new methods will be required to address new concepts and commitments, such as those to “mobilize finance” and to drive improved performance with respect to “business as usual” by highlighting such things as technology deployment and system transformation. As with developing inventories, we encourage negotiators to proceed in steps allowing them to establish procedures soon 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 UN Framework Convention on Climate Change (UNFCCC) should encourage input and participation by business to inform, assess, and improve these procedures. BizMEF intends to continue efforts to share experience and views through parallel activities and platforms that can inform negotiators, 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.

## Introduction

It is important for business to understand fully the contours of the Paris Agreement. Last year before COP-22, BizMEF provided views and recommendations with respect to [Transparency, Measurement, Reporting and Verification](#) and future [GHG markets](#). We recognize that complete solutions to establish rules and procedures will take time and will need to be improved based on experience. This provides a useful opportunity to build foundations for MRV, transparency, and other procedures, e.g. for GHG markets, in stages, starting soon and improving them going forward.

## Rules, Reports and Assessing Progress

As an Agreement based on progressive voluntary contributions from all Parties, progress under the Paris Agreement must rely on trust among Parties and encouragement and support from stakeholders to take on ever more ambitious efforts. This will require credible, effective domestic and international procedures that provide timely information on national and overall progress of current and future efforts. Time to implement effective procedures is short: Parties agreed next year to conduct a facilitative dialogue

to assess collective progress and to agree on many aspects of the transparency process.

Some key issues to consider:

- **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 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 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 and provide perspectives that will inform governments and citizens. Experience can also help to improve national efforts and the transparency framework under the Paris Agreement. For example, BizMEF has undertaken a survey of ways that governments consulted with domestic business in preparing their NDCs, [published our experience](#), and organized dialogues (at recent [UNFCCC meetings](#) and the [Organisation for Economic Co-operation and Development](#)); these involved delegates from business, academia, negotiators, the UNFCCC secretariat and national governments to discuss national and global progress and business engagement.

- **Methodologies for Means of Implementation:** Parties have not yet agreed how they will measure means of implementation, which covers a range of issues. For example, the commitment by developed countries to mobilize USD 100 billion annually from public and private sources for climate finance by 2020 poses several difficult methodological questions. Technology transfer and capacity building are two other important issues that raise difficult methodological questions. Developing countries will be looking for better information on these items so they can plan their long-term responses. All of these have implications for business, and it will be challenging to resolve these issues by 2020 when next pledges are due.
- **Environmental Integrity and Double Counting:** 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.

- **Accounting for Differences Among Nations:** NDCs provided a creative way for nations voluntarily to submit 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. We recommend that the Paris Agreement should actively seek to build capacity so that all nations can follow appropriate standards for MRV consistent with national circumstances. 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. As actors and sources of information, business will be an essential participant in discussions concerning the approaches to drive such massive change, and their potential consequences for the environment, economy, and society.

## The Role of Business

With other stakeholders, business will be an important producer and consumer of information through national and international processes. 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 must file reports on emissions and other activities, such as emissions trading, emissions reporting, or actions taken through voluntary action plans, as part of national procedures.

For business, it is important to assure that procedures are efficient as well as reliable.

Many companies have direct experience undertaking emissions offset projects under CDM and JI mechanisms; they are likely to participate in activities under the Paris Agreement, including those like the Joint Crediting Mechanism based on voluntary agreements among nations. Moreover, businesses conduct or support a large share of the R&D being done on new energy and other technologies, and many advances occur in the private sector. Through their own R&D and planning processes and extensive links to academic and national laboratories, businesses are deeply immersed with, and affected by, issues concerning research, development, and deployment of advanced technologies and associated infrastructure.

In many nations, business and other stakeholders participate directly in consultative processes to develop NDCs and to assess progress. They also contribute by producing relevant, independent information based on well-established methods—*e.g.*, through company reports and trade associations—and by organizing and participating in workshops and other activities, *e.g.* with government officials, academia, other stakeholders, and think tanks. These provide valuable input and perspectives to inform official transparency processes, information that also may be more up-to-date than official government sources.

## Conclusion

BizMEF supports the prompt establishment of procedures and methods to underpin efficient, credible transparency processes and other elements of the rulebook. These will be essential for business to prepare strategies and identify opportunities for

action under the Paris Agreement. Parties and business have decades of experience and well-established procedures for many elements that support MRV, especially for greenhouse gas emissions, and the transparency regimes of nations and the Paris Agreement. These should provide a sound basis to underpin a prompt start to energize early actions and develop markets.

Through these efforts and experience business will be active contributing to and assessing progress and options for future effort. The UNFCCC and governments should encourage and value these contributions to help assure the credibility of transparency processes and to improve them in the future.

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Mouvement des Entreprises de France (MEDEF)

Swiss Federation of Small & Medium Enterprises

U.S. Council for International Business

World Coal Association

World Steel Association

## **ABOUT BizMEF**

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

- promote dialogue and exchange views on climate change and energy security across a broad spectrum of business interests including major developed, emerging, and developing economies;
- highlight areas of agreement among participating organizations on the most important issues for business in international climate change policy forums; and
- share these views with governments, international bodies, other business organizations, the press, and the public.

Organizations that have participated in BizMEF meetings represent business groups in Australia, Brazil, Canada, China, the European Union, Denmark, France, Germany, India, Italy, Japan, Mexico, Morocco, New Zealand, South Africa, South Korea, Turkey, the United Kingdom, and

the United States, as well as five international sectoral associations. Collectively, BizMEF organizations represent more than 25 million businesses of every size and sector. Because BizMEF partnering organizations represent a broad range of companies and industries—including energy producing and consuming companies as well as energy technology and service providers—the partnership is able to provide robust and balanced views on a range of issues.

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

[www.majoreconomiesbusinessforum.org](http://www.majoreconomiesbusinessforum.org).