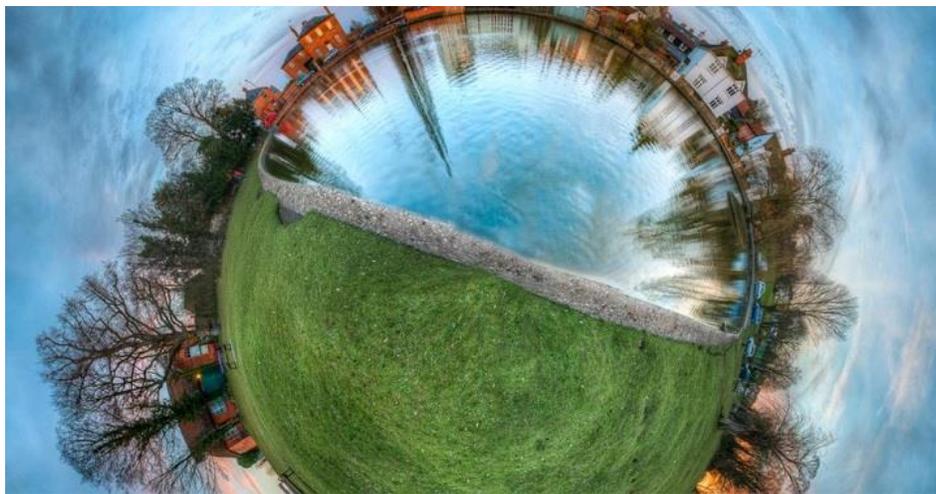


USCIB-BIZMEF REPORT ON BUSINESS ENGAGEMENT IN DOMESTIC AND INTERNATIONAL IMPLEMENTATION OF THE PARIS AGREEMENT



**Business Engagement in Domestic and International Implementation of the Paris Agreement:
Institutional Infrastructure for Nationally Determined Contributions (NDCs) and
The UN Framework Convention on Climate Change (UNFCCC)**

This draft discussion paper was prepared by the United States Council for International Business (USCIB) and the Major Economies Business Forum (BizMEF) for the September 12, 2016 BizMEF/BIAC Workshop on "Business Engagement in the INDCs and Paris Agreement."

This draft paper will be revised to include input from the Workshop and circulated for further review prior to finalization.

Introduction: The Promise of (I)NDCs¹, The Potential of Engaging Business

The Paris Agreement provides a unique opportunity for global cooperation to address climate change through mitigation, adaptation, and innovative approaches to develop, finance and deploy lower emitting technologies. Its structure is innovative among multi-lateral environmental agreements (MEAs) in that it is built from the bottom-up, on the foundation of Intended Nationally Determined Contributions (INDCs) submitted by participating nations. As such, it signals a departure from the “top-down” targets of the Kyoto Protocol; instead, it relies on self-determined pledges that reflect the priorities and circumstances of nations. Through this individualized and inclusive approach, each country declares how it intends to approach common but differentiated responsibilities (CBDR) in domestic climate actions.

The Paris Agreement features institutional innovations as well, reflecting both the extraordinary challenge and urgency of climate change, but also a history of evolution in the UNFCCC to expand its interactions with so called “non-state actors,” including business.

The international community now faces the challenge of implementation of the Paris Agreement over both the short and long terms. To review pledges and increase ambition, Parties are charged with:

- Assessing global progress through a facilitative dialogue in 2018 and thereafter in global stock-takes at five-year intervals starting in 2023, and
- Updating or renewing NDCs in 2020 and 2025 for the periods through 2030 and 2035, respectively.

The run-up to COP21 engaged many stakeholders, including the private sector, to tap their expertise and support. This was a necessity as it became clear that the implementation and resourcing of what would become the Paris Agreement would depend on business involvement. Yet in spite of that, the Paris Agreement² does not contain a single mention of business or the private sector.

Many Parties still do acknowledge business as an indispensable partner for the Paris Agreement. In that context, it is well understood that progress towards the Paris Agreement’s objective will depend on successful elaboration, enactment and execution of current (I)NDCs – which should animate business communities across every nation -- and on even more ambitious actions in yet-to-be-defined future national pledges. In other words, multi-stakeholder mobilization will be crucial to implementation.

Stimulating an “all of society” -- inclusive of an “all of economy” -- effort to operationalize the (I)NDCs cannot be accomplished without the business community. To do this, at least in part, and to build trust, Parties will need to create effective, efficient and credible engagement and transparency systems—both domestically and internationally – including with economic stakeholders, i.e., business.

To begin with, business is intrinsic to NDC implementation at the national level. In general, NDCs implementation will require legislative and regulatory measures to achieve pledged outcomes. Each national business community is expected to comply and implement those government policies. In addition, many governments already require business to report emissions and disclose other climate-change relevant data and information through regulatory channels. This information would presumably be included in tracking action towards national pledges, and be

¹ This report often refers to Intended Nationally Determined Contributions as (I)NDCs, recognizing that after the Paris Agreement enters into force, they become Nationally Determined Contributions (NDCs).

² However, the Paris Decision that accompanied the Paris Agreement does include references to business and the private sector

relevant to the global assessment set out in the Paris Agreement.

At the international level, INDCs will affect private sector domestic and international operations, supply and value chains, planning and investments. Consequently, business will have a stake in reviewing the total picture of the combined effect of NDCs in the global marketplace. With relevant, unique experiences and insights to inform transparency processes at domestic and international levels, input from business (and other stakeholders) can help to identify opportunities, efficiencies, and challenges to achieve and strengthen pledges going forward.

Enhancing business engagement is a matter of innovative governance, but also a prerequisite for successful implementation. Most assessments of the “ambition” of initial INDCs (which only cover the period through 2025 or 2030) indicate a modest impact on global emissions. This paper suggests that improving business and other stakeholder involvement in all elements of INDC preparation and assessment will be a necessary step in strengthening INDCs and their ambition to attain this and other future targets.

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

Over the past year, BizMEF members have:

- Shared experiences of consulting with national governments in the preparation of INDCs,
- Contributed to a survey on INDCs and business consultation prepared by USCIB, and
- Presented preliminary results from that survey at a side event at COP 21 in Paris.³

This paper presents observations and lessons learned from those interactions, as well as from a review of INDCs for references to business and other stakeholders and interviews with government delegations at a UNFCCC meeting earlier this year. In this paper, we begin to consider how engagement with the business community can strengthen the development and understanding of INDCs at the national level, and explore possibilities to enhance and mainstream engagement of all non-state stakeholders in the international review of NDCs both individually and collectively.

National consultation and other dialogues with business on climate policy take many shapes, varying by country. As a result, there are several positive models to draw from in considering how to design business consultation in reviewing and strengthening NDCs. Additionally, although the UNFCCC does not yet have formal structures in place to engage stakeholder groups to contribute to international transparency, or other processes in the five-year cycle, some already established entry-points for business (in the GCF, TEC and Adaptation Committee) show the way for building in greater business representation and involvement.

This report discusses 3 questions:

- **Recognizing individual circumstances of national settings, what are good practices to include business input to strengthen (I)NDCs, and what are opportunities to share these experiences with governments and business communities?**

³ Outcomes of the side-event can be viewed here: <http://www.majoreconomiesbusinessforum.org/events.html>.

- **How can consultation with business be designed to contribute to trust-building and credibility through transparency and continuity?**
- **Can the UNFCCC five-year cycle provide opportunities to begin to build the necessary institutional architecture to include and reflect business's role and expectations for the Paris Agreement, and where can the OECD's own experiences provide useful models for such substantive inter-actions?**

Business Interactions with National Processes Before and After Paris

As of August 2016, 162 INDCs – representing 188 countries and 98.8 percent of global emissions– have been submitted.⁴ Each INDC varies in terms of objectives and approach, degree of transparency, and the role of the business sector therein.

Analysis of those INDCs, the processes by which they were developed and their anticipated outcomes are already underway. Prior to COP 21, the OECD produced an “Overview of INDCs Submitted by 31 August 2015”⁵ offered a comprehensive analysis of the INDCs as of September 2015 and discussed the portfolio’s implications for aggregate greenhouse gas emissions.

Additionally, the World Resources Institute (WRI) and the United Nations Development Programme (UNDP) published a report, “Designing and Preparing Intended Nationally Determined Contributions (INDCs),” in May 2015 as guidance for countries in the preparation and design of their INDCs.⁶ That report highlights the importance of an open and flexible structure for INDCs, and identifies four steps that a nation should undertake, within its own circumstances, in the preparation of its INDC:

- 1) Initiation - engage stakeholders in pre-planning and policy options to define needs;
- 2) Data and analysis - gather relevant data, fill gaps and maximize efficiency;
- 3) Design - formulate options with stakeholder support and analyze effectiveness; and
- 4) Communication - the plan should be communicated in a transparent manner.⁷

The WRI/UNDP Report calls for stakeholder engagement, transparency, and efficiency at each step of the process, but does not suggest details on how that stakeholder engagement should be designed.

While the WRI/UNDP report does recommend foundations for the design of INDCs, not enough is known about the domestic processes by which many of them were created. To better understand and share business perspectives on the INDC process, the United States Council on International Business (USCIB) and the Major Economies Business Forum on Energy Security and Climate Change (BizMEF) undertook an informal assessment of how governments consulted with business in developing their INDCs.⁸ This was done through a review of submitted

⁴ World Resource Institute. “CAIT Paris Contributions Data Explorer,” <http://cait.wri.org/indc/#/>

⁵ OECD. “Overview of INDCs Submitted by 31 August 2015,” September 2015. <http://www.oecd-ilibrary.org/docserver/download/5jrqm0bw3mvl.pdf?expires=1471974005&id=id&accname=guest&checksum=BAEED7785E26F550FBA D58E0F703896F>.

⁶ World Resource Institute and United Nations Development Programme. “Designing and Preparing Intended Nationally Determined Contributions (INDCs),” <http://www.wri.org/sites/default/files/designing-preparing-indcs-report.pdf>.

⁷ World Resource Institute and United Nations Development Programme. “Designing and Preparing Intended Nationally Determined Contributions (INDCs),” <http://www.wri.org/sites/default/files/designing-preparing-indcs-report.pdf>, pg. 18

⁸ United States Council on International Business (USCIB), <http://www.uscib.org/>. Major Economies Business Forum on Energy Security and Climate Change (BizMEF), <http://www.majoreconomiesbusinessforum.org/>.

INDCs and public statements about how they were developed, and by a survey by USCIB and BizMEF that asked BizMEF's participating associations how they interacted with their respective governments. The survey, conducted Fall 2015-Winter 2016, was supplemented by follow-up interviews with governmental representatives in Bonn during meetings of the Subsidiary Bodies in May 2016.⁹

The survey and interviews sought to address:

- To what extent the business community was (or was not) consulted in the preparation of national or regional INDCs;
- What that consultation process consisted of; and
- Opportunities for future engagement of business and enhanced ambition in the overall NDC.

While the sample size was small and the experiences anecdotal, this report presents initial observations and identifies areas requiring further exploration. In the meantime, these first findings do highlight areas where business and other stakeholders could be integrated into the further elaboration and update of (I)NDCs, and their review at national and international levels.

Examples: Business and Stakeholder Engagement in Developing INDCs

Australia

The Prime Minister's office led an interdepartmental process to develop the Australian INDC. The government held a significant open consultation period, albeit rushed, in which they received many comments from public and private stakeholders. During that consultation process, sessions were held with the business sector together with "green" groups. The Australian process also included economic modelling of Australia's climate policies.¹⁰ These discussions produced an INDC that commits Australia to reduce its "greenhouse gas emissions by 26 to 28 percent below 2005 levels by 2030."¹¹ Australia's INDC covers adaptation as well as mitigation, highlighting their unique environmental circumstances.

Also unique to Australia's INDC and broader climate policy, is the incentive structure to lower emissions. The Emissions Reduction Fund (ERF) encourages Australia's private sector to lower emissions while increasing productivity.¹² The ERF consults with business as well as public stakeholders to maintain the program's efficiency and impact, and the government has created a safeguard mechanism to, "ensure emissions reductions purchased under the Fund are not offset by significant rises in emissions elsewhere in the economy."¹³ Further, the INDC

⁹ The USCIB/BizMEF survey can be viewed in its entirety in Annex 1. It was sent to: Australia; Brazil; Canada; China; the European Union; India; Japan; Mexico; Morocco; New Zealand; Peru; Singapore; South Africa; Korea; Switzerland; Turkey; and, the United States.

¹⁰ Tennant Reed, the Australian Industry Group. PowerPoint presentation, "Australia's INDC and Business Engagement," BizMEF Paris Side Event, December 2015. http://www.majoreconomiesbusinessforum.org/pdfs/TennetReed_AIG.pdf.

¹¹ Australia's Intended National Contribution, August 2015. <http://www4.unfccc.int/submissions/INDC/Published%20Documents/Australia/1/Australias%20Intended%20Nationally%20Determined%20Contribution%20to%20a%20new%20Climate%20Change%20Agreement%20-%20August%202015.pdf>, pg. 1.

¹² More information on Australia's Emissions Reduction Fund can be found here: <http://www.environment.gov.au/climate-change/emissions-reduction-fund>.

¹³ Australia's Intended National Contribution, August 2015. <http://www4.unfccc.int/submissions/INDC/Published%20Documents/Australia/1/Australias%20Intended%20Nationally%20Determined%20Contribution%20to%20a%20new%20Climate%20Change%20Agreement%20-%20August%202015.pdf>, pg. 2.

includes a brief discussion of the planning process for future commitment cycles, stating that the Australian government has already begun to identify additional post-2020 emissions opportunities and policies, and will undertake another public consultation period in 2017.

Brazil

The Brazilian government coordinated its INDC development through the Ministry of Environment and Ministry of Foreign Affairs. Brazil's INDC calls for an absolute reduction of 37 percent below 2005 levels by 2025, and 43 percent by 2030.¹⁴ The lead ministries organized several meetings that included representatives from civil society, academia, and the Brazilian business community. The consultations with business were multi-sectoral, including representatives from the forestry, agriculture, energy and transport sectors as well as academics and civil society members.

The Brazilian business organization, the National Confederation of Industry (CNI), a BizMEF member, involved associations from the seven major sectors that are regulated by Brazil's Climate Change Policy, i.e. steelmaking, cellulose, chemical, mining, aluminum, glass, and cement, as well as 27 state industry federations. The perspectives of the sectors and state industry federations were communicated to the government through a CNI position paper.

CNI serves as industry's interlocutor to Brazil's National Plan for Climate Action, and works with the government to help monitor its implementation. This ongoing engagement is intended to "prioritize actions [that] can contribute to climate risk management with a focus on the value chain production of the industry (SMEs)."¹⁵ Like Australia, Brazil's INDC also includes adaptation; additional consultations occurred between the government and business sector on the development of the country's National Adaptation Plan.

Canada

Canada presents an interesting case given the change in government just prior to COP 21, and hence revisiting of the original INDC developed by the outgoing government. Upon its inauguration, the Trudeau government quickly identified climate action as a priority, committing to develop a new INDC by fall 2016 and to ratify the Paris Agreement by year's end.

The new Canadian climate change strategy addresses both adaptation and mitigation, seeking to create a pan-Canadian framework to combat climate change with buy-in from all provinces. It is founded on scientific and economic analysis and features heightened levels of consultation between the federal government, the provinces and non-state stakeholders including business, civil society, and citizens. The comprehensive review process includes consultation sessions with business, NGOs, and other stakeholders under the direction of working groups, as well as town-hall meetings led by provincial ministers that encourage feedback from citizens.

While the outcome of this process is not yet determined, the Canadian experience showcases an explicit inclusion and mainstreaming of business and other stakeholder views in their INDC preparation process.

Japan

The Japanese business community, through Keidanren - the Japanese Business Federation (a BizMEF member)-has

¹⁴ Brazil's Intended Nationally Determined Contribution, September 2015.

<http://www4.unfccc.int/submissions/INDC/Published%20Documents/Brazil/1/BRAZIL%20iNDC%20english%20FINAL.pdf>, pg. 1-2.

¹⁵ Response to USCIB/BizMEF survey by Brazilian member, CNI.

been the focal point for the business contribution to Japan's national climate action since 1997, when businesses voluntarily pledged to reduce their respective carbon emissions through the Keidanren Action Plan on the Environment. The close interaction between Keidanren, a comprehensive economic organization that represents all sectors and most companies, and the Japanese government on issues such as climate change was replicated in the process of formulating the Japanese INDC; business was consulted at sectoral and multi-sectoral levels several times throughout its development.

One unique feature of Japan's process for INDC preparation was that it was formulated in conjunction with Japan's long-term energy supply/demand mix outlook for 2030. In particular, in Japan, after the great earthquake of 2011, there has been heated debate concerning the future role of nuclear as a zero-emission energy source. Business was involved thoroughly and intensively throughout this process. As the result, Japan's final INDC commits to a 26 percent reduction of greenhouse gas emissions compared to 2013 levels by 2030.¹⁶

This high-level and comprehensive consultation between the government and Keidanren allowed Japan to develop sector specific components in their INDC. All major business sectors registered their voluntarily declared sector specific committed goals and actions for 2030 under Keidanren's Initiatives for A Low Carbon Society Phase 1 (for 2020) and Phase 2 (for 2030). As was the case with past initiatives, such as the Keidanren Action Plan on the Environment during the Kyoto Protocol period, the newly established initiatives which have become an important component of Japan's INDC will be followed up by governmental panels on their progress in a transparent process.

Cooperation between business and government is also evident in the initiative to create the Joint Crediting Mechanism (JCM). The JCM, established in 2011, is a bilateral framework agreed upon by Japan and governments of several developing nations. JCM projects mobilize Japanese businesses to implement emissions reduction projects through the dissemination of energy-saving and low-carbon technologies. These partnerships harness the expertise and innovation of the Japanese business community to make an impact on a global scale.

Mexico

Mexico's INDC calls for a 50 percent reduction of emissions by 2050, using 2000 as a baseline.¹⁷ Mexico's INDC preparation was led by the Secretariat of Environment and Natural Resources (known by its acronym SEMARNAT). The INDC is an extension of Mexico's ongoing climate policy, which is based on Mexico's General Law on Climate Change, and focuses on both mitigation and adaptation.

During the creation of the INDC, the Mexican government undertook a consultative process that engaged with stakeholders such as academia, civil society, and all sectors of the business community. These consultations took place through both workshops and domestic meetings. The INDC highlights that any "elaboration" of the document will include another "public participatory process through multiple sectorial meetings and a web based public survey."¹⁸

¹⁶ Japan's Intended Nationally Determined Contribution, July 2015.

http://www4.unfccc.int/submissions/INDC/Published%20Documents/Japan/1/20150717_Japan's%20INDC.pdf, pg. 1.

¹⁷ Mexico's Intended Nationally Determined Contribution, March 2015.

<http://www4.unfccc.int/submissions/INDC/Published%20Documents/Mexico/1/MEXICO%20INDC%2003.30.2015.pdf>, pg. 2.

¹⁸ Mexico's Intended Nationally Determined Contribution, March 2015.

<http://www4.unfccc.int/submissions/INDC/Published%20Documents/Mexico/1/MEXICO%20INDC%2003.30.2015.pdf>, pg. 3.

The Netherlands

The Netherlands, although a European Union member state, has undertaken its own climate policies under the Paris Agreement. Having already achieved its targets under Europe's 2020 Climate and Energy Package, the Netherlands has opted to take a national track that goes above and beyond their regional commitments as laid out in the EU's INDC.¹⁹

The Dutch government has laid out its national climate change strategy to focus on both adaptation and mitigation as well as engagement with business, civil society, and Dutch citizens. Among their national efforts is the SER Energy Agreement, in which the national government and over 40 organizations, such as employers, trade unions, civil society organizations, and financial institutions have committed to the Dutch Energy Agreement for sustainable growth; the energy agreement was reached through consistent consultation and negotiation with the Netherlands's diverse business community.²⁰

The example of the Netherlands highlights how individual nations can increase their ambitions and engage stakeholders, particularly business, to develop climate-friendly and sustainable policies beyond what is required in international and regional agreements.

New Zealand

New Zealand's INDC sets an absolute reduction target of 11 percent below 1990 levels by 2030, but has also provided a reference point of 30 percent below 2005 levels for ease of comparison with other nations.²¹ The government engaged with non-state stakeholders, including business, during the formulation of their INDC. Preparation and discussions occurred in-house with limited involvement of constituencies except when they were deemed relevant. Toward the end of the process, New Zealand held a multi-stakeholder consultation through a town-hall style meeting in which business, civil society, other stakeholders and the public could comment on the INDC. In addition to the public meetings, the government received over 17,000 written submissions from more than 15,600 sources.²² Many ultimately viewed the consultation as limited in its productivity due to many dissenting voices and limited business participation.

The New Zealand experience again highlights the importance of existing relationships between government and the business community. A member of the New Zealand delegation referred to the possibility that exchanges of views between government and business at the international level could provide support in the domestic process by facilitating a greater understanding of the economy-wide and international implications of the NDC. It could also provide models for how business can most effectively participate in climate action in those countries that do not already have ongoing communication forums with the private sector.

¹⁹ Interview with Dutch government representatives, May 2016, Bonn, Germany.

²⁰ More information on the SER Agreement and broader Dutch climate policy can be viewed here: <https://www.government.nl/topics/climate-change/contents/national-measures>.

²¹ New Zealand Intended Nationally Determined Contribution, July 2015. <http://www4.unfccc.int/submissions/INDC/Published%20Documents/New%20Zealand/1/New%20Zealand%20INDC%202015.pdf>, pg. 2.

²² New Zealand Intended Nationally Determined Contribution, July 2015. <http://www4.unfccc.int/submissions/INDC/Published%20Documents/New%20Zealand/1/New%20Zealand%20INDC%202015.pdf>, pg. 4.

Switzerland

The Swiss INDC commits the nation to a reduction target of 50 percent by 2030, compared to its 1990 levels.²³ Switzerland organized its INDC development through its Ministry of Environment, and was among the first countries to submit their document. The government used its existing framework for policy consultation and undertook an intensive consultative process with all stakeholders.

The three-tiered public engagement process began with both roundtable and individual consultations to gather input while preparing the INDC. During the drafting of supporting national legislation, the government ran an impact assessment on business, held consultation with civil society—both of which are mandatory during the Swiss legislative process—and held individual workshops²⁴ with stakeholders when necessary. The last tier of the consultative process occurred when the legislation was up for information and consultation in Parliament. The parliamentary process provided an extra level of transparency on the INDC and additional hearings granted opportunity to voice any perspectives that had been previously left out. The definitive version of Switzerland's INDC will be put for a vote in Parliament tentatively by 2017.

Throughout the consultative process, the Swiss Federation for Small and Medium Enterprises, a BizMEF member whose membership represents 60 percent of the Swiss GDP, actively represented the domestic business community.

United States

The U.S. INDC calls for a 26 to 28 percent reduction in net greenhouse gas emissions compared to 2005, by 2025.²⁵ The United States provides an interesting experience, given that substantial climate policy and initiatives are playing out at sub-national levels (state, municipal) and the Executive Branch is taking a leading role.

Unlike many nations that developed new supporting legislation for their INDC goals, the U.S. INDC relies on executive and regulatory actions, based on existing domestic legislation such as the Clean Air Act, the Energy Policy Act, and the Energy Independence Security Act to drive emissions reduction. While the government did not directly consult with the US business community in the formulation of the INDC as a whole, a consultative process did occur involving the private sector during the development of regulations under these laws. There was, however, no stakeholder consultation in the development of the overall U.S. INDC goal, and there has not been any since it was submitted to the UNFCCC.

While the federal government did not formally consult with business, a number of cities and states have developed consultative processes, including with business, to inform local and regional efforts to reduce emissions. It will remain to be seen whether local efforts generate reductions that are additional to those pledged in the INDC, especially in light

²³ [1] Switzerland Intended Nationally Determined Contribution, February 2015.

http://www4.unfccc.int/submissions/INDC/Published%20Documents/Switzerland/1/15%2002%2027_INDC%20Contribution%20of%20Switzerland.pdf, pg. 1.

²⁴ [1] Henrique Schneider, The Swiss Federation of Small and Medium Enterprises. PowerPoint presentation, BizMEF Paris Side Event, December 2015. http://www.majoreconomiesbusinessforum.org/pdfs/HenrySchneider_sgv-usam.pdf.

²⁵ United States of America Intended Nationally Determined Contribution, March 2015.

<http://www4.unfccc.int/submissions/INDC/Published%20Documents/United%20States%20of%20America/1/U.S.%20Cover%20Note%20INDC%20and%20Accompanying%20Information.pdf>, pg. 3.

of the 2016 Second Biennial Report of the United States of America indicating a gap between the administration's Paris pledge and current plans to reach it.

Regions:

A. European Union

The European Union's INDC represents the collective commitment of the EU's 28 (at the time) member states, setting a target of 40 percent emissions reduction from 1990 levels by 2030.²⁶ However, it does not yet incorporate effort-sharing among EU member countries and requires ongoing legislative processes to do so. The terms for individual nations will be announced with the NDC's formal submission after conclusion of the legislative package.

Business communities in the EU were not formally consulted during the creation of the INDC, but were provided with the opportunity to comment as part of significant existing and ongoing EU public policies through their normal consultation process. The private sector routinely engages with the European Commission on issues of climate and energy, such as those relating to the EU Emissions Trading System, and attends many sectoral and multi-sectoral meetings concerning climate policies.²⁷ Hence, while there was no specific INDC consultation with business, due to the nature of the continuing open consultation, private sector considerations likely informed the final document.²⁸

In addition, ongoing discussions concerning national climate and greenhouse gas targets would likely have had some impact on the EU INDC, even if there was no specific opportunity for individual companies or sectors to react to the feasibility or costs of the proposed EU-wide targets.

It is currently unknown how or if United Kingdom's exit from the EU will affect the EU INDC, but remaining countries would likely require more ambitious emission reductions to meet the 40 percent EU-wide goal without the UK. As well, United Kingdom will now need to develop its own INDC at some point in the future.

B. NAFTA countries

In June 2016, Canadian Prime Minister Justin Trudeau, U.S. President Barack Obama and Mexican President Enrique Peña Nieto committed to the North American Climate, Clean Energy and Environment Partnership, intended to achieve a goal of 50 percent clean power generation by 2025. Through this partnership, the countries recognize synergies across their respective INDCs and seek to align their respective national policies to deliver a more transparent, environmentally-friendly and energy efficient North America.

C. South-South Initiatives

Brazil, in its INDC, recognizes the importance of South-South cooperation on sustainable development and invites other nations and international organizations to undertake joint initiatives. Efforts are most encouraged in the areas of: "forest monitoring systems; biofuels capacity-building and technology transfer; low carbon and resilient agriculture; restoration and reforestation activities; management of protected areas; increased resilience through

²⁶ European Union and its Member States' Intended Nationally Determined Contribution, March 2015.

<http://www4.unfccc.int/submissions/INDC/Published%20Documents/Latvia/1/LV-03-06-EU%20INDC.pdf>, pg. 1.

²⁷ The EU's business community has provided and continues to provide consultation on climate policy, examples include the 2030 Climate and Energy Package, low-emission mobility strategy, common fuel quality rules, and the Strategic Energy Technology Plan, among others.

²⁸ Interview with EU representatives, May 2016, Bonn, Germany.

social inclusion and protection programmes; capacity-building for national communications,” and other climate related programs.²⁹

Observations and Lessons Learned from National INDC experiences: Consultation with Business

- Successful national (I)NDC consultations are tailored to national circumstances and dovetail with existing legislative and regulatory processes. This means that existing methods of engagement between the government and business sectors are often replicated during the INDC process, and can be a foundation for future reviews of NDCs.
- Multi-stakeholder interactions are a means to share information and views, and to understand differing perspectives, but are limited as vehicles for reaching consensus or convincing others to change their views. For this reason, business-to-government dialogue is important for INDC development, review and update.
- Most INDCs lacked essential information and specificity regarding: the policies that will be used to implement outcomes; assumptions that underpin pledges; and metrics to measure progress (if the INDC is not based on economy-wide emissions). This presents an opportunity for further dialogue with business and other stakeholders to seek effective policies and other approaches to implementation.
- There appear to be many opportunities to increase the economic efficiency of policies to implement INDCs; again, economic stakeholders, including the business community, should be involved to assist in identifying economic opportunities, and avoiding inefficiencies and unnecessary costs.
- INDCs of developed nations provide little or no information on their plans or procedures to provide financial and other assistance to developing nations. Yet, this information is essential to inform the plans and actions of many developing nations. It is also relevant for business, other stakeholder groups, citizens and taxpayers to understand fully their implications for implementation of near-term actions and achievement of long-term goals. INDCs should provide this information.

Looking Ahead: National Actions After Paris

Current INDCs are only a starting point, and far more ambitious efforts will be required to achieve long-term goals. As described above, the Paris Agreement establishes a process to assess progress and for countries to update their NDCs at five-year intervals. This will benefit from efficient and credible engagement and transparency procedures to inform and build trust among Parties and stakeholders that nations are implementing their pledges and moving forward together. As described above, input from business and other stakeholders can make an important contribution to that process (see Box 1).

²⁹ Brazil's Intended Nationally Determined Contribution, September 2015.

<http://www4.unfccc.int/submissions/INDC/Published%20Documents/Brazil/1/BRAZIL%20iNDC%20english%20FINAL.pdf>, pg. 4.

Box 1: What Can Be Gained from Business Sector Consultation at National Level

Continuity: The Paris Agreement establishes a long-term process that requires an ongoing pledge, review and renew cycle. For most nations, that will inevitably span multiple government administrations. Long-term actions by business and governments, especially those based on major investments in new technology systems and associated infrastructure suffer enormously from policies that start and stop too rapidly. It will be important to provide cohesion and stability to the long-term effort to progress policy to address climate change. Recurring, regular planned engagement with the private sector may help to promote continuity through both planned and abrupt government turnovers.

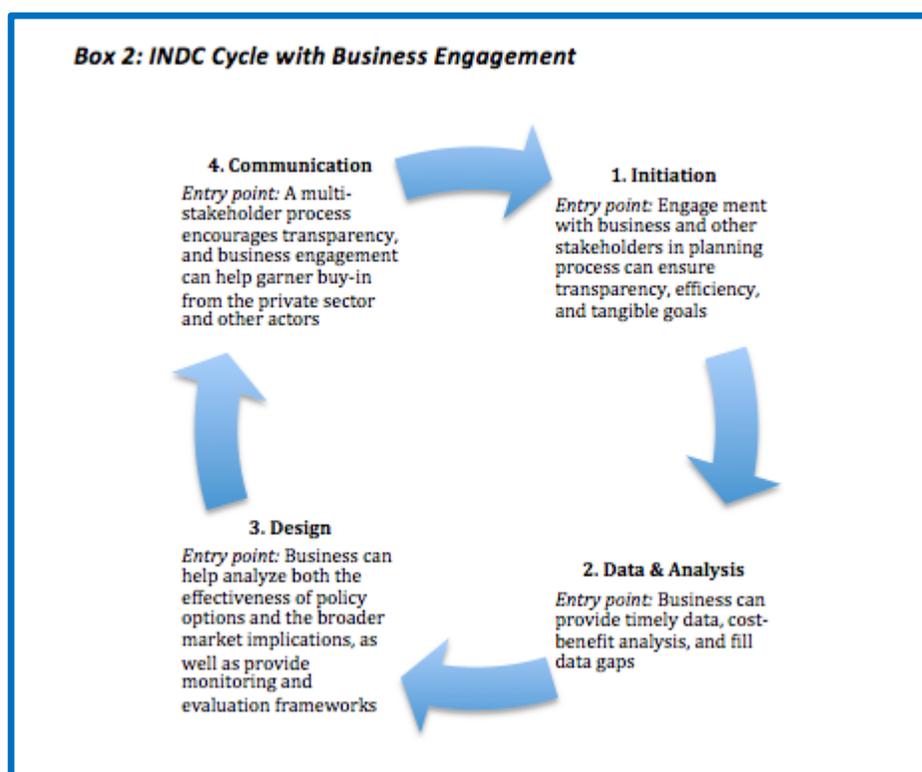
Sub-national efforts: INDCs cover national pledges. They may not account for sub-national and regional efforts undertaken within countries, by states, cities, and other entities. These efforts often appear to go above and beyond what is required by their domestic governments. However, the full extent of the basket of all actions can only be assessed through comprehensive analyses of the entire economy, because local policies can have spillover effects on other regions. The private sector can provide important insights and experience to help assess and understand synergies and challenges arising from the full portfolio of emissions reductions. Consideration of subnational efforts is likely to become increasingly relevant across the globe; It is of particular importance already to the United States, European Union and Canada, where states and provinces have developed independent and complementary climate policies.

Transparency and MRV: Consultation with business at the national level can help increase transparency and predictability around climate measures and their implementation. With respect to measurement, reporting and verification, the private sector and many governments already have well established procedures that can inform local, national and international transparency procedures. New systems should build from and incorporate existing practices, rather than creating new ones that are likely to be inefficient and may produce confusion from conflicting or incompatible standards. Consultation and cooperation on transparency mechanisms can build trust between governments, business, and communities.

Data and Analysis: Business, academia and other stakeholders have an impressive record and great experience bringing their technical and analytical skills to bear to generate useful information and insightful critiques of official and other reports. Formal transparency processes should take full advantage of those capabilities. As well, the timely availability of reliable official information will create challenges for the new process based on five-year cycles. That is because official data for a given period may not become available until a year or more later, e.g. national inventories for 2014 are published in 2016. Moreover, procedures in bodies, such as the Intergovernmental Panel on Climate Change, typically establish deadlines for inclusion of peer-reviewed information, and require many months to review initial drafts. Consequently, their final reports may be based on input that is already quite dated with respect to expectations regarding five-year reviews and updates. In that regard, while they cannot replace official reports, business, academics and other stakeholders can provide useful, reliable information through workshops and other fora that can help to inform deliberations in a timely way.

Given the benefits of engagement, it will be important to explore ways in which nations can expand consultation with the business sector. Returning to the process outlined in the WRI/UNDP report, we have identified opportunities to engage with business and other non-state stakeholders at each step of the process (see Box 2):

- **Initiation:** in the planning process governments can pursue sectoral and multi-sectoral consultations to identify needs and priorities among stakeholders by hosting meetings, asking for policy submissions, and/or setting up a multi-stakeholder working group dedicated to identifying cost-effective opportunities emissions reductions.
- **Data and Analysis:** ongoing engagement with business sector to facilitate transfer of data and analysis of economy-wide policy implications.
- **Design:** encourage submission of policy analysis from private sector and work with business to incorporate existing review and reporting mechanisms.
- **Communication:** undertake communication strategy that encourages buy-in and accountability from business and other stakeholders, and promote the strategy to the population.



The International Process - Business Engagement in International Climate Action

While the UNFCCC is a Party-driven inter-governmental process, it has a rich 20+ year history of engagement with business and other stakeholders, which has evolved along with the Convention, its instruments and institutions.

The UNFCCC Subsidiary Body on Implementation (SBI) has considered the role of constituencies, including business, on several occasions, including under the agenda item, “Arrangements for Inter-Governmental Meetings.” SBI has

also been a forum to explore and extend new options for stakeholder involvement, while respecting the inter-governmental and party-led nature of the UNFCCC. In the negotiations leading to COP21, the Co-Chairs of the Ad-hoc Working Group on a Durban Platform (ADP) convened periodic “special events” for dialogue with constituencies.

Accredited business organizations, like other non-state stakeholders, participate in the UNFCCC as observers.³⁰ It is now understood that business will play a central role in developing, planning, financing, deploying and operating advanced technology systems and other innovations and investments required for transformation to a low carbon economy. However, its status as an “observer organization” limits formal interactions to short interventions at Plenary meetings, some meetings of contact groups, and on an ad hoc basis, by invitation from the secretariat or Parties, opportunities to appear in workshops, Technical Experts Meetings (TEMs) or in High Level events during COPs.

More substantive opportunities for engagement have emerged in recent years in UNFCCC institutions, such as the Green Climate Fund (GCF), the Technology Executive Committee (TEC), the Climate Technology Center and Network (CTCN), and the Adaptation Committee. Working with these institutions and through informal networks of organizations, business has demonstrated the desire to provide value and support to the UNFCCC’s work, as well as the potential of recognized business input.

Although these are an important first step, for the Paris Agreement to have its desired impact over its stated timeframe, climate-friendly strategies must be mainstreamed throughout the entire economy. This in turn means economic actors, i.e. business, need to be fully integrated into the national NDC process, but also into discussions at international level to assess and scale up the whole NDC portfolio and consider broader implications of international climate policies. This will require productive dialogue and cooperation between business and governments both nationally and in establishing more effective ways to inform the international deliberations.

Increasing Ambition Through Voluntary Actions by Business: One Part of Business Engagement

Recent COP outcomes in Lima (2014) and Paris (2015) have created opportunities for companies and other stakeholders to register voluntary initiatives through the Non-State Actor Zone for Climate Action (NAZCA), and the Lima-Paris Action Agenda (LPAA), among others.

NAZCA and the Lima-Paris Action Agenda were both launched at COP 20 in Lima to demonstrate and build momentum for COP 21 by mobilizing, registering and showcasing voluntary commitments and efforts by business, civil society, cities, states and other stakeholders. These were characterized primarily as making a contribution to enhance implementation in the period before 2020, also known as Workstream 2.

³⁰ Non-governmental observer organizations are categorized into constituencies: 1) business and industry; 2) environmental; 3) research and independent; 4) youth; 5) farmers; 6) indigenous peoples; 7) women and gender; 8) local government and municipal authorities; and, 9) trade union. http://unfccc.int/parties_and_observers/items/2704.php.

Other programs to mobilize and showcase voluntary business actions exist at national level, for example, through the U.S. American Business Act on Climate Pledge (ABAC Pledge) in which over 150 U.S. companies have committed to emissions reductions, low-carbon investment, increased deployment of clean energy and other initiatives to build sustainable and climate-friendly businesses.³¹

These voluntary platforms at national and international levels do deliver effective results and showcase business and other stakeholder efforts, but additional clarity on how these voluntary efforts report on their progress, and how that supplements (or overlaps with) (I)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 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 required for the Paris Agreement to succeed in transforming the economy in coming decades. More effective and systematic interactions would be valuable, and neither LPAA nor NAZCA are currently constituted to serve as vehicles for business consultation on implementation or review of NDCs at national or international levels.

The lack of a defined, comprehensive engagement structure for business restricts opportunities for large-scale sharing of expertise, innovation and technology. While the business community seeks a recognized channel for consultation in the UNFCCC, the enhanced opportunities that have occurred already in the UNFCCC provide helpful examples for how engagement can grow. In other international institutions such as the ILO and OECD, a recognized process of consultation with business has provided more efficient and effective sharing of information between governments and business. This can also help to promote trust and continuous improvement, e.g. through the opportunity to establish effective expert networks that would be a resource for governments and the UNFCCC secretariat.

After Paris: The Scale of the Challenge

At COP 21, Keigo Akimoto (of the Systems Analysis Group at the Research Institute of Innovative Technology for the Earth: RITE), with input from collaborators at other academic institutes in Europe and the United States, made a presentation based on Integrated Assessment Models from RITE and collaborators.³²

The IAMs' primary objectives were to assess the global implications of the entire portfolio of INDCs and the comparability of effort in INDCs of different nations.³³ They also explored results through 2100 for economically efficient policies (based on a uniform global GHG tax) leading to various outcomes for global warming in 2100 in the range (2-3) °C.

³¹ More information on the ABAC pledge can be viewed here: <https://www.whitehouse.gov/the-press-office/2015/07/27/fact-sheet-white-house-launches-american-business-act-climate-pledge>.

³² Keigo Akimoto, Systems Analysis Group. PowerPoint presentation, "Measuring Emission Reduction Efforts of the INDCs and the Expected Global Emission Reductions and Economic Impacts," BizMEF Paris Side Event, December 2015. http://www.majoreconomiesbusinessforum.org/pdfs/KeigoAkimoto_RITE.pdf.

³³ To do this they simulated expected changes to GHG emissions and economic factors around the globe through 2030 both with and without the INDC emissions targets. Note that because announced INDCs typically do not provide adequate detail on the policies that would be used to implement goals, they assumed that objectives were achieved entirely by imposing a domestic, economy-wide GHG gas tax, without recourse to international markets. In essence this is an economically optimal, least-cost domestic policy. In practice actual abatement costs are likely to be significantly higher.

The presentation considered proposed INDCs and their likely, ex ante, outcomes. Among their findings:

- To simulate the behavior of INDCs, in many cases modelers must independently supply essential information beyond that specified in the INDC, for example, concerning mitigation pledges:
 - Baseline assumptions, e.g. for population, technology and economic growth, that underpin expectations over the period;
 - Policies that will be used to achieve objectives;
 - Metrics to measure outcomes (especially those not based on economy-wide emissions).
- With respect to comparability of effort, results for outcomes in 2030 vary radically among nations. For example, assuming nations implemented their policies in the most efficient way possible, marginal abatement costs (\$/tonne CO₂) vary from nearly \$400 (in Japan and Switzerland), to about \$200 (in the EU), \$100 (in the USA) and near 0\$ (in China and India).
 - For comparison, they calculated that a global GHG tax of \$6/tonne CO₂ would achieve global emissions reductions equal to those in the portfolio of individual INDCs.
- Initial INDCs are not “on track” to achieve the 2 °C objective. (To be “on track” would require a global GHG tax of about \$320/tonne CO₂ in 2050.)

What this suggests vis a vis business engagement is the imperative of economically informed discussions that attempt to reflect and address competitiveness, and utilize global markets to reach the most climate-friendly and cost effective solutions. Incorporating business and other non-state stakeholders into this discussion and policy analysis can produce a more comprehensive global climate policy that considers the economy-wide and global implications of both national and international climate policy.

Conclusions and Areas for Further Inquiry and Dialogue

The Paris Agreement establishes a flexible framework under the UNFCCC to address the multiple, long-term challenges of climate change. In so doing, it has created new responsibilities and raised expectations to address climate risks not only for governments, but also for business. This broader engagement of business and other non-state actors is an untapped resource with exciting possibilities if the right institutional infrastructure is put in place.

Although implementation of the Paris Agreement is underway, the UNFCCC still operates with pre-Paris structures of consultations and participation. With entry into force imminent, its governance structures have not yet evolved to take advantage of the expertise and experience of business and other non-state actors needed to realize its objectives. Over its history, the UNFCCC has expanded access to non-state stakeholders such as business and civil society, but has not yet effectively integrated their participation as recognized contributors in transparency and other processes.

Establishing transparency and other procedures to animate and mainstream non-state actors' knowhow and views is becoming more urgent. This will include establishing procedures for MRV in areas that have not yet been clearly addressed, including more comprehensive treatment of land use, provision of financial aid, and metrics to quantify concepts such as improvements relative to business as usual. Business may be able to offer assistance and expertise in these and other areas.

A key element in UNFCCC institutional architecture relates to the NDCs themselves, and where they can be strengthened by business engagement over the five-year cycles. With appropriate institutional procedures business (and other non-state actors) can make valuable contributions to critical domestic economic, energy, competitiveness and other considerations relevant to achieving national climate objectives (see Box 3).

Box 3: What Can Be Gained from Engagement with Business Sector at International Level

Economic and Market Implications of the portfolio of INDCs: In today's globalized world, the policies of one economy can have strong impacts on others throughout the world. Perspectives and experience of the business community can aid governments, academic institutions and others to better understand and assess overall economic and other impacts resulting from changes around the globe to supply and value chains, trade and investment.

Economic Efficiency: A preliminary analysis of the INDCs described above reveals that, in general, countries could do more to engage business and other stakeholders to identify challenges and opportunities to improve economic efficiency. Successful implementation of the Paris Agreement requires an economy-wide transition. Engagement with the private sector on the full market implications of the INDCs will provide a greater understanding of the impact on and opportunities for all sectors, supply chains, and investments to deliver economically efficient climate strategies. In general, sector-specific regulations often hinder rather than promote overall national economic efficiency.

Capacity-building: Many developing nations, especially those that are least developed, will require financial aid and other support from more wealthy nations. Capacity-building, as well as financial aid, will be essential to their efforts to address climate change. Globally, trillions of dollars will be required for additional investments in low carbon technologies and associated infrastructure in coming decades. Support for public-private partnerships and other cooperative efforts with business in developing nations could assist in the design and implementation of more effective capacity-building.

*Recognizing individual circumstances of national settings, what are **good practices** to include business input to strengthen INDCs, and what are opportunities to share these experiences with governments and business communities?*

- o Nations have pursued a range of approaches to consult with business in preparing their INDCs, and this diversity provides a valuable learning experience. Given unique national circumstances and existing procedures, there is no single recipe for a best approach.
- o Countries should build on existing procedures for interactions regarding specific domestic legislative and regulatory initiatives.
- o Countries should strive for a mix of sectoral and multi-sectoral business consultation. While sector-by-sector dialogue and planning is important, for many countries these will not give appropriate attention to all of economy opportunities and impacts.
- o Exchanges have been most substantive and candid when business has had opportunities to consult with governments independently from other stakeholders. Multi-stakeholder forums can be useful for broad information sharing and ex-post assessments of progress, but are not ideal for sharing ex-ante views.
- o The involvement of robust inter-agency process within national governments (including foreign affairs, environment, energy, economic, finance and trade ministries) is a critical element.

*How can consultation with business be designed to contribute to trust-building and credibility through **transparency** and continuity at national and international levels?*

- o Different nations pursue different approaches to seeking citizen and private sector input to proposed policy. Although demanding, a combination of established public meetings with recognized representatives of business and other constituencies combined with established opportunities to comment in writing seems warranted in light of the scope and inclusiveness required to develop INDCs as part of national climate policy. This is not a substitute for established procedures with regard to specific legislative and regulatory proposals.

*Can the UNFCCC five-year cycle provide opportunities to begin to build the necessary **institutional architecture** to include and reflect business's role and expectations for the Paris Agreement, and where can the OECD's own experiences provide useful models for such substantive inter-actions?*

- o **Build in business and other stakeholder input to the design and conduct of facilitative dialogues:** In the near-term, negotiators will establish procedures for the facilitative dialogues to assess progress on meeting long-term goals in 2018; this in turn will feed into consideration of new or updated INDCs in 2020. In all these cases, business has important contributions to make both to the design of more effective procedures and by supplying relevant information and perspectives.
- o **A Need for Increased Structural Support at the International Level for Stakeholder Engagement:** The UNFCCC should establish official recognized channels, which will be “common but differentiated,” designed as appropriate to take advantage of the expertise and skills of various stakeholders, including a channel for interaction with representative, inclusive business organizations.
- o **Take advantage of lessons learned from existing processes for business consultation in international institutions, i.e. OECD and ILO:** Several inter-governmental organizations already provide recognized consultative arrangements for business and other non-state stakeholders. These frameworks could provide models of governance, inclusiveness, and representativeness to be considered as applicable aspects to the UNFCCC architecture.

Looking Ahead

BizMEF will continue to extend this survey and the dialogue around it, and will present an updated version of this paper, reflecting this Workshop's discussions, at a side event during COP 22 in Marrakesh.

As part of the ongoing SBI discussion of engagement, BizMEF would recommend holding a more thorough review and workshop on business and (I)NDCs, with a specific focus on opportunities to share good practices and pursue improvements in order to prioritize and strengthen the capacity of business groups and chambers of commerce in developing countries.

Annex 1: USCIB/BizMEF Survey Questions

1. Did the government formally consult with the business community when preparing its INDC?
 - o If so...
 - i. Was the consultation process with business sectoral or multi-sectoral?
 - ii. What input did SMEs have in the consultation process with business?
 - iii. Was it part of a multi-stakeholder process?
 - o If not...
 - i. Was the business community able to provide any sort of recommendations for their national INDC?
 - ii. How?
2. Was adaptation part of the INDC and was business engaged on adaptation?
3. Reactions to the INDC:
 - o What were your reactions to the INDC?
 - o Have you shared your reactions with your government?
4. Going forward, will business be engaged?
 - o In the domestic implementation process?
 - o To supply views on the implications of entire portfolio of proposed INDCs?
5. Other comments or suggestions, e.g.?
 - o How could the preparation and consultation process be improved?

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