

WBCSD BUSINESS BRIEF ON THE CORPORATE ACCOUNTABILITY AGENDA AT COP27

BUSINESS BRIEF

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Summary of the UN High Level Expert Group report on Net Zero Emission Commitments for Non-State Actors (the HLEG "Integrity Report")

Analysis on what this report means for business

Overview of WBCSD's *The Business for Climate Recovery* report that provides a "how to" guide for business to address the HLEG recommendations



Introduction

Ensuring accountability for climate action commitments was a key theme at COP27, especially for the business community.

Out of the hundreds of reports that dropped at the Climate COP27 in Sharm el-Sheikh there are two that business should be most aware of:

- **“Integrity Matters”**: The [High-Level Expert Group \(HLEG\) Report](#) on the Net Zero Emissions Commitments of Non-State Entities
- The [Business for Climate Recovery: Accelerating Accountability, Ambition and Action](#), released by WBCSD

The HLEG report was commissioned in March 2022 by the UN Secretary-General António Guterres. He invited Catherine McKenna, formerly Canada’s Environment and Climate Minister, to assemble a global group of experts to provide a guide to tackle greenwashing and ensure business, finance and other “non state actors” make credible, accountable net-zero pledges.

The HLEG report was delivered at COP27 by Catherine McKenna on 8 November. António Guterres was very supportive of the report. At its launch he said:

“It was clear that we had a big gap in the climate space. A growing number of governments and non-state actors are pledging to be carbon-free – and obviously that’s good news. The problem is that the criteria and benchmarks for these net-zero commitments have varying levels of rigor and loopholes wide enough to drive a diesel truck through. We must have zero tolerance for net-zero greenwashing. Today’s Expert Group report is a how-to guide to ensure credible, accountable net-zero pledges.” UN SG Antonio Guterres at the launch of the Integrity Report.”

The HLEG Report is officially welcomed by the Parties in the final outcome text of COP27 (paragraph 92). This means it will become the reference for officials from the United Nations, Governments and civil society for what “good looks like” with respect to credible, accountable net zero commitments from business.

Importantly, as a next step, the final outcome text also invites the UNFCCC secretariat to keep working to “ensure greater accountability of non-state actor initiatives” (paragraph 93). It is to be expected that the HLEG recommendations will form the basis of this work. As a result, the HLEG report is an important reference for any business with a carbon accountability commitment.

The day after the HLEG report dropped, WBCSD launched *The Business of Climate Recovery: Accelerating Accountability, Ambition and Action*. This sets out a clear roadmap for how a business can ensure it is meeting a high bar in Corporate Global Carbon Accountability, and how the system for doing so can be further improved. It offers in effect a “how to” guide for business to meet the HLEG requirements. As a result, it provides a framework for WBCSD to work with the UNFCCC and COP28 Presidency on accountability for business, in line with the COP27 outcome text.

This business brief summarizes the HLEG report and outlines its alignment with WBCSD’s *The Business of Climate Recovery: Accelerating Accountability, Ambition and Action*.

The three key takeaways for businesses from the HLEG report are:

- 1. Credible net zero pledges must be underpinned by absolute short-, medium- and long-term emissions reduction targets starting with a 2025 target to ensure deep emissions reductions by 2030**
- 2. Net zero transitions plan covering all business operations (including Scope 3 emissions) must be embedded into corporate strategies**
- 3. Make all aspects of pledges, pathways and methodologies public, and have them audited by a 3rd party, so as to address any criticism of greenwashing**

Three notable features of the HLEG recommendations, which go further than many existing frameworks, include:

- 1. The requirement to set an absolute emissions reduction target (not emissions intensity)**
- 2. To set targets for fossil fuels phase-outs in line with IEA or IPCC pathways, including specifically for those making net zero commitments in the financial sector**
- 3. To commit to ensuring lobbying activity is fully aligned with net zero commitments.**

The HLEG report has ten recommendations overall (see Annex 1 at the end of this brief), which those responsible for designing carbon accountability and decarbonization commitments in a business should be fully aware of.

The Business of Climate Recovery: Accelerating Accountability, Ambition and Action

WBCSD released *The Business of Climate Recovery: Accelerating Accountability, Ambition and Action* at COP27, the day after the HLEG report.

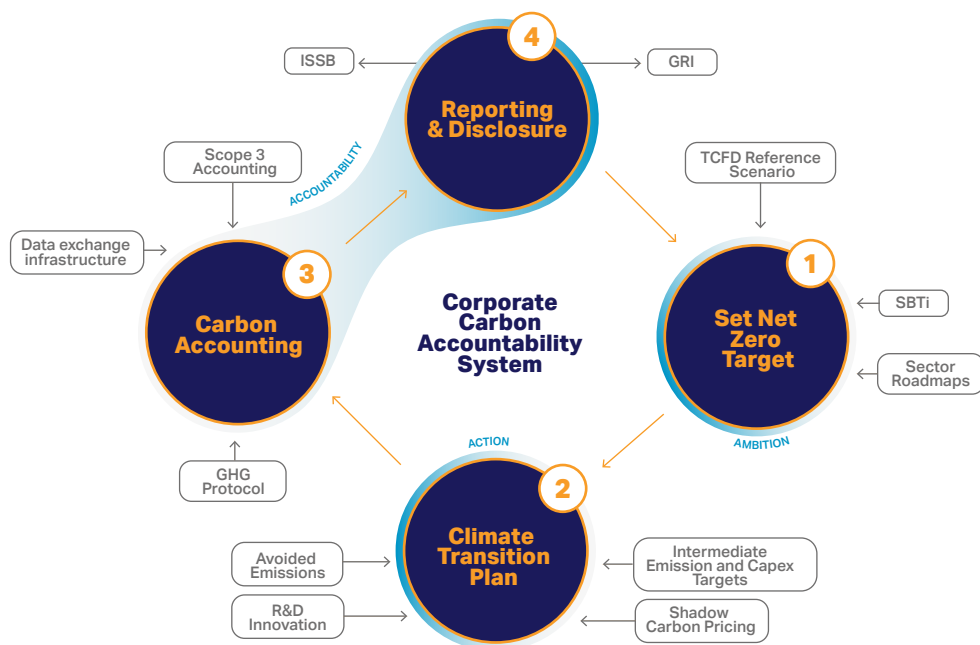
This report contains a detailed strategy on how to strengthen corporate carbon accountability across the entire global corporate accountability system.

The WBCSD report was well received from various actors involved in the HLEG as it provides a practical framework for business on how to implement many of the HLEG's recommendations.

WBCSD highlighted four phases of accountability for a business committing to decarbonization (see Figure 1):

- 1. Ambition:** set a science-based net zero target. This can be done through the Science Based Targets Initiative (SBTi) and/ or through sector roadmaps.
- 2. Action:** the net-zero target needs to be translated for implementation through a climate transition plan that breaks the (often long term) net zero target down into intermediate 2025 and 2030 emission and capex targets, including the R&D investment that will be deployed to deliver these targets (the new concept of avoided emissions can help drive innovation). Embedding carbon in every step of company decision making is essential.
- 3. Accounting:** the next key step is to obtain accurate carbon accounting metrics over time through the [Greenhouse Gas \(GHG\) Protocol](#), complemented with Scope 3 accounting. The carbon accounting system is in need of a major upgrade to ensure that companies, investors and policy makers base their decisions on the best real-time information.
- 4. Accountability:** the external disclosure of the metrics is the final phase. This should be done through the global baseline reporting framework that the [International Sustainability Standards Board](#) (ISSB) is formulating. This will allow the financial markets to assess and compare the decarbonization progress of the company. Additional disclosure of the metrics through the [Global Reporting Initiative](#) (GRI) framework will allow the same ability for all other stakeholders to assess the company's decarbonization process.

Figure 1: Corporate Carbon Accountability System as presented in WBCSD's The Business for Climate Recovery: Accelerating Accountability, Ambition and Action



To sharpen business carbon accountability overall, the WBCSD report identified three priorities to develop fully towards COP28.

1. Create alignment of the corporate carbon accountability system. This includes the promotion of clear and vocal business support for the ISSB Prototype under development to become the mandatory global baseline for climate reporting
2. Establish strong foundations for the carbon accounting system, by upgrading the GHG Protocol and developing methodologies and data exchange protocols for Scope 3 emissions

3. Develop a Global Corporate Carbon Accounting Aggregation mechanism, to link corporate data into national emission reduction progress reports

WBCSD welcomes the contribution of the HLEG to the integrity and accountability agenda and looks forward to collaborating with members and the wider non-state actor community to advance the corporate carbon accountability agenda as part of its collaboration with the UAE COP28 Presidency through to COP28.

Annex: The High Level Expert Group Recommendations

Below is a summary of the ten recommendations outlined in the HLEG report. Please note that some recommendations have been condensed for brevity. Implementation of the recommendations must include the following elements:

- use a credible globally recognized pathway as a reference for any net zero commitment (IEA, IPCC)
- make all elements of the journey public
- be transparent in the methodology and data used throughout the process and have these audited by an independent third party
- update targets and plans every 5 years and report on progress annually
- make efforts to address gaps in data and explain where and why requirements of accepted best practice has not been met.

RECOMMENDATION 1: ANNOUNCING A NET ZERO PLEDGE

- **Net zero pledges should represent a fair share of the global climate mitigation effort required, and should align with the IPCC or IEA net zero greenhouse gas emissions modeled pathways** with minimum or no overshoot.
- **Targets should be followed up publicly by regular progress reports.**
- **Becoming 'net zero aligned' should be based on robust methodology and validated externally** by a credible, independent third party, based on publicly available data.
- **Multinationals should set global targets that account for variability across jurisdictions** and include all operations along their value chain in all jurisdictions.

RECOMMENDATION 2: SETTING NET ZERO TARGETS

- **Non-state actors must have all short-, medium- and long-term targets** aligned with global emissions reductions decreasing by 50% below 2020 levels by 2030, reaching net zero by 2050 or sooner. More ambitious targets are encouraged.
- **Targets should be set within a year of making their pledge** with short-term targets of five years (or less), starting with 2025, when global emissions is expected to peak.
- Targets should include:
 - **All greenhouse gases** (separate targets for non-CO₂ GHG emissions)
 - **Emissions reductions across the full value chain and all activities (Scope 1, 2 & 3** and, where scope 3 data is missing explain how they will address the gap)
 - All emissions facilitated by financial entities
 - Embedded emissions within fossil fuel reserves with land use related emissions accounted for separately.
- The report notes the imperative to improve datasets to measure and manage emissions generated by the use of products and services.

RECOMMENDATION 3: USING VOLUNTARY CREDITS

- **Non-state actors must prioritize urgent and deep reductions of emissions across the value chain.** Carbon credits should not be counted towards interim emissions reduction but used for beyond value chain mitigation.
- **Non-state actors meeting their interim targets are encouraged to balance out the rest of their annual unabated emissions** through the purchase of high integrity carbon credits, to facilitate much needed support towards decarbonizing developing countries' economies.

- **Additionality and permanence are minimum requirements for any high-quality carbon credit** which must be associated with a credible governed standard setting body.

Voluntary carbon markets need to be built on a rights-based approach, which fully respects, protects, and takes into account the rights of Indigenous Peoples, local communities and prioritizes people and sectors most in need of support.

It is worth noting here that HLEG guidance on use of carbon credits is in line with [Natural Climate Solutions Alliance](#) (NCSA) guidance on high integrity credits, including the use of high integrity carbon credits to help balance out the remainder of a company's annual unabated emissions, especially to provide much needed investment to facilitate decarbonization of developing countries' economies.

The official COP27 final outcome text also reaffirms the use of investment in high integrity nature based solutions. Paragraph 81 "encourages parties to consider, as appropriate, nature based solutions... for their mitigation and adaptation action while ensuring relevant social and environmental safeguards".

RECOMMENDATION 4: CREATING A TRANSITION PLAN

- **Targets must be embedded in corporate strategies** with an appropriate governance structure in place.
- **Transition plans (short-, medium- and long-term) should include the entire value chain.**
- **They should include key performance indicators for reductions** and if relevant carbon removals (explaining why carbon removals are needed).
- Outline actions to address any data limitations.
- **Disclose alignment of capital expenditure plans**, research and development plans and investments with all targets.
- **Disclose how lobbying and policy engagement policies** and activities are consistent with the non-state actor's net zero targets.
- Specify how **operations and supply chains will avoid conversion of remaining natural ecosystems.**
- Transition plans should **explain how the non-state actor is contributing to a Just Transition.**
- Additional requirements for financial institutions and cities are not summarized here but available in the report.

RECOMMENDATION 5: PHASING OUT OF FOSSIL FUELS AND SCALING UP RENEWABLE ENERGY

- **All net zero pledges should specify targets to phase out and eventually end use of or support for fossil fuels** in line with IPCC or IEA net zero pathways.
- **There must be a just transition** to renewables with accessibility being at the core of transition plans.
- Business must end:
 - the expansion of coal reserves, development and exploration of new coal mines, extension of existing coal mines, and coal plants by 2030 in OECD countries and 2040 in the rest of the world
 - the development and exploration of new coal mines, oil and gas fields, expansion of oil and gas reserves, and oil and gas production.
- Financial institutions must end activities related to new coal infrastructure immediately, implement phase out policies for the entire coal value chain no later than 2030 in OECD countries and 2040 non-OECD countries.
- Renewable energy procurement targets should be included as part of the net zero transition plans for business
- Methane emissions from the energy sector should be reduced by at least 64% by 2030 from 2020 levels.

It is worth noting that the HLEG recommendation on "phase out of fossil fuels" goes further than the official COP27 outcome text which refers only to "phasedown of unabated coal." To this end, the HLEG recommendations for non-state actor (including business) net zero commitments are more ambitious than the current official position of governments under the UNFCCC.

RECOMMENDATION 6: ALIGNING LOBBYING AND ADVOCACY

- **Non-state actors need to ensure their full influence is working as part of the solution** and not undermining it. To catalyze more ambitious governmental action, non-state actors can work with governments to create strong standards and exemplify the direction needed for positive action and unify goals to reduce emissions by at least 50% by 2030 and reaching net zero by 2050.
- **Non-state actors should publicly disclose their trade association affiliations.** If their associations are not aligning with net zero

targets, a mechanism for escalation should be put into place.

- Non-state actors should work with their associations to transform the wider sector(s).

RECOMMENDATION 7: PEOPLE AND NATURE IN THE JUST TRANSITION

- Non-state actors with material and land-use emissions **must achieve and maintain operations and supply chains that avoid the conversion of remaining natural ecosystems.**
- Actions which are linked to nature degradation such as deforestation and peatland loss must be eliminated by 2025 at the latest.
- **Financial portfolios should be free of activities related to deforestation** by 2025. Investments to promote conservation should instead be implemented - this can include the purchase of high-integrity carbon credits.
- Businesses, especially financial institutions, should anticipate the final guidance of the [Taskforce on Nature-related Financial Disclosures](#) (TNFD) by **factoring in nature risks and dependency to all elements of their net zero transition plans.**

RECOMMENDATION 8: INCREASING TRANSPARENCY AND ACCOUNTABILITY

- **Non-state actors must annually disclose their greenhouse gas data, net zero targets and the plans for,** and progress towards, meeting those targets, and other relevant information against their baseline along with comparable data to enable effective tracking of progress toward their net zero targets. These must be verified by independent third parties.
- Non-state actors must **report in a standardized, open format and via public platforms** that feed into the [UNFCCC Global Climate Action Portal](#) to address data gaps, inconsistencies and inaccessibility that slow climate action.
- **Alliances should design a template for their members to report their pledges and annual reports in line with the recommendations.** Ensuring there is a transparent process for removing signatories or members who do not live up to their commitments.

RECOMMENDATION 9: INVESTING IN JUST TRANSITIONS

- All businesses, including state-owned enterprises, with operations in developing countries **should demonstrate how their net zero transition plans contribute to the economic development of regions** where they are operating.
- Financial institutions and multinational corporations should **participate in developing country-led initiatives to decarbonize and provide renewable energy access.**
- Multilateral Development Banks and Development Finance Institutions to **set targets to scale investments in the clean energy transition in developing countries.**

RECOMMENDATION 10: ACCELERATING THE ROAD TO REGULATION

- **Regulators should develop regulation and standards in areas including net zero pledges, transition plans and disclosure, starting with high-impact corporate emitters,** including private and state-owned enterprises and financial institutions.
- The challenge of **fragmented regulatory regimes should be tackled by launching a new Task Force on net zero Regulation** that convenes a community of international regulators and experts to work together towards net zero.
- To help governments enact appropriate regulation, multiple actors need to play complementary roles: **voluntary standards and initiatives must continue to mobilize leaders and experiment with best practices to advance ambition.** Leadership campaigns like Race to Zero and sector alliances like the [Glasgow Financial Alliance for Net Zero](#) (GFANZ) must reinforce high-quality voluntary efforts and consolidate best practices into general norms. International standards must continue to draw on these norms to lay out broadly agreed ground rules for mass adoption, particularly across borders (e.g. ISSB, ISO), while also drawing on third-party verification to ensure integrity.
- **Efforts to publicly track corporate climate action in the interim should continue** (net zero Tracker, Transition Pathway Initiative).

CONTACT

If you are interested in joining any of the initiatives or dialogues mentioned in this briefing, please email: Clea Kaske-Kuck, Director, Policy, Advocacy and Member Mobilization, WBCSD: kaske-kuck@wbcSD.org



ABOUT THE WORLD BUSINESS COUNCIL FOR SUSTAINABLE DEVELOPMENT (WBCSD)

WBCSD is the premier global, CEO-led community of over 200 of the world's leading sustainable businesses working collectively to accelerate the system transformations needed for a net zero, nature positive, and more equitable future.

We do this by engaging executives and sustainability leaders from business and elsewhere to share practical insights on the obstacles and opportunities we currently face in tackling the integrated climate, nature and inequality sustainability challenge; by co-developing "how-to" CEO-guides from these insights; by providing science-based target guidance including standards and protocols; and by developing tools and platforms to help leading businesses in sustainability drive integrated actions to tackle climate, nature and inequality challenges across sectors and geographical regions

Our member companies come from all business sectors and all major economies, representing a combined revenue of more than USD \$8.5 trillion and 19 million employees. Our global network of almost 70 national business councils gives our members unparalleled reach across the globe. Since 1995, WBCSD has been uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, we are the leading voice of business for sustainability, united by our vision of creating a world in which 9+ billion people are living well, within planetary boundaries, by mid-century.

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