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Task Force 06

STRENGTHENING MULTILATERALISM AND GLOBAL GOVERNANCE

# Strengthening Engagement with Non-State Actors to Bridge the Climate Governance Gap


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## Abstract

The year 2023 marked a concerning milestone in climate history with the global average temperature being 1.45 ± 0.12°C above the pre-industrial average. The Global Stocktake at COP28 showed that the projected temperature rise is expected to be between 2.1 - 2.8°C even if nationally determined contributions (NDCs) of all countries are fully achieved. This reaffirms that Parties' efforts to close the emissions gap alone, are insufficient and must be complemented by climate action from non-state actors (NSAs).

This policy brief highlights the key role of NSAs in bolstering the climate ambition of Parties. Although NSAs engagement in intergovernmental processes for climate governance and their emission reduction commitments have grown through the last decade, its impact is difficult to track. Concerns about accountability, credibility and transparency of net zero emission declarations by NSAs have also increased.

The main recommendations of this policy brief are building a shared understanding of climate action within the G20 and creating a robust transparency framework for integrating voluntary climate commitments of NSAs. Proposed measures include creating a global central repository for NSA actions, ensuring a consistent reporting framework, assessing potential impacts of NSA actions, including NSA commitments in Parties' NDC planning processes, verifying impacts, and establishing a digitally enabled climate action accountability system. Potential trade-offs include overestimation of NSA impacts, competing interests, polarization, resource redistribution risks, and dispersed policy approaches undermining coordination efforts.


**Keywords:** Non-state actor; climate governance; emission reduction; transparency

## Diagnosis: Non-State Actor Contributions to Global Climate Governance

The report on the *State of the Global Climate 2023* (WMO 2024) confirms that 2023 was the warmest year with the global average temperature being 1.45 ± 0.12°C above the pre-industrial average. Records were also broken for ocean heat, sea level rise, Antarctic Sea ice loss and glacier retreat. Further, countries across the world are experiencing increasing extreme weather events with an estimated annual cost of US$ 143 billion being attributed to climate change (Newman and Noy 2023).

### a) NDCs and emissions gap

The Paris Agreement requires each Party to formulate and communicate a nationally determined contribution (NDC) based on its national circumstances but does not impose a legal obligation to "achieve" the reduction target. This led to an "emissions gap" between the reduction required for the 1.5°C goal, and that estimated to be achieved by aggregating all NDCs. To address the gap, the Paris Agreement was equipped with a ratcheting-up mechanism through which Parties are expected to raise the ambition level of NDCs every five years, starting with the first update at COP26.

The recent Global Stocktake's outcome showed that the projected temperature rise before the adoption of the Paris Agreement was 4°C, but is now expected to be between 2.1°C and 2.8°C if countries' updated NDCs are fully achieved. This suggests that the ratcheting-up mechanism is achieving some results, albeit not enough to meet the 1.5°C goal. AR6 synthesis report by IPCC also highlights that it is necessary to reduce emissions by 43 percent by 2030 in relation to 2019, to keep the 1.5ºC goal in reach. This raises questions about whether the current global climate governance can facilitate immediate, rapid, and deep GHG emission reductions over the next decade.

However, Parties' efforts to update NDCs alone, reaffirmed the difficulty of raising the ambition to close the emissions gap. Efforts by NSAs such as the private sector, subnational and local governments and collective actions by networks of these actors, are increasingly being looked upon to bolster the ambition of Parties in the next round of NDC submission, due in 2025.

**b) NSAs key role in ambitious climate action**

NSAs are essential partners, contributing creativity, resources, and momentum to the global response to climate change and can strengthen the climate ambition of governments. NSAs contributions go far beyond their emissions reduction. The agility and adaptability of NSAs allow them to test new technologies, business models, and approaches, thereby facilitating an innovative platform for emissions reduction. They help in mobilising financial, knowledge, technical and human resources and facilitate global partnerships by creating knowledge spillovers and rapid scaling up of climate solutions. Therefore, NSAs efforts can complement and stimulate ambitious global climate action.

**c) Increasing engagement of NSAs in climate governance**

At COP 20 (Lima, 2014) the Non-state Actor Zone for Climate Action (NAZCA) – currently Global Climate Action Portal(UNFCCC 2023), was launched to track and aggregate climate actions by NSAs, which lists a remarkable growth in activities from 400 ( in 2014) to more than 34,000 (March 2024), helping build momentum to NDCs.

At COP 21, two 'High-Level Champions' were also appointed to connect the work of governments with the many voluntary and collaborative actions taken by cities, regions, businesses and investors. The 'Race to Zero' campaign, which is the world's largest

coalition of over 13,000 NSAs acting to halve global emissions by 2030, in line with the 1.5°C target, demonstrates the increasing contribution of NSAs to climate mitigation.

**d) Accountability of NSAs' commitment and other gaps**

While NSAs have increased their ambition and efforts, concerns about "greenwashing" have also been raised. To strengthen the credibility and transparency of net zero emissions commitments from NSAs, the UN's High-Level Expert Group released the report titled 'Integrity Matters'(McKenna 2022), which prompted the UNFCCC Secretariat to develop a draft framework to enhance NSA accountability. However, there has not been a comprehensive examination of the causality between NSA actions and NDCs, and the impact of the initiatives, which demands further investigation. Combining multiple initiatives to maximise synergies while minimising trade-offs, and ensuring cooperation among key players, are issues for further interest.

## Recommendations

As the G20 members represent 85 percent of the global GDP, 75 percent of global GHG emissions and two-thirds of the world's population, the members can collectively contribute to a significant reduction in emissions by 2050 (Claire Fyson, Andreas Geiges, Matthew Gidden, Jamal Srouji 2021). However, this requires ambitious action by all countries with Common but Differentiated Responsibilities and Respective Capabilities (CBDR–RC) in the light of different national circumstances as the guiding principle. Currently, there are missing links between the enhanced transparency framework (ETF) for Parties and NSAs' climate actions, which needs to be bridged through better integration of NSA voluntary commitments.

i) ***Strengthening the global central repository for NSA action.*** While the GCAP tracks the voluntary action of NSAs and their progress, it does not cover the complete set of actors as NSA actions are dispersed across other platforms such as the Net Zero Portal offered by the Climate Registry. The use of different GHG accounting tools, software, and data formats also presents challenges for building a global central repository. These hurdles need to be overcome by designing a centralised repository that allows interoperability with other platforms while maintaining traceability. The proof of concept of the Net-Zero Data Public Utility (NZDPU), as a global, centralised, open repository for private sector climate transition-related data, was presented at COP28 and holds substantial promise. The G20 Brazil Presidency could be the first mover to propose pooled human, technical and financial resources to strengthen this central repository.

ii) ***Ensure a consistent reporting framework.*** The existing voluntary self-reporting practices by NSAs are based on different methodologies. The lack of consistent reporting framework, baselines and standards, leads to inconsistencies and a lack of comparability.

Common reporting protocols and the promulgation of a standardised templates to submit net zero pledges, as is planned under the UNFCCC Secretariat Recognition and Accountability Framework Draft Implementation Plan, would help to harmonise the diverse set of reported data (UNFCCC 2023). NSAs in the G20 member countries may consider- for which the Brazil Presidency can play a key role- standardizing a unified net zero pledges' submissions, which will improve the alignment of the NSAs action with national plans, as well as with international efforts.

iii) ***Assess potential impacts of NSA action.*** As NSA actions are dispersed and unharmonised, it is difficult to assess their aggregate impact on a country's emission pathways. Use of the Non-State and Subnational Action Guide(ICAT 2020) which guides accounting of the impact of NSA activities on national GHG projections, policy development, and target setting could be a useful way ahead. The Climate Action Aggregation Tool (ICAT 2024) distills the guide into a step-by-step process allowing the users to identify, quantify and aggregate the impact of NSA emission reduction actions in a country. Implementation of these tools for assessing and aggregating the impact of NSA actions for G20 countries needs to be prioritised and supported through capacity building efforts. One option could be to assemble a G20 expert task force to validate the mechanisms and highlight best practices across countries.

iv) ***Inclusion of NSA commitments in Parties' NDCs reporting process.*** If NSAs fully implement their commitments, GHG emissions could be reduced by 3.8 – 5.5 percent in 2030 (in ten major economies) compared to existing national policies scenario projections(Kuramochi et al. 2020), which implies that G20 NDCs could be more ambitious with NSA mitigation included. To include NSA commitments, member governments can establish clear integration guidelines, like standardized reporting templates to align with the ETF requirements. This template would prevent double

counting by distinguishing between national and non-state contributions. Furthermore, capacity-building technical assistance ensures accurate and consistent reporting. To better-proposed reporting template could be complemented with specific guidelines for national governments on how to include and reference NSA actions in official communications and reports submitted to the UNFCCC. This would ensure that NSA contributions are transparently and accurately reflected in national reports, thus preventing any potential double counting. Considering that new NDCs will be submitted by the Parties in 2025, the inclusion of NSA commitments in Parties' NDCs must be endeavored at least for G20 countries.

**v)** ***Verification of impacts.*** There must be a mechanism for verification of the reported impact of NSA actions and their claims of climate mitigation by independent third parties. This is especially important to avoid greenwashing and to develop a robust and reliable system that can aid ambitious target setting by national governments. Resource constraints including lack of technical capacity and trained human resources are often a critical factor that limits the quality of accounting. Capacity development to verify the impact of NSA action on emission reductions will be required, in certain G20 member countries. In this context, the G20 Brazil Presidency may consider proposing a pool of experts from the member countries to conduct training and capacity-building initiatives for selected third-party verifiers from emerging economies.

**vi)** ***Establish a digitally enabled climate action accountability system.*** Figure 1 proposes a possible NSA climate accountability framework with the involvement of different actors and new processes. NSAs climate pledges, inventories of GHG emissions, and voluntary reporting on transition plans and progress can be integrated into a larger accountability system enabling consistency. Independent data verification can be undertaken by watchdog groups to scrutinise reported data to enhance transparency and

accountability. The G20 could be the first mover in adopting this framework as they have the combined capacity to implement this accountability system and make up for three-fourths of the global emissions. Learnings from this experience could provide valuable lessons on how this framework could be incorporated universally.

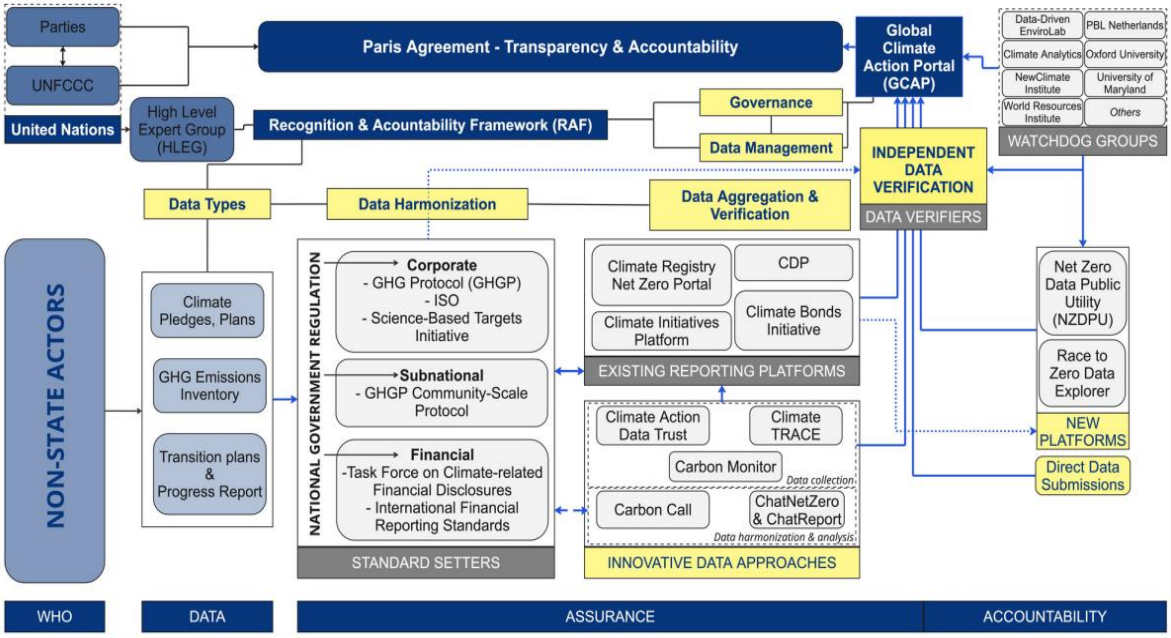


FIGURE 1. Future climate accountability system (new systems shown in yellow boxes) (Angel Hsu 2023)

The above efforts will serve as a touchstone in the polycentric global climate governance and will help to harmonise the actions of NSAs and Parties with the 1.5°C goal.

## Scenario of outcomes

The emissions reduction potential from NSAs and subnational action could be vast. In 2018, the contribution of NSA is still quite limited to what countries have already pledged (up to 0.2-0.7 GtCO2e per year by 2030 compared to full NDC implementation, and 1.5-2.2 GtCO2e per year compared to current policy) (Angel Hsu, Oscar Widerberg, Amy Weinfurter, Sander Chan, Mark Roelfsema, Katharina Lütkehermöller 2018). However, a more comprehensive assessment of NSA's estimated contribution is limited by the relatively low availability of data and lack of consistency of reporting. There are also significant differences between the extent of NSA involvement in developed and developing countries. This has the potential to alter the perception of the value of the NSAs, but also highlights the need for a different approach and to strengthen the capabilities and foster partnerships to empower more activity in developing countries (Chan et al. 2019).

While there is no doubt that international collaboration will help reduce costs and speed up decarbonization (IEA, IRENA 2022), the literature is split on whether broadly inclusive processes will be effective in reducing emissions. On the one hand evidence on collective governance suggests that there will be an increase in effective policy with the inclusion of different actors in deliberative, transparent and accountable processes, but others suggest that bringing together a wider range of actors with diverse interests can heighten differences, deepen conflicts and stymie collective efforts(Bäckstrand, Kuyper, and Nasiritousi 2021). Some of the potential trade-offs include:

### a) Risk of greenwashing and over-estimation of impact

Greenwashing and overestimation of the impact of NSA's mitigation actions pose significant risks to the effectiveness of overall efforts to address climate change, as they undermine the credibility of NSAs, eroding trust amongst stakeholders and the public, leading to skepticism. Furthermore, overestimating the impact of NSA's actions can result in the misallocation of resources, as attention and investment may be directed towards initiatives that have limited real-world impact. Exaggerated claims about the impact of NSAs may also lead to backlash from policymakers and regulators, who may view such claims as attempts to avoid stricter regulations or government intervention. The key to avoiding or reducing greenwash is transparency. NSAs need to publish data on their emissions and transition plans in a way that is both easy to comprehend and compare to others.

### b) Differing interests and polarisation

NSAs come from diverse backgrounds and sectors, each with its own perspective and preferred approaches. These differing viewpoints can make it challenging to find common ground and reach consensus on action pathways. Furthermore, NSAs bring their own, often diverse goals, timetables and priorities that may not align perfectly with ambitious and early mitigation action. For example, businesses may prioritise profit maximisation or increased market share over environmental sustainability. It has been noted that enhancing the role of NSAs within the UNFCCC processes, for example, the fossil fuel industry or livestock sector, whose business models and company strategies may be in contradiction with the objectives of the Paris Agreement, may be problematic. Despite this, there are positive examples of companies changing their business models -such as

the shift to EVs or the phase-out of coal in the UK power sector - to reach decarbonisation objectives.

**c) Risk of resource distribution without adequate oversight**

The voluntary nature of some and the uneven level of measuring, transparency and enforcement of mitigation options across different sectors and countries can significantly reduce the effectiveness of action by NSAs. Furthermore, many NSAs have limited resources compared to governments, which can constrain their ability to implement large-scale projects.

**d) Dispersed, incoherent and redundant policy approaches**

NSAs may prioritise different initiatives that offer more immediate benefits or align more closely with their own interests within policy and regulatory environments. These can create barriers to coordination and effective collective action. Furthermore, incentive structures within organisations and industries may not always align with collaborative action. For example, the private sector may be incentivised based on short-term financial performance rather than long-term sustainability objectives. However, highlighting the short co-benefits of mitigation and adaption and the avoidance of stranded assets can rebalance the focus on a narrow definition of value creation.

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