Laurence Tubiana, CEO European Climate Foundation

# Response to the High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities Consultation

FRANCE, AUGUST 2022

Dear High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities,

I am delighted for this opportunity to submit my views on the net zero emissions commitments of non-state entities and feel it is essential that this process seeks the highest ambition outcome.

In my role as the French Climate Change Ambassador and Special Representative for COP21, I insisted that the Paris Agreement must not only include short-term nationally-determined contributions for climate action that could be ratcheted up in ambition, but also a long-term goal, based in science, that would set the thresholds of climate safety. This translated into article 4.1 of the Paris Agreement – which requires a global balance of sources and sinks of carbon emissions – based on principles of equity – by mid-century.

Since Paris, and especially in the run up to Glasgow, article 4.1 has widely been interpreted in the form of 'net zero' commitments by both countries and non-state actors. This framing has been enormously successful. 91% of global GDP is now captured by national government net zero commitments. However, while the quantity of net zero commitments has rapidly grown, the quality of these targets is still woefully lacking – as many commitments remain voluntary, while the definition of 'net zero' has been interpreted in different ways, sometimes acting as a place to hide behind 'business as usual' activities.

This is why your work is so essential. We need a clear expectation that when the term 'net zero' is used, it does not represent greenwashing – or act as an alternative form of climate denial or delay. For an actor to set a 'true' net zero target, it must be: high-integrity and science aligned (including ending fossil fuel investments), prioritise the 'zero' and minimise the 'net', require urgent mitigation action now (no delay), be transparent and independently assessed, be fair and equitable, and support living within planetary boundaries (including protecting nature) to deliver the Sustainable Development Goals.

Net zero plans must also be investment plans, and we need to find ways for finance to provide large-scale, long-term and predictable investment flows that protect ecosystems to achieve these goals, and that are not mere carbon offsets or a form of delayed mitigation. Mandatory private finance contributions, particularly those linked to past harms (or long-term polluting carbon assets that companies have profited from), could provide a source of funding for protecting nature, halting deforestation and conversion of forests.

There is no time to waste. Amid today's many geopolitical challenges, emissions continue to rise rapidly at a rate incompatible with a climate safe future. Losses and damages are already occurring at a deeply alarming rate, and finance is not flowing to those most in need. I believe now is a critical time to set the rules for net zero which will lock in levels of climate ambition - and the funding and resources committed to delivering it - in this decade. It is crucial that they are set to a high standard to keep 1.5°C in sight, avoiding overshoot scenarios and the crossing of dangerous climate tipping points.

This must include near-term action, from now – in this decade until 2030 - and into 2035 (when a number of countries plan to have fully decarbonised power sectors) to fully decarbonise the energy sector. The crisis resulting from Russian war on Ukraine has shown that to meet net zero targets, it is essential to immediately start to swop supply chains for oil and gas energy sources to renewable electricity.

Below are my further thoughts on the four elements of the consultation. As the current CEO of the European Climate Foundation, I commit my full support, and that of my organisation, to make this process a success.

Yours,
Laurence Tubiana

---

## On definitions of Net-Zero for 1.5C alignment:

- **For net zero targets to have integrity, they must be aligned with 1.5°C pathways, avoiding overshoot scenarios and further losses and damages.** The Paris Agreement sets an objective of reaching a "balance between anthropogenic emissions sources and removals by sinks by mid-century" - and the IPCC states that staying within 1.5°C requires reaching "global net zero emissions" by 2050.

- **Net zero targets must align with the equity principles in the Paris Agreement.** Highly developed countries (and highly emitting corporations based in those jurisdictions) should reach net zero significantly earlier (earlier than 2050) than low-emitting countries to realise a global average balance of net zero by mid-century. **Net zero must embed equity and justice as key principles,** while taking into consideration the needs and rights of communities (including Indigenous Peoples) most affected by offsetting practices of companies and countries and the ecological limits to carbon dioxide removal practices and technologies.

    - While the Paris Agreement and IPCC describe net zero target in a global way, currently, each country and non-state actor (city, region, company, investor, etc) is setting its own net zero objective. Disagreement persists in the scientific community, with some views that **the decision on the 'net' (and what that is composed of) should sit at a country level rather than at the level of a specific non-state actor - in order to also take into account equity considerations**. In this sense, it is arguable that non-state actors should not set their own 'net' inside their net zero targets, but should link them to country NDCs and net zero long-term strategies.

    - Research led by the Net Zero Tracker, indicates that the term **'net zero' is not used universally** - and non-state actors in G7 countries are overrepresented compared to those in low-emitting countries. Some low-emitting countries have claimed to have gone 'net negative' - and some have eschewed the concept of net zero - partly because of a feeling it is inequitable as a concept, and used this alternative framing instead.

    - **The just transition must also be a critical part of delivering a net zero target, and part of the net zero transition plan.** Some have challenged that the just transition as a concept rooted in justice movements is in opposition to net zero because of the latter's excessive reliance on carbon offsets, at the expense of fossil fuel phaseout. This must be addressed as part of building the integrity of net zero expectations.

- **Net zero targets must prioritise the mitigation hierarchy** (which is not currently the case for many). Net zero targets should require first and foremost reducing emissions as much as possible (with explicit calls to end new oil and gas fields, and new coal in line with the IEA net zero report, and a complete just transition in the global energy system) before any consideration of 'net' options. This **should be defined with a risk-based 'do no significant harm' approach** that takes into account uncertainty, potential losses and damages, possible crossing off climate and ecosystem tipping points and associated cascading effects, and other foreseeable and unforeseeable risks. As the focus on the 'net' increases, including for removals (resulting in 'land grabbing' and 'removals grabbing'), and offsets (many of which currently lack integrity and durability), the mitigation hierarchy must orient all net zero targets.
    - For example, those looking at the use of energy in their supply chain need to have a plan for all coal to be out of their supply chain by 2030 if the energy is produced in the OECD, and for a totally decarbonised supply of electricity in OECD countries by 2035 – if the supply chain is in non-OECD countries then their electricity will need to be decarbonised by 2040. The consequence of this early action means that non-state actors such as corporations, cities and regions will need to have plans now to procure renewable energy-based electricity instead of fossil fuel-based electricity. As a force for positive investment and action this is very much welcome but it is not an abstract far-off target, but it is a near-term translation of what net zero means in practice.
    - Additionally, for actors using the greenhouse gas protocol, net zero targets must include scope 1, 2, and 3 emissions, including emissions associated with land use and food systems (whether they are for scope 1, 2 or 3).
- **Net zero targets must include protecting nature, and nature-based sinks as core to net zero transition plans.** This should include halting **deforestation and loss of natural ecosystems,** while enhancing **ecosystem restoration, and biodiversity conservation as fundamental to the net zero mitigation strategy**. This includes the need to protect important carbon stocks (i.e. avoid additional emissions) and increase natural sinks and biodiversity which are central to global mitigation and adaptation strategies.
    - Regarding the 'net', research shows that nature restoration could only remove around 100GtCO2 total between now and 2100, this is equivalent to about 7 years worth of current global emission levels. This means that even if all sustainable nature restoration activities were actualised, they can compensate for only a limited amount of the removals that claim to be needed by countries (let alone non-state actors), re-emphasizing the importance of fossil-fuel phase out and the mitigation hierarchy. **This reality has to be reflected in net zero plans.**
    - Regarding reliance on nature for mitigation, the IPCC-IPBES Co-Sponsored Workshop Report also cautioned sustainable bioenergy deployment (with and without Carbon Capture and Storage) is only 1-2.5 GtCO2 per year. Scientists further caution that attempting to implement "large-scale [bio-energy with CCS or] BECCS (for example at the size of 5 GtCO2 per year) and its associated land use would likely steer the earth system closer to or beyond planetary boundaries associated with freshwater use, biosphere integrity, and biochemical flows."

- A narrow focus on carbon accounting over short-medium timeframes risks leading to perverse outcomes for ecosystems, including, for example, the use of fast-growing timber plantations to maximise carbon sequestration alone. It is essential that in addition to a do-no-harm approach that deliberately avoids deforestation and ecosystem conversion, long-term land use changes and associated carbon and biodiversity outcomes are considered, including previous land cover and future land cover and biodiversity potential. For example, most restoration initiatives focus on "productive forests" in which silvicultural or other agricultural activities take place, but evidence shows (see for example) that restoring forests to a natural state, that is then maintained in the long term, delivers far higher carbon mitigation outcomes that alternative scenarios.

- **In summary, a 'true' ambitious net zero target should be:**
  - **High-integrity and science-aligned – prioritising the 'zero' and minimising the 'net'.** Targets should be comprehensive and:
    - **require deep decarbonisation actions without delay**, aiming for at least 90-95% absolute emission reductions by 2050
    - **minimise banking on future carbon dioxide removals, only using high integrity offsets as a means of last resort**, once all decarbonisation options are exhausted (as placing undue emphasis on future removals distracts from the urgency of mitigation and deters fossil fuel phase-out). High-integrity means that activities that generate a limited amount of offsets must guarantee permanence, additionality, avoid leakage, protect the rights and interests of Indigenous Peoples and Local Communities, and have biodiversity safeguards embedded.
    - **reflect the latest IPCC scenarios** (considering all GHGs and knock-on impacts, such as scope 3 for business), **critical reports such as the IEA net zero scenario** which calls for no new oil and gas fields or coal mines, and **recent science that warns that to keep within biogeochemical and ecosystem planetary boundaries, we must limit deployment of land-based removals** (e.g. BECCS) to strict 'sustainability thresholds'. Targets should also not bank on bioenergy for fossil-fuel phase-out (especially coal-to-biomass plants with wood-based biomass).
  - **Equitable and 'nature-positive'** - targets should indicate how they will support sustainable development goals, a just transition, and help reverse the biodiversity loss crisis. Targets should not rely on nature-based credits that can have negative impacts on local communities and Indigenous Peoples. It should also require a high-integrity transition in the food system which must take into account the need for access to healthy food for all, grown within planetary boundaries. The transition will require a range of measures on the demand-side and the supply-side, in particular, addressing the harms associated with industrial meat production.
  - **Consistent** - targets should align with commitments across entire operations (all geographies) and/or national policies and jurisdictions. Leadership at all levels must commit to delivering net zero targets, and all advocacy activities should support high ambition climate regulations and halt any negative lobbying against regulatory efforts. Businesses should carry out and make publicly available an 'audit' of direct and indirect lobbying activities and memberships (such as trade bodies or international alliances) to secure transparency about their lobby activities.

- **Transparent and independently assessed** - targets (and what is being done to achieve them) should be tied to robust climate governance systems, involving long-term goals that are ideally legislated, as well as being communicated on a predictable schedule, ideally outlined in domestic policy. Legislated climate governance mechanisms and independent expert advice can help shield long-term climate goals and efforts to deliver on them from political volatility. Targets must be easily accessible through open data and transparent reviews on a regular basis to demonstrate progress on how urgent actions are being taken. These updates should be independently assessed and also accessible to civil society and journalists to review, verify, and, when necessary, challenge.

## On standards for net zero:

- **The definition of net zero should be based on clear principles of integrity, and include separate targets for mitigation and removals.** Net zero should also require all actors to report and plan for their mitigation activities as separate from their removals (which should provide sufficient detail to indicate where they will come from and why they are being used - i.e. why they couldn't be mitigated). This should also help to build trust that actors are not 'hiding behind' vague removals plans.

- **When defining net zero for countries, these same principles should be followed but also translated into the country's Long-term Strategy (LTS) and NDC.** The Carbon Neutrality Coalition is working with its country members to build a compendium of best practice examples of measures that provide higher accountability and certainty over countries' ability to deliver on their net zero commitments. This project follows the communiqué by the Carbon Neutrality Coalition at COP26 on the need for a better understanding on how to best build and implement net zero targets. This work is expected for COP27.

- **When defining net zero for states and regions, these same principles should be followed, and build on the UN Race to Zero criteria.** For example, the Under2 Coalition has ambition standards for its members - including requesting data for an Ambition Tracker (with the latest report from 2022 here) where members of the coalition are encouraged to share details of their targets and progress, to build transparency and accountability.

- **When defining net zero for cities, these same principles should be followed and build on the UN Race to Zero criteria.** For example, the Cities Race to Zero has ambition standards, which include requirements for making public commitments, pledging to reach net zero in the 2040s or sooner, setting an interim target by 2030, and committing to actions in line with delivering that target - further details are here.

- **For company net zero targets, including those made by financial institutions, these same principles should be followed and build on the UN Race to Zero criteria** - with further requirements for:

    - **Consistency across operations:** Net zero targets should cover direct and indirect emissions, that is scopes 1, 2 and 3, including supply chains. **Where scope 3 is a significant part of that company's emissions, that should be considered an essential part of the net zero transition plan and reporting.**

    - **Prioritising the 'zero' and minimising the 'net'**: Companies should clearly specify what share of their targeted reductions will be achieved through internal abatement, as opposed to carbon offsets. **Net zero should require at least 95% internal abatement.** There should also be a clear distinction, with separate targets, between emission reductions and removals.

- **In line with a just energy transition to full fossil-fuel phase out:** Companies should target 100% renewable energy with storage or full-time matching of generation and consumption. Scope 2 emissions (related to electricity consumption in particular) could be mitigated through renewable power purchase agreements, self-generation of renewable electricity when possible, or reliance on environmentally additional renewable energy certificates.
- **Publishing transition plans:** Within their financial stability and supervisory mandates, a growing number of financial supervisors and central banks are considering requesting financial institutions to provide them with their transition plans. Transitions plans can provide authorities with clear guidance on the pathways to net zero followed by each financial institution and their impacts in terms of business models, profitability, solvency, and risks - backed by credible metrics and data. **Such a supervisory tool would be a strong leverage for financial institutions to in turn review their credit portfolios and engage with corporate clients to ensure that they are on a credible transition path to net zero.** Moreover, within a broader market integrity mandate, financial conduct authorities could take actions against publicly listed corporations in case their net zero commitments do not meet expectations.

## On credibility criteria (including short-term targets, transition plans, measurement, and reporting):

- **Net zero targets must require urgent short-term actions, and those short-term targets must align with long-term plans.** Net zero transition plans (and for countries, Long-Term Strategies and NDCs) must align with short-term and medium-term targets, including sectoral targets (see for example the [IEA's net zero scenario milestones] for 2025, 2030, 2040). The net zero transition plan **must include an urgent target (for 2030 or sooner, by 2027 or within this decade)** that sets out the specific actions to be delivered in this critical decade where [global emissions must be cut in half]. Sectoral goals that clearly relate to these early goals can be found clearly in the IEA's net-zero scenario – they place an emphasis on early action in the power and transportation sector and on energy efficiency in particular as this is where the most cost-effective reductions currently are. A focus on electrification is also crucial as it allows for the transition away from oil and gas. **Progress against these targets - and how the actor is delivering against their longer-term plan - should be reported on publicly (with full and transparent disclosure of progress) and regularly (ideally annually)** to build trust that commitments made are actually being delivered.
    - As above, there is debate about if non-state actors should set their own 'net' decisions within their net zero targets. **It is essential that for non-state actors, their net zero target is also in line with (or exceeds) the national-level net zero target.** If for example, a multinational business has a net zero target, their activities in different jurisdictions should at least be as ambitious as those national level net zero targets. Non-state actors should also look to provide input on their

delivery against their net zero transition plans in the context of countries setting their NDCs and LTS - **to build the ambition loop for non-state actors and country ambition in light of the commitments made in the Glasgow Climate Pact at COP26.**

- **Net zero targets, in the associated transition plans, should incorporate all international and domestic commitments made for sectoral action.** These sectoral commitments should be reflected inside the net zero transition plan and short and medium-term targets. For example, targets that set a deadline to end the production of fossil fuel vehicles, or to invest in 100% renewable electricity, or phase out methane or end deforestation activities. **Reporting against progress on these targets should be part of regular public reporting on the net zero transition plan.**

- **Net zero targets must urgently require full phase out of investment in new or expanded oil or gas fields as well as any new coal mines or fossil gas power plants.** The updated UN Race to Zero requirements also apply to all of the members of the Glasgow Finance Alliance for Net Zero (GFANZ). GFANZ members must phase-out investment in fossil fuels as part of a global just transition, and in line with the IEA net zero scenario. Measurement and reporting of adoption and implementation of financial sector net zero plans should be aligned with the TCFD standards for climate disclosure, and include full disclosure of a transition plan, in line with upcoming advice of the International Sustainability Standards Board (ISSB).

- **Net zero plans must require that all lobbying is in line with the transition plan - this includes the disclosure of lobbying activities.** Actors should aim for the Race to Zero leadership criteria which calls for positive lobbying of countries for high ambition climate policies. In addition to this, there should be full and transparent disclosure of lobbying, including:

  - direct policy engagement - the advocacy positions on all climate policies material to its operations,

  - indirect policy engagement - the climate advocacy positions of third parties (e.g. industry associations) the actor is a member of,

  - an assessment of any misalignment between the company's direct engagement and the activity of industry associations, including actions taken to address these misalignments,

  - governance of the organisation's policy engagement process, including the role of boards and senior management in decision making and oversight.

- **Companies with net zero plans should ensure that not only their operations are net zero, but that their clients - and, in the case of financial institutions, their investees - also have high quality net zero transition plans that they are delivering against.** If a business sets a net zero transition plan for their own operations they should not provide advice to clients that is not in line with their own plan (for example providing advice or consulting services to a high-emitting company that has no clear plans for reducing emissions or one that hides behind a low-quality net zero plan).

- **Net zero plans should be investment plans - and those that need support to develop them and the activities within them, should be given it.** For those that require support, especially in low-emitting countries (but also for those setting net zero plans contingent for example on national level action and policies), net zero plans should indicate the resources (or policies, or other activities) needed to achieve the actions set out.

Such recognition would help subnational actors, which are often responsible for the delivery of emissions reductions through their mandates over sectors such as the built environment or transport, to seek appropriate resources from central governments or mitigating the gaps in resources.

## On verification and transparency (including the governance of targets):

- **Net zero transition plans and details on activities against targets must be easily accessible with open, transparent data on a public site (for example, the UNFCCC Global Climate Action Portal) reporting on a regular (annual) basis** to demonstrate progress on how urgent actions are being taken and build trust that targets are turned into actions.
- **For companies, net zero plans should be independently audited by a trusted body** (for example, in the way that financial reports are independently audited) **before being uploaded to a public website.** These updates should be open to being assessed by civil society (for example, the Net Zero Tracker), regulators and journalists to review, verify, and, when necessary, challenge. Currently, access to a lot of the data on transition plans is limited (behind paywalls or not made public), so levels of trust in the delivery of targets are low.
- **Net zero plans should be made mandatory by governments.** Governments should move to regulate companies, including financial institutions, to require that net zero transition plans are published (for example, building on the UK approach led by the Transition Plan Taskforce). Governments should also seek to regulate the 'net' part of net zero, with clear requirements and governance on the use of offsets (for example, building on the Voluntary Carbon Market Integrity Claims Code of Practice) and removals.
- **While regulation can take time, voluntary initiatives (such as the UN Race to Zero) should track not only the announcement of targets - but their implementation - and develop specific mechanisms to remove participating initiatives and their members that are not meeting their criteria.** Members of initiatives should also be encouraged not to linger at the 'starting line' of the criteria but move to leadership practices in a time-bound manner. It would ensure that Race to Zero successfully mobilises and accompanies non-state actors to contribute to the collective net zero goal.

## On the pathway to regulation (and standards and criteria in the context of a just transition):

- **Countries should ensure their net zero plans are set for the long-term with a robust governance framework.** Currently, only 10% of net zero targets globally are in law. Net zero targets should be tied to robust climate governance systems (also at the state level), which include long-term net zero goals that are translated into national legislation, and set out in the form of regular targets, that directly feed into NDCs. This should also ideally include an independent body that assesses the government's progress on its net zero target and reports on measures needed to align or stay on track. This should also include participative decision-making (for example, climate assemblies) that involve diverse actors across the country to develop the net zero transition plan. Legislated climate governance mechanisms and independent expert advice can help shield long-term climate goals and efforts to deliver on them from political volatility.

- **Countries should regularly engage their non-state actors in developing their net zero plans.** Governments need to increase confidence indicating that they are making sufficient and immediate efforts to get on track for achieving their long-term net zero commitments. This includes transformational shifts in all sectors of the economy, governance frameworks, engagement with non-state actors, taking social and economic actions to support a just and equitable transition, and making the first decisions to set countries quickly on a path to reach net zero - aligning current policies, NDCs, and long-term net zero targets. It should also come with appropriate resourcing to ensure all those involved in tracking the information are appropriately equipped to do so.
- **Countries must set national policy frameworks that support the delivery of their net zero plans, encouraging non-state actors in those jurisdictions to 'do their part' to deliver them, while non-state actors should call for enhanced national ambition - in a virtuous ambition loop.** Net zero plans by non-state actors are a key step toward ambition, but the market and voluntary action alone will not keep 1.5°C in sight. Governments should set mandatory standards, laws and plans, which should reflect support for the pathway to regulation (e.g. European automakers supporting the E.U. regulation to end the sales of internal combustion engines by 2035). They should also drive up the quality of regulation and showcase that compliance is possible to provide appropriate case studies for lawmakers.
- **Countries should set financial regulations that call for ambitious and consistent global standards for climate and sustainability-related financial disclosures.** International alignment and interoperability of existing and upcoming reporting standards and policies across jurisdictions is critical to ensuring multinational companies are held to account. In its upcoming standards, the ISSB (more information on the process here) should fill the data gap for decision-making on corporate sustainability and encourage the disclosure of information on transition plans, with a reference to the alignment with the Paris Agreement and keeping 1.5°C in sight, while disclosing absolute emission reduction targets.