

Ms Catherine McKenna

Chair
High-Level Expert Group
on the Net-Zero Emissions Commitments of non-State Entities
United Nations Secretary-General

Submitted via online portal: www.un.org/en/climatechange/contact-high-level-expert-group

Dear Catherine

The Carbon Market Institute (CMI) welcomes the opportunity to respond to the UN Secretary General's High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities' (UNHG) invitation to provide input on how to develop stronger and clearer standards for net-zero pledges.

CMI is an independent, member-based industry association championing best practice for business in the transition to net-zero emissions. CMI's 140+ strong membership includes organisations from across the entire carbon value chain, including primary producers, carbon service providers, legal and financial institutions, technology firms and emissions intensive companies. We develop advocacy positions in consultation with, but independent of, our members with a view to ultimately advancing the Paris Agreement goals.¹

Strategic direction

CMI supports the UNHG's objectives to clarify current standards and definitions for setting net-zero targets by non-state actors, credibility criteria used to assess stated objectives, measurement and reporting, processes for the international community to verify and account in a transparent manner, as well as a roadmap to translate these standards and criteria into international and jurisdictional regulations, in the context of a just transition.

Harmonised international guidance for net-zero targets by non-state actors, reflected in domestic legal standards, is critical to ensuring these actors' decarbonisation strategies have integrity. Harmonised guidance will also ensure that these strategies support the achievement of the Paris Agreement goals and help non-state entities effectively manage the multi-faceted risks associated with climate change to their shareholders, communities, and the broader environment and economy in which they operate. It would also serve to ratchet up collective corporate climate ambition by levelling the playing field, mitigating the risks of greenwashing, and reinforcing the competitive advantage of accelerated transition.

In developing fit-for-purpose guidance, it is important to recognise the fundamental role that carbon markets will play in driving the emissions reductions and removals required to keep global temperature rise to 1.5°C, including by:

¹ See <https://carbonmarketinstitute.org/app/uploads/2021/12/CMI-Advocacy-Policy-Positions-Updated-Dec-2021-004.pdf>

- Supporting organisations to address emissions in the immediate term that cannot be avoided due to financial and/or technological constraints;
- Facilitating negative emissions and drawdown in the long-term to address unavoidable residual emissions in the transition toward net-zero and net-negative emissions across the global economy; and
- Scaling climate finance across jurisdictions, thereby driving emissions avoiding behaviours and economic decarbonisation that would not otherwise happen, particularly in developing countries.

Guidance for net-zero targets by non-state actors should therefore balance the need to pursue credible at-point decarbonisation plans, underpinned by verified scientific and economic analysis, alongside the broader utility of carbon markets in delivering climate action. Carbon markets enable non-state actors to address their emissions until at-point decarbonisation becomes technologically and economically viable. By facilitating negative emissions and drawdown, carbon markets can also help ensure that the global economy remains within its planetary limits.

Recommendations

We have carefully considered the UNHG's Terms of Reference and recommend the following in progressing a pathway forward:

1. Standards and guidance should drive science-aligned net-zero targets for all non-state entities while providing sector-specific guidance.

A harmonised international approach could draw upon a range of sources, including:

- The Taskforce on Climate-Related Financial Disclosures² (TCFD) recent work in developing guidance on transition plans. We consider that this guidance will be particularly informative given the global success of the TCFD framework in guiding disclosure of climate-related financial risk. Jurisdictions are increasingly looking to mandate the TCFD framework for companies operating within their borders, including on transition plans, as evidenced by the UK Transition Plan Taskforce that is developing guidance for firm-level transition plans;
- The International Sustainability Standards Board (ISSB) work to develop a comprehensive global baseline of sustainability disclosures for the capital markets. In March, the ISSB published proposed guidance including on specific climate-related disclosure requirements. Once finalised, this guidance will provide a comprehensive global baseline of sustainability disclosures; and
- The Science-Based Target Initiative³ (SBTi), which provides sector-based guidance for companies setting science-aligned targets and launched the world's first Corporate Net-Zero Standard in 2021.⁴ CMI recognises the significance of the SBTi's Net-Zero Standard and highlights the need for fit-for-purpose guidance for oil and gas companies, whose decarbonisation is critical if the global economy is to limit warming to 1.5°C. While oil and gas companies are currently unable to participate in the Standard, the SBTi is currently developing target-setting methods for the sector. Its guidance on beyond value chain mitigation (BVCM) for oil and gas will be pivotal for companies in this sector looking to participate.

² See further <https://www.fsb-tcfd.org/>.

³ See further, <https://sciencebasedtargets.org/>.

⁴ See further, <https://sciencebasedtargets.org/resources/files/Net-Zero-Standard.pdf>.

2. Standards and guidance should contemplate the broader utility of carbon markets in delivering climate action, alongside the decarbonisation pathway of individual sectors and entities. In this regard, guidance on corporate use of carbon credits must remain fit-for-purpose.

CMI recently engaged in consultations with the Voluntary Carbon Market Initiative (**VCMI**) in the context of its Provisional Claims Code of Practice, that was published on 7 June 2022 for public consultation and road testing. We support the Code's efforts to drive high-ambition, entity-level climate action that encourages participants to prioritise at-source, structural decarbonisation.

To ensure the VCMI Code remains fit-for-purpose, we also encouraged the VCMI to consider introducing flexibility around the implementation of the mitigation hierarchy and use of carbon credits. This is needed to maximise Code participation from entities in all sectors towards scaling high-integrity decarbonisation across the global economy.

3. The UNHG should explore extending the Paris Agreement enhanced transparency framework, that was finalised at COP26 in Glasgow, to facilitate a direct link between member states' commitments and those of non-state actors.

This would increase the transparency of non-state actor commitments to net zero, thereby supporting the international community's efforts to verify and account for these actions.

4. In developing a roadmap to translate standards and criteria into international and jurisdictional regulations, the UNHG should look to leverage global sustainability standards. UN diplomatic processes and specialised agencies should also drive fit-for-purpose jurisdictional frameworks.

Global sustainability standards provide a pathway towards a harmonised approach that encourages consistent and transparent approaches to net zero among non-state entities. This approach can then be used to inform legal standards in domestic jurisdictions.

As far as possible, we would recommend that global efforts lean on established global sustainability standards – such as the TCFD, ISSB and VCMI – to establish a harmonised approach to net zero transition across international markets.

UN diplomatic processes under the UNFCCC and Paris Agreement, as well as specialised agencies including the UN Development Programme and UN Environment Programme, should also focus diplomatic capital and technical expertise in capacity building to ensure that member states implement fit-for-purpose mandatory frameworks that align with these international standards. This will encourage non-state actors to pursue aligned high-integrity net-zero commitments.

In considering best practice jurisdictional frameworks to facilitate carbon crediting, lessons could be drawn from Australia, which has administered a carbon crediting framework for more than ten years and is currently undertaking an independent review to ensure it remains fit-for-purpose into the future.

Australia's carbon market is complemented by the Australian Carbon Industry Code of Conduct, the first voluntary national consumer protection code of its kind globally, that is administered by CMI to promote market integrity⁵. The Code is an important vehicle for best practice in relation to engagement with landowners, Indigenous peoples, and other eligible interest holders.

⁵ See <https://carbonmarketinstitute.org/code/>

Should you have any questions in relation to this submission, please contact **Kurt Winter**, Director, Corporate Transition at kurt.winter@carbonmarketinstitute.org.

Yours sincerely

A handwritten signature in black ink, appearing to read "John Connor", with a stylized flourish extending to the right.

John Connor

CEO