Integrity Matters: Are credibility standards fit for states and regions?

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Introduction

Since 2021, the United Nations (UN) has developed stronger and clearer standards[1] for net zero emissions targets set by non-state entities – businesses, investors, cities, and regions. These standards aim to accelerate credible and accountable progress towards the 1.5°C goal. The standards are packaged in the UN's 2022 report 'Integrity Matters'[2]. The report sets out 10 clear recommendations (further broken down into 52 individual components across four key areas: pledge, prepare, plan, and get verified) that sets out a framework of zero tolerance for greenwashing or any excuse for inaction or delay from any actor, globally.

Based on these recommendations, the UN Secretary-General issued a call to action and announced plans to host the Climate Ambition Summit in September 2023 open only to those that have shown leadership aligned with the UN's recommendations. In response to this call, the Under2 Coalition[3], the largest global network of subnational governments committed to net zero emissions by 2050, worked closely with states and regions to

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[1] UN Climate Action, Credibility and Accountability of Net-Zero Emissions Commitments of Non-State Entities
[2] UN Climate Action, Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions, 2022 (https://www.un.org/sites/un2.un.org/files/high-levelexpertgroupupdate7.pdf)
[3] Under2 Coalition, https://www.theclimategroup.org/under2-coalition

identify those meeting the standards. Nearly a fifth of the coalition responded to this call with their transition plans.

We received responses across a diverse cross-section of regions: Africa, Asia, Europe, Latin America, North America, and Oceania. The highest engagement, more than 30%, came from states in Latin America –

Argentina, Brazil, and Mexico. 25% of the received transition plans were from North America across the US and Canada, while the remaining transition plans were sent in from Australia, Germany, Italy, Morocco, Nigeria, Republic of Korea, South Africa, and the United Kingdom. We received the lowest number of plans from Asia, indicating that more work is needed to further engage states and regions to meet the standards.

Interestingly, the largest percentage of responses, more than 60 percent, came from non-native English-speaking countries – representing governments that conduct government operations in Portuguese, Spanish, Italian, German, French, Zulu, and Korean. This engagement is particularly striking given that the standards are only available in English. The submissions also cut across a wide range of economies - more than half the transition plans received, about 51 percent, were from states and regions in low- and middle-income countries.

This policy summary analyses the submitted transition plans from Under2 governments, with the aim of answering one critical question: do the global climate leadership standards work as a framework for states and regions? Our analysis identifies opportunities to strengthen these standards, especially where concepts need to be clarified and localised to state and regional contexts. More importantly, we identify opportunities to use the standards to build state and regional capacity and unleash their significant emissions reduction potential[4].

Methodology

This policy summary focuses on the following questions:

- Across the key areas of 'pledge, prepare, plan, and get verified', where are states and regions the strongest?

- What are key opportunities to strengthen state and regional alignment across 'pledge, prepare, plan, and get verified'?

- What are opportunities to make global credibility standards fit for states and regions across the world and unlock their climate action potential?

We only considered data that was received against the UN Integrity Matters standards. No additional or contextual knowledge regarding any governments' actions was included in the broad trends analysis. We considered that unfamiliar terminology, such as Scope 3[5] emissions (emissions in the upstream value chain, used mostly for corporate greenhouse gas accounting) might have impacted responses. For instance, we may have had higher reporting against such criteria if concepts had been better understood. Finally, we did not

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[4] New Climate Institute, 2023, Exploring the role of regional governments in achieving the goals of the Paris Agreement, https://newclimate.org/sites/default/files/2023-07/NewClimate_GIZ%20Regions_July23.pdf

[5] Greenhouse Gas Protocol, Corporate Value Chain (Scope 3) Standard, https://ghgprotocol.org/corporate-value-chain-scope-3-standard

consider the diversity of jurisdictional powers held by states, regions, provinces but note that this would impact the scope of what can be done at subnational level.

1. Integrity Matters: The new definition of global climate leadership

In November 2022, the UN Secretary-General and his High-level Expert Group (HLEG) launched their accountability and credibility leadership standard through the "Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions" (*Integrity Matters*) report. Based on the recommendations laid out in the report, the UN issued a call for nation states and non-state entities to respond to this standard with strong transition plans. *Integrity Matters* sets out 10 recommendations for non-state entities to follow:

- Announce a net-zero pledge in line with fair share of required global mitigation;

- Set a net zero target with interim milestones for every five years in line with the IPCC 1.5°C pathways with limited or no overshoot[6] scenario including end-use emissions;

- Prioritise urgent and deep emissions reduction across the value chain, and use high-integrity voluntary carbon credits only for beyond value chain mitigation;

- Publicly share comprehensive detailed net zero transition plans on actions to meet targets while supporting a just transition;

- Not support new supply of fossil fuels;

- Lobby/advocate for positive climate action and incentivise rigorous net zero alignment;

- Ensure that operations and supply chains do not contribute to deforestation, peatland damage or destruction of natural ecosystems;

- Report annually on progress with detailed data that is comparable to their baseline, verified externally;

- Invest in a just transition by working in partnership with financial institutions; and

- Develop regulation to drive reconfiguration of the global economy towards achieving the Paris Agreement goals.

These recommendations are further broken down into 52 individual components across four key areas: pledge, prepare, plan, and get verified.

'Pledge' refers to components of a net zero pledge, including a strong commitment on stopping the expansion of fossil fuels while scaling up clean energy.

'Prepare' refers to the mandatory components of a strong transition plan, including adoption of strong science-based short- and long-term net zero targets, without the use of voluntary carbon credits/offsets. On phasing

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[6] Intergovernmental Panel on Climate Change, Special Report: Global Warming of 1.5°C https://www.ipcc.ch/sr15/chapter/spm/

out fossil fuels and scaling renewable energy, it includes measures such as reducing new development or exploration. It further sets out preparatory standards for including people and nature in the just transition, investing in a just transition, accelerating net zero regulation for example through shifting public procurement, and increasing multilevel regulatory alignment.

'Plan' refers to standards and strong guidance for public disclosure, periodic updating of transition plans, inclusion of scope 3 emissions and developing strong sectoral strategies to reduce emissions and improve climate resilience. On phasing out fossil fuels and scaling renewables, standards include a full implementation plan for phase out and funding expansion of renewables in a just and equitable way. Standards for investing in a just transition include requirements for explaining how plans would strengthen resilience and reflect inequality, gender, and access considerations.

And finally, 'Get verified' refers to increasing transparency and accountability. It includes strong guidance around regular and periodic disclosure, standardisation of reporting, feeding into the Global Climate Action Portal[7], verification by an independent third-party and seeking independent evaluations to demonstrate credibility.

Across the Under2 Coalition nearly a fifth of our governments, from a wide range of geographies, shared their transition plans in response to the UN's call for leadership in the run up to the Climate Ambition Summit in September 2023.

2. States and Regions alignment across Pledge, Prepare, Plan and Verify

A deeper analysis of specific criteria within each area of pledge, prepare, plan, and verify, identified several opportunities to empower subnational governments, enabling them to better meet and deliver the global accountability standards.

 Pledge: Components of a net zero pledge

Our analysis shows that states and regions are strong on covering scope 1 and 2 emissions as part of their net zero pledge. However, scope 3, which makes up a significant[8] part of a subnational government's operations, is either currently not explicitly included in state and regional net zero pledges or is under consideration to be included. 49 percent of the transition plans did not include specific Scope 3 emissions targets. From the transition plans submitted, it seems states and regions are at a very early stage of including scope 3 emissions as part of their transition plans.

In contrast, there is more robust methodology for including scope 3 emissions available to companies and private institutions. There is a gap in ensuring the same level of guidance for subnational governments to consider value chain emissions. Such guidance would enable states to develop datasets for these emissions, especially those across their regional supply chains. Armed with this data, states and regions can prioritise their decarbonisation efforts by working with suppliers to reduce emissions and demonstrate community level benefits of supply chain decarbonisation.

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[7] The Global Climate Action portal is an online platform where actors from around the globe - countries, regions, cities, companies, investors, and other organizations - can display their commitments to act on climate change.
[8] In some countries like the UK, scope 3 can make up for 60-80% of local authority emissions: https://www.local.gov.uk/climate-change-reporting-guidance-local-authorities#mapping-the-value-chain-for-local-authorities

Our analysis also suggests that there is scope to strengthen explicit and specific targets to end the support, or use, of fossil fuels. Nearly 45 percent of transition plans received did not include separate targets for the phase out of fossil fuels. This could be for several reasons. Some states have a low degree of fossil fuel-based operations in the region; or they lack of jurisdictional or decision-making power on fossil fuel use; and some lack knowledge on standards expected of states and regions on fossil fuels.

On the positive side, where states and regions do have specific fossil fuel targets, they have put in place fiscal measures such as carbon tax for all fossil fuel consumption to drive change. Measures such as a carbon tax provide significant opportunities for states, regions, and provinces to incorporate specific targets based on clear direction through initiatives such as the Beyond Oil and Gas Alliance[9] or the Powering Past Coal Alliance[10] that bring together states and regions to set high ambition.

Prepare: Get ready for the mandatory components of a transition plan

Our analysis also shows that more than 70 percent of the transition plans received do not include specific targets for methane. Methane is a critical issue to address as it is responsible for 30 percent of current global warming[11] and is 80 times more powerful than carbon dioxide over a 20-year period. Given its high potency and short atmospheric lifespan, lowering methane emissions could prevent up to 0.3°C of warming by 2050.

We think this is a significant opportunity. More than half of global methane emissions stem from activity in three sectors: agriculture, waste, and fossil fuels[12]. Subnational jurisdictions are particularly suited to reducing methane emissions, as they are often the primary regulators of these sectors. In addition, subnational actors have been early adopters of legally binding methane targets[13] and pioneered innovative ways to track and reduce methane emissions, including through the use of remote sensing and satellites[14]. New initiatives such as the Subnational Methane Action Initiative[15] are key opportunities to support greater subnational leadership in this regard.

States and regions can also do more to reduce fossil fuel-based electricity generation. Our analysis shows that states and regions can strengthen components of their net zero pledges by adding specific language around reducing and phasing out the fossil fuel-based power generation. At this stage, more than 70 percent of transition plans do not have specific targets on this issue. However, the salience of this issue depends very much on the specific state or region as not all areas have the same level of oil and gas industry within their jurisdictions. In our analysis, only about 30 percent of states and regions confirmed they have plans to not allow for exploration of new oil and gas fields, expansion of reserves and work towards ending oil and gas production.

Even without the presence of major fossil or fossil-based industry in a state or region, consumption of fossil fuels is widespread across the globe, providing an opportunity for states and regions to have stronger consumption and scope 3 targets. This is an area where Integrity Matters could strengthen guidance for all governments.

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[9] Beyond Oil and Gas Alliance, https://beyondoilandgasalliance.org/
[10] Powering Past Coal Alliance, https://poweringpastcoal.org/
[11] International Monetary Fund, Methane Emissions Must Fall for World to Hit Temperature Targets, https://www.imf.org/en/Blogs/Articles/2022/11/02/methane-emissions-must-fall-for-world-to-hit-temperature-targets#:~:text=Methane%20accounts%20for%20about%2030,part%20of%20the%20Paris%20Agreement
[12] International Energy Agency, The Imperative of Cutting Methane from Fossil Fuels, October 2023 https://www.iea.org/reports/the-imperative-of-cutting-methane-from-fossil-fuels
[13] California Senate Bill 1383 (Lara, Chapter 395, Statutes of 2016) establishes statewide methane emissions reduction targets and is available online at: https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201520160SB1383
[14] Climate Group, States and Regions Remote Sensing (STARRS) project, States and Regions Remote Sensing (STARRS) project | Climate Group (theclimategroup.org)
[15] California launches international methane-reduction initiative during Climate Week https://ww2.arb.ca.gov/news/california-launches-international-methane-reduction-initiative-during-climate-week#:~:text=NEW%20YORK%20%E2%80%93%20Today%2C%20California%20announced,Brazil%2C%20Nigeria%2C%20and%20India.

Some states also cite lack of jurisdictional or decision-making powers on this issue. We think stronger consumption and value chain targets and clearer standards on these will support states and regions to be stronger since they hold jurisdictional powers to address consumption.

Plan: Components of a credible net zero transition plan

Our analysis shows that states and regions need greater support in presenting full and detailed implementation plans to phase out fossil fuels. Only about 30 percent of state and regional transition plans include detailed implementation targets. Further, there is greater clarity needed on what qualifies as a detailed implementation plan for phasing out fossil fuels.

This is an area where greater clarity and specificity can support states and regions, depending on their jurisdictional powers, to put in place strong and effective net zero transition plans.

Get verified: Increase transparency and accountability

Third party verification is essential to increase transparency, and build accountability, at state and regional level. Only about 35 percent of transition plans confirmed that their reported emissions are independently verified. In some cases, there are country-based mechanisms that support independent verification. In other cases, there is no domestic legal requirement for subnational governments to have their reported emissions verified. There is no uniformity or consistency around third-party verification for state and regional emissions. Further, some states, especially from developing and emerging economies, have highlighted that having their emissions independently verified is an expensive process. It has to be recognised that states and regions will have differing capacities and capabilities. For the standard to have impact, further consideration should be given to what support is needed for states and regions in developing economies whether financial, technical or in terms of additional capacities.

Conclusions and Recommendations

Our analysis finds that Under2 states and regions are engaging with the UN's clear accountability leadership directive, irrespective of whether they belong to high-income or middle and low-income economies. However, state and regional response varies greatly across the key areas of pledge, prepare, plan, and verify. Subnational governments showed the greatest strength in being able to announce a science-based net zero goal and putting in place transition plans to support net zero goals. The areas of 'prepare' and 'verify' are where subnational governments need the greatest level of clarity and support to align with global accountability standards.

To increase credible leadership, we recommend the following:

1. **Contextualise accountability:** States and regions from across the world are responding to the UN's call to respond to Integrity Matters with strong transition plans. As noted, the standards are currently only available in English. Nearly half of those states and regions are from non-native English-speaking countries. Therefore, to level the climate credibility playing field, language accessibility is key. Understanding of standards can vary based on subtle differences resulting from translation.

2. **Drive greater state and regional engagement in Asia:** There is demonstrably low engagement from states and regions in Asia. This could be for several reasons, for example political barriers, language barriers or lower levels of focus on the subnational opportunity in Asia. There is higher engagement

from states, regions, and provinces in Africa, but it remains lower than those countries that operate with stronger federal structures such as those in North and Latin America. Getting greater engagement from subnational governments in Asia is critically important given the region's emissions. There is a significant opportunity to accelerate ambition and credibility through empowering subnational governments.

3. **Define clearly what is needed from states and regions to meet the Integrity Matters standards.** What is needed are clear methodologies that states and regions can use to calculate Scope 3 emissions target that can then be included in credible transition plans. Similarly, greater clarity is needed on what is meant by investing in a just transition so that states and regions can build this into their transition plans. The UN can work with technical and network partners, such as the Under2 Coalition, to develop these methodologies.

4. **Build capacity in states and regions:** To ensure as wide a range of state and regional governments can meet the standards, it is important that the UN, as the standard setting body, understand the diversity of jurisdictional powers that might be held. For example, some states and regions may have powers on setting energy decarbonisation targets, but this is not always the case. There should be a focus on understanding the specific powers of states and regions in high emitting countries to understand the specific role subnational governments can play and reflecting this in more detailed guidance.

It is important to also understand the diversity of states and regions that represent a wide range of economies. The UN, and partners, should ensure training, capacity building and language appropriate materials to ensure as many states and regions can engage as possible. The risk is that without this, governments with more resources are more able to demonstrate their leadership than their counterparts with less resources.

5. **Mobilize greater access to resources and funding:** Our assessment is that meeting these standards could be expensive and resource intensive, particularly for states and regions with limited capacities. With this global call for leadership, there needs to be a mechanism whereby international climate funding can support greater accountability action at the state and regional level. States and regions themselves are supporting their counterparts in developing countries by levelling the playing field and creating greater access through initiatives and partnerships such as the Future Fund[16].

These steps would strengthen policy and tighten standards to ensure that global climate credibility standards are fit for all.

Acknowledgements

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[16] Under2 Coalition Future Fund, https://www.theclimategroup.org/future-fund

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