

# ENGAGING BUSINESS IN THE NDCs

## POLICY RECOMMENDATIONS ON THE ROLE OF THE PRIVATE SECTOR AND REPORTING

Developed by:



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## INTRODUCTION

Meeting the goals of the Paris Agreement requires concerted action by governments, international organizations, investors, civil society, citizens – and business. The private sector has a vital role in addressing climate change and, in order to act, they need to understand and manage their contribution to the problem at hand.

2020 represents a key year for the Paris Agreement under the UN Framework Convention on Climate Change (UNFCCC), as the next round of Nationally Determined Contributions (NDCs) will be submitted by member states. NDCs embody efforts by each country to reduce national emissions and adapt to the impacts of climate change. The second round of NDCs carries a key opportunity to involve non-party stakeholders, and their contribution to the Paris Agreement.

In preparation, GRI and CDP are providing recommendations to both policy makers and business on how to transparently include business actions in the NDCs, and on how to engage mutually towards meeting the goals of the Paris Agreement.

This briefing provides an analysis of the first round of NDCs, and what this means for business action and reporting. It includes recommendations for policy makers and businesses, trends and lessons learned, as well as examples of good practice.

## **RECOMMENDATIONS FOR POLICY MAKERS**

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### **→ Include clear targets for private business contribution.**

When setting sectoral targets for emissions reductions, explicitly mention what the expected contribution from the private sector is to reach the target. These expectations will create business opportunities and clarify the role of the public and private sector. By aligning efforts to meet the targets at a national level, both sectors will maximize their impact by adopting complementing strategies.

### **→ Set up efficient and transparent monitoring processes that include data from the private sector.**

When establishing or reviewing the monitoring and evaluation process, include a system to track the private sector contribution by relying on business data. Relevant data can be found in public sources such as corporate sustainability reports, environmental disclosures, or can be obtained through dialogue with companies. To ensure quality and comparable information, policy actors should require the private sector to report their contributions using internationally accepted and widely adopted business disclosures and reporting frameworks such as the GRI Standards and CDP. Collecting this data will provide a fuller picture of the progress as it complements official public data.

### **→ Provide support to ensure the engagement of the private sector.**

Once the expected contribution from the private sector has been presented and the monitoring process set up, providing appropriate guidance and incentives to businesses will be essential for meeting national objectives. Announcing the expectations is not enough, an ongoing dialogue is needed and exchanges between the public and private sector should be established. Directing financial incentives towards public private partnerships and through this engaging private investment should be considered.

## CALL-TO-ACTION FOR BUSINESSES

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➔ **At a minimum, align operations and sustainability objectives to national targets.**

Once policy makers have identified and adopted national targets to reduce emissions, it presents the opportunity for the private sector to reflect on how it aligns its operations and own sustainability objectives. The national targets highlight the gaps and needs in different sectors that are relevant for business to consider and assess their contributions and impact management. Nevertheless, business has the space and opportunity to set more ambitious targets, for example through setting science-based targets<sup>1</sup> aligned with efforts to limit warming to 1.5 degrees.

➔ **Explore business opportunities.**

The gaps and needs highlighted also provide opportunities for business to contribute by making relevant investments and changes within their operations. The national climate change challenges require innovative solutions – through R&D for example - which can be provided by the private sector and profit both society and green growth.

➔ **Proactively engage policy makers at the national level.**

To understand policy makers' expectations and plans, it is essential for business to engage in a dialogue at every step of the process. Pre-emptive strategic decisions aimed at cooperating with policy makers will help business maximize their positive impact on national climate change challenges and contribute towards innovative solutions in addressing national targets.

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<sup>1</sup> Science Based Targets [www.sciencebasedtargets.org](https://www.sciencebasedtargets.org)

## TRENDS & LESSONS LEARNED

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More than half of the NDCs involved **consultations with the private sector** in drafting and developing related strategies, however, details on how the private sector was involved and their role in implementing the targets is not mentioned.

**Consultation with businesses** should not only lead to input into the NDCs and a general recognition of the private sector as a stakeholder in developing the NDC, but should also lead to concrete roles and commitments.

Mentions of various sectors generally follow the **IPCC sector differentiation**.<sup>2</sup> This means that, in broad terms, emissions reduction targets mentioned adhere to this categorization and can be comparable on a sectoral basis. Measuring sectoral contributions can be assisted through sustainability reporting, with frameworks such as the GRI Standards and CDP. All in all, **sectors** are mentioned in over 95% of the NDCs, the top sectors being energy, agriculture and waste. Nevertheless, there is no reference to the explicit role of the private sector contributing to the NDCs.

**In developing economies**, a lack of required finance for planned activities is mentioned regularly. Mobilization of private finance is generally the desired intervention, and costs are also outlined as key activities. Next to this, a handful of NDCs set out the need to assess the social and environmental framing of investment on a sectoral basis. This links with reporting frameworks, such as the GRI Standards, which allow business to disclose information along social and environmental topics.

Developing economies not only focus on mitigation efforts but also on adaptation and resilience building in general. Alongside this, the difficulty in obtaining the desired **expertise, technological capacity, and financing** is mentioned across all these aspects. Business can be a catalyst in providing these inputs, which carries clear opportunities. Building on the recurring reference to the need to mobilize private sector finance and investment, NDCs should also reference specific mechanisms for enabling this type of activity and what specific role the private sector can play.

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<sup>2</sup> 2006 IPCC Guidelines for National Greenhouse Gas Inventories  
[www4.ipcc-nggip.iges.or.jp/public/2006gl/pdf/0\\_Overview/V0\\_1\\_Overview.pdf](http://www4.ipcc-nggip.iges.or.jp/public/2006gl/pdf/0_Overview/V0_1_Overview.pdf)

## EXAMPLES OF GOOD PRACTICES

### + Monitoring process

It is essential for countries to establish a monitoring process if they want to be able to **track progress and adapt the strategy** regularly. A number of countries have established monitoring plans to measure the contribution of various sectors. The Republic of Korea created a measuring, reporting and verification system for assessing the contribution of industries and sectors with large greenhouse gas emissions,<sup>3</sup> while the Republic of the Marshall Islands developed a monitoring plan linked to their national energy policy, which aims to link sectoral visions to broader contributions.<sup>4</sup>

### + Clear budget expectations and objective setting to meet the targets

In addition to setting clear targets for each sector, identifying the required budget and the conditions needed for its implementation are necessary to ensure an efficient and realistic plan. In Benin, mitigation measures carry a 2030 target, with explicit mentions of costs and the conditions required. In a number of countries, among them Chile,<sup>9</sup> there are clear quantitative targets for emissions targets per sector.

### + Enabling factors supporting the private sector involvement

Beyond setting clear targets, **investing in enabling factors** is important as it further supports private sector involvement. Belize identified education, research, legislation, and finance among other factors in building the required capacity for the implementation of the NDC, beyond their general commitments.<sup>5</sup>

Closely linked to this, in Benin, the need for capacity building is explicitly mentioned in aiding the development of the renewable energy sector.<sup>6</sup> Colombia outlines how it aims to enhance joint action with the private sector to achieve sustainable development and the transition to low-carbon resilient development pathways.<sup>7</sup> Meanwhile, Cabo Verde aims to develop market-oriented policies and incentives for engaging the private sector, such as the creation of competitive market conditions and the consideration of special fiscal incentives for relevant sectors.<sup>8</sup>

3 Submission by the Republic of Korea [www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Republic%20of%20Korea%20First/INDC%20Submission%20by%20the%20Republic%20of%20Korea%20on%20June%2030.pdf](http://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Republic%20of%20Korea%20First/INDC%20Submission%20by%20the%20Republic%20of%20Korea%20on%20June%2030.pdf)

4 Submission by the Marshall islands [www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Marshall%20Islands%20First/150721%20RMI%20INDC%20JULY%202015%20FINAL%20SUBMITTED.pdf](http://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Marshall%20Islands%20First/150721%20RMI%20INDC%20JULY%202015%20FINAL%20SUBMITTED.pdf)

5 Submission by Belize [www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Belize%20First/BELIZE%27s%20%20NDC.pdf](http://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Belize%20First/BELIZE%27s%20%20NDC.pdf)

6 Submission by Benin [www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Benin%20First/CDN\\_BENIN\\_VERSION\\_ANGLAISE.pdf](http://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Benin%20First/CDN_BENIN_VERSION_ANGLAISE.pdf)

7 Submission by Colombia [www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Colombia%20First/Colombia%20iNDC%20Unofficial%20translation%20Eng.pdf](http://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Colombia%20First/Colombia%20iNDC%20Unofficial%20translation%20Eng.pdf)

8 Submission by Cabo Verde [www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Cabo%20Verde%20First/Cabo\\_Verde\\_INDC\\_.pdf](http://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Cabo%20Verde%20First/Cabo_Verde_INDC_.pdf)

9 Submission by Chile [www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Chile%20First/INDC%20Chile%20english%20version.pdf](http://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Chile%20First/INDC%20Chile%20english%20version.pdf)

## **LOOKING AHEAD: THE KATOWICE CLIMATE PACKAGE**

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The Katowice Climate Package, agreed at COP24 in 2018, contains implementation guidelines to operationalise the Paris Agreement. These include provisions on the information that governments will provide in their NDCs, the rules for an enhanced transparency framework, which will show what countries are doing about climate change and how to conduct the Global Stocktake of overall progress towards the aims of the Paris Agreement.

It is recommended that for future rounds of NDCs, post 2020, governments ensure that they implement the guidelines and mechanisms under the Katowice Climate Package into their national plans, whilst ensuring that the same government recommendations listed above are still followed: clear targets included for business contributions, efficient and transparent monitoring processes that include data from the private sector and support to ensure the engagement of the private sector.



**Acknowledgment:**

GRI would like to thank the Government of Sweden for their financial support to this project/publication/study/research/event

**Disclaimer:**

This material has been financed by the Government of Sweden. Responsibility for the content lies entirely with the creator. The Government of Sweden does not necessarily share the expressed views and interpretations.





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