COP28 Net-Zero Transition Charter: Accountability mobilization for the private sector

The COP28 Presidency is committed to mobilizing as many corporate Net-Zero commitments and transition plans as possible, especially from under-represented regions and sectors, and to ensuring the critical importance of credibility and accountability of Net-Zero emissions pledges by non-Party stakeholders.

This Charter serves to encourage organizations to make public Net-Zero emissions pledges and targets underpinned by high integrity and quality, produce credible and transparent transition plans, and publish periodic, accurate, complete, and transparent reporting on their progress.

For organizations at the beginning of their journey to Net-Zero, this Charter should act as a beacon, which will help to provide guidance on the steps that can be taken to strengthen their position to take a Net-Zero science-based, credible, and transparent pledges.

By signing this Charter, organizations commit to:

1. Publicly set 1.5 degree aligned, science-based, credible and transparent Net-Zero 2050 and interim emissions reduction targets either through a Net-Zero aligned national pledge or an internationally recognised Net-Zero initiative that holds members to account for their Net-Zero pledges, or individually following a commensurate scope and level of ambition with public, third-party validation of their pledge through a generally accepted science-based review process. Those who have already made pledges as outlined above do not need to re-commit.

2. Produce a credible Net-Zero transition plan, by or within one year after the conclusion of COP28.

3. Publicly report annual GHG emissions and progress on their Net-Zero commitment and transition plan, including through high quality platforms that feed into the UNFCCC Global Climate Action Portal.

By signing the Charter or committing to a Net-Zero aligned national pledge, organizations are committing to action and will be acknowledged as leaders in the run up to COP28 at events and could feature on the COP28 website.
Commit to 1.5 degree aligned, science-based Net-Zero and interim targets

In order for organizations to qualify as aligned with the Charter, they must either:

a. be a member of an internationally recognised initiative that holds members accountable for their Net-Zero pledges and meets the standards of ambition, transparency and credibility set out in this Charter;

b. have set an individual 1.5 aligned Net-Zero commitment following an appropriate scope and level of ambition with third party validation of their pledge through a generally accepted science-based review process.

Produce a credible Net-Zero transition plan

Prior to COP28, to ensure Net-Zero commitments are underpinned by robust planning, signatories of this charter must announce the status of their transition plans and their intention to complete and publish a plan, if not already completed, within one year after the conclusion of COP28 (December 12th, 2023).

● Developed transition plans will:

  o Undertake near-term and long-term actions that will meet all science-based targets.
  o Align governance and incentive structures, capital expenditures, research and development, skills and human resource development and public advocacy.
  o Outline beyond value chain mitigation (BVCM) actions that are being undertaken or under planning.
  o Support a just transition as per Recommendation 4 of the UN High Level Expert Group Integrity Matters Report.
  o Support specific policies and regulations that need to be implemented to cut emissions in line with a 1.5°C scenario. This includes membership in trade associations, as per Recommendation 6 of the HLEG Integrity Matters Report.

Publicly report annual progress toward their Net-Zero commitment and transition plan

To ensure accountability and transparency towards Net-Zero targets, signatories of this charter commit to publicly report:

● Progress against both interim and longer-term targets.

● Actions being taken to meet both interim and longer-term targets.

● Annually in a standardised open format that is shared with the UNFCCC either directly or through a recognized data provider.

● Emissions data and reduction pathways that, with some exceptions for SMEs, have been assessed by an independent third party before COP29.

● Updated status, of transition plans aligned with the most recently available science.

Prior to COP28, or within one year, disclose pledges and the status of transition plans on the UNFCCC Global Climate Action Portal in line with current TCFD recommendations and in preparation for the IFRS S2 standard.
By signing this Charter, organizations are committing to the necessary actions and steps to adhere to the principles and goals set forth herein. It is imperative for all signing organizations ensure that they possess the appropriate documentation to demonstrate that they are undertaking necessary steps to align with the Charter’s provisions.

To ensure transparency and accountability, a progress update will be issued one year post COP28. This update will serve to verify the extent to which signing entities have taken the necessary measures and implemented the actions outlined in the Charter. The United Nations Framework Convention on Climate Change (UNFCCC) secretariat will oversee the processes to maintain its objectivity under the UNFCCC “Recognition Accountability Framework for non-Party Stakeholders” regarding the recognition of credible pledges, plans, and progress reports.

Signing organizations should be prepared to provide evidence of their ongoing efforts towards achieving the science aligned Net-Zero targets. Failure to meet the requirements set forth in the Charter will be noted in the COP28 progress report to be published by December 2024.

**Terms and conditions**

Only companies who meet all the above required criteria by November 15, 2023, will be acknowledged at the COP28 website.

- Additionally, companies, except for those designated as an SME, must meet the third-party assurance requirement (emissions data and reduction pathways, that are assessed by an independent third party) within a period of one year. Any companies that have signed the Charter before COP28 and fail to undergo third party assurance by October 25, 2024 will not be recognized in the Net-Zero Charter Progress report that will be published by the COP28 Presidency.

The COP28 Presidency is proud to work with existing Net-Zero initiatives to facilitate this recognition process for COP28 and hopes this will serve to bolster the integrity of the growing Net-Zero landscape, setting a precedent for future COP Presidencies.

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Annex – Key Definitions

Net-Zero

The IPCC defines global Net-Zero as: When anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period. The global temperature will stabilise when carbon dioxide emissions reach Net-Zero. To contribute to this global goal, Net-Zero for individual actors is defined as “a state by which the greenhouse gases going into the atmosphere are reduced as close to zero as possible and any residual emissions are balanced by permanent removals from the atmosphere by 2050. In recent years, a robust consensus has emerged outlining the requirements of credible Net-Zero action for non-state actors in line with the temperature goals of the Paris Agreement.

Net-Zero Interim Targets

The purpose of interim targets is to ensure that companies and organizations are on track to achieve their Net-Zero targets by 2050. Interim targets can also help to accelerate the transition to a low-carbon economy.

There is no one-size-fits-all approach to setting Net-Zero interim targets. The specific targets that are appropriate for a company or organization will vary depending on its sector, emissions profile, and other factors. However, there are some general guidelines that can be followed: Interim and overall targets should be based on a principle of fair share, supporting science aligned pathways to reach net-zero by 2050, which require collective efforts to halve emissions by 2030 (compared to their baseline) based on pathways recommended by the IPCC to keep us under 1.5°C. As noted by the IPCC, without immediate and deep emissions reductions across all sectors, limiting global warming to 1.5°C is beyond reach.

Targets should be transparent and measurable. Interim targets should be publicly communicated, tracked over time, and validated. This will help to ensure that companies and organizations are held accountable for their progress.

The UN High Level Expert Group Integrity Matters report defines interim targets as “The pledge should contain interim targets (including targets for 2025, 2030 and 2035) and plans to reach Net-Zero in line with IPCC or IEA Net-Zero greenhouse gas emissions modelled pathways that limit warming to 1.5°C with no or limited overshoot, and with global emissions declining by at least 50% by 2030, reaching Net-Zero by 2050 or sooner, Net-Zero must be sustained thereafter.”

Net-zero interim targets can play a vital role in accelerating the transition to a low-carbon economy. By setting ambitious and achievable targets, companies and organizations can demonstrate their commitment to climate action and inspire others to follow suit.

Internationally recognized net-zero initiative

An internationally recognized net-zero initiative is a coordinated effort by governments, businesses, and other organizations to achieve Net-Zero emissions by a certain date. These initiatives typically provide a framework for setting ambitious targets, provide guidance on how to achieve them, and track progress over time.
Internationally recognized net-zero initiatives are important because they provide a framework for action and collaboration. They can help to accelerate the transition to a low-carbon economy and ensure that everyone is working towards the same goal.

Some examples of internationally recognized net-zero initiatives include and amongst others: Race to Zero, 2050 Pathways and Science Based Target Initiatives (SBTi).

These are just a few examples of internationally recognized net-zero initiatives. There are many other initiatives underway around the world, and these initiatives are playing a vital role in accelerating the transition to a low-carbon economy.

When an initiative is internationally recognized, it means that it has been endorsed by a broad range of stakeholders, including governments, businesses, and civil society organizations. This endorsement gives the initiative credibility and helps to ensure that it is aligned with the latest climate science and best practices.

Internationally recognized net-zero initiatives can play a valuable role in helping to achieve the goals of the Paris Agreement. By providing a framework for action and collaboration, these initiatives can help to accelerate the transition to a low-carbon economy and ensure that everyone is working towards the same goal.

**Race to Zero**

Race to Zero is a global campaign designed to rally non-state actors, including companies, cities, regions, financial, educational, and healthcare institutions – to take rigorous and immediate action to halve global emissions by 2030 and deliver a healthier, fairer net-zero carbon world.

Since June 2020, over 12,000 members have joined the Race to Zero campaign and are committed to the same overarching goal: reducing emissions across all scopes swiftly and fairly in line with the Paris Agreement, with transparent action plans and robust near-term targets. Those that are already in Race to Zero will be acknowledged as part of this leadership group and do not need to recommit to the Race, so long as they provide a status update on their transition plans in line with the requirements of this Charter.

**Science-based approach**

A science-based approach means using scientific knowledge and methods to measure and reduce carbon emissions to fight climate change. This includes using technologies and strategies based on science to transition to renewable energy and create policies that align with scientific insights. Some organizations that apply this approach use recognized methods from groups like the Science Based Targets initiative, CDP, and the Greenhouse Gas Protocol to set targets, monitor impacts, and track emissions.

https://www.cdp.net/enhttps://ghgprotocol.org/

**Validation process**

Validation process refers to the systematic review and verification of measured and reported data to ensure its completeness, accuracy, validity, and traceability. It involves checking the methodologies used for data collection, aggregation, and transformation to ensure the reliability of the data sources used for reporting purposes. This process often requires collaboration with external experts and utilizes advanced analytical techniques to scrutinize data and identify and correct any
discrepancies or errors. The validation process may provide different levels of assurance based on the approach adopted. For example, validation done through self-attestation has a lower assurance level than external validations done by an independent third party.

Transition Plan

A climate transition plan is a time-bound action plan that outlines how an organization will pivot its existing assets, operations, and entire business model towards a pathway that aligns with the latest climate science recommendations and targets.

As set out by the UN High Level Expert Group Integrity Matters Report Recommendation No. 4, a comprehensive and ambitious transition plan must:

1. Disclose short-, medium- and long-term absolute emission reduction targets, and, if relevant, relative emission reduction targets. Targets must account for all greenhouse gas emissions and include separate targets for material non-CO2 greenhouse gas emissions.
2. Detail the third-party verification approach and audited accuracy.
3. Reference credible sector pathways consistent with limiting warming to 1.5°C with no or limited overshoot (e.g., IPCC, IEA, Network for Greening the Financial System (NGFS), One Earth Climate Model (OECM)) and explain any material difference between the non-state actor's transition plan and sector pathways.
4. Explain emission reductions and, if needed, removal actions with time-bound key performance indicators. If removals are needed, explain why. Demonstrate how specific actions across all parts of the non-state actors’ value chain will meet near-, medium- and long-term targets.
5. Disclose how capital expenditure plans, research and development plans and investments are aligned with all targets (e.g., capex-alignment with a regional or national taxonomy) and split between new and legacy or stranded assets.
6. Outline actions to address any data limitations.

Level of ambition

The lowest Net-Zero level of ambition that can achieve Net-Zero target by 2050 for private sector companies will vary depending on the sector and the company’s specific emissions profile. However, a general guideline would be to reduce emissions by at least 90% by 2050. This would require companies to make investments in renewable energy, energy efficiency, and other decarbonization measures, in addition to considering business model change.

Some companies may be able to achieve even deeper emissions reductions, while others may need to rely more on carbon offsets to reach Net-Zero. However, it is important to note that carbon offsets should not be seen as a substitute for deep emissions reductions.

For guidance, the Science Based Targets initiative (SBTi) has developed a framework for companies to set science-based Net-Zero targets. The SBTi’s criteria require companies to reduce their emissions by at least 90% by 2050, with any remaining emissions offset using high-quality carbon removal projects.

Here are some examples of Net-Zero level of ambition for private sector companies in different sectors:

- Electricity generation: Reduce emissions by 95% by 2050.
- Manufacturing: Reduce emissions by 90% by 2050.
- Transportation: Reduce emissions by 85% by 2050.
- Construction: Reduce emissions by 80% by 2050.
• Retail: Reduce emissions by 75% by 2050.

These are just examples, and the specific Net-Zero level of ambition for each company will vary depending on its individual circumstances. However, these targets provide a good starting point for companies that are serious about achieving Net-Zero emissions by 2050.

It is important to note that achieving Net-Zero emissions by 2050 will require significant investment and cooperation from all sectors of the economy.

UN High-Level Expert Group (HLEG) Recommendations

The United Nations Secretary-General, António Guterres, on 31 March 2022, established a High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities to develop stronger and clearer standards for net-zero emissions pledges by non-State entities – including businesses, investors, cities, and regions – and speed up their implementation.

With the launch of the report “Integrity Matters: Net-Zero commitments by Businesses, Financial Institutions, Cities and Regions” at the UN Climate Conference (COP27) in Sharm-el Sheikh, Egypt, the Group has successfully finalized its work and delivered on its mandate. The ten recommendations, outlined in the report, are a how-to guide for credible, accountable net-zero pledges and detail what non-State actors need to consider through each stage of their progress towards achieving net-zero ambitions and addressing the climate crisis.

Global Climate Action Portal

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.

Launched by UN Climate Change, Peru, and France in 2014, the portal was born of the realization that addressing climate change will take ambitious, broad-based action from all segments of society, public and private.

Crucially, it helped build momentum towards the adoption of the Paris Climate Agreement 2015. With the portal's formal inclusion in the Decision Text of the Agreement, countries welcomed the efforts of all actors to scale-up their climate actions and encouraged them to register these actions via the Global Climate Action portal.

The aim is to present a clear, comprehensive view of Global Climate Action, recognizing actors and inspiring still greater ambition, for the good of current and future generations.