



Climate change

New frontiers in transparency
and accountability

E3G Research Team

For more information contact:

Transparency & Accountability Initiative

c/o Open Society Foundation
4th floor, Cambridge House
100 Cambridge Grove
London, W6 0LE, UK

Tel: +44 (0)20 7031 0200

www.transparency-initiative.org

Copyright © 2010 Open Society Foundation.
All rights reserved, including the right to reproduce
this report or portions thereof in any form.

Contents

Executive summary	4
1. The importance of transparency and accountability to climate change	6
The post-Copenhagen context	7
Role of transparency and accountability in climate change	8
2. Synergies with other strategic reviews	10
3. Major transparency and accountability trends relevant to climate change	12
Scientific uncertainty and the economic development paradigm	13
National planning responses	13
The new role of emerging economies	14
Centrality of MRV in the international negotiations	15
Potential for corruption and misallocation of resources	16
4. Mapping of thematic initiatives and recommendations	17
4.1 International climate regime	18
4.2 Reducing Emissions from Deforestation and Degradation (REDD+)	23
4.3 Domestic policy	28
4.4 Trade and private investment	32
4.5 The carbon market	36
5. Criteria for assessing new frontiers	39
Impact assessment criteria	39
Delivery assessment criteria	39
Innovation assessment criteria	39
Annexes	40
Annex I: Introduction, methodology and scope	42
Annex II: Defining transparency, accountability and participation	47
Annex III: Workplans and recommendations	49
Recommendation 1. Creating NGO initiatives focused on robust engagement in an MRV regime to enhance T/A of climate actions	49
Recommendation 2. Enhancing the integrity of REDD+ programmes through coordinated and harmonised safeguards and increasing the transparency of land use and tenure	55
Recommendation 3. Building models of resilient low-carbon national development and planning responses	58
Recommendation 4. Enhancing transparency (and accountability) of public/private policies and investment flows	63
Recommendation 5. Strengthening the accountability of existing carbon disclosure initiatives	67
About E3G	69

Executive summary

Intense negotiations in Cancun in December 2010 resulted in a package – the Cancun Agreements – which ensures that the UNFCCC process is still alive and establishes concrete measures going forward. After the disappointment of Copenhagen, Cancun served to inject much-needed political energy into the negotiations and managed to reach hard-won agreements on several key mechanisms. Compromise by countries produced substantive outcomes on transparency, a new climate fund, a technology mechanism, deforestation and adaptation. Importantly, the agreement includes a periodic review of the long-term temperature target which leaves open the possibility of strengthening the goal to 1.5°C. Emerging from the toxic communication and megaphone diplomacy coming out of Copenhagen, Cancun saw mature diplomacy with ministers taking tactical risks to secure a deal. But the Cancun outcome is only an interim step. More work is required to reach a legally binding deal that keeps global temperature increases below 2°C; action and implementation on the ground are now required to unlock further progress.

Cancun succeeded in locking in progress on key elements whilst leaving the door open on options for a variety of critical issues to be taken forward at Durban and beyond. Although it was a positive step towards a global climate agreement, it did not succeed in shifting red lines of key countries on politically contentious topics (i.e. legal form, scientific review, peaking date, etc.), and is thus an interim agreement in the pathway towards a global deal. Further action is required on both the top-down international negotiations and bottom-up shaping of domestic politics in key countries.

Bottom-up progress on climate change will depend on shaping the debate around national interests and demonstrating transformative actions on the ground to build confidence. This will help unlock progress at the international level and break out of the current deadlocks. This relationship is often presented as a false dichotomy between top-down and bottom-up processes. In reality both are necessary for success. Bottom-up action is necessary to show that transformation onto a low-carbon, climate-resilient pathway is economically feasible; but top-down frameworks are essential to monitor, report and verify action and ensure that we deliver the full global public good of climate change. By supporting the synergies between the two processes, a real breakthrough is possible in the coming years.

Delivery of effective responses on the ground has made transparency and accountability increasingly important. The agreement at Copenhagen to provide \$30 billion of public fast-start finance by 2012, and the need to monitor its delivery and impact, have emphasised transparency and accountability mechanisms at both the national and international levels. The further progress in Cancun, including

agreement to establish a new global climate fund and to establish formal rules on measurement, reporting and verification (MRV) and international consultation and analysis (ICA), mean that transparency and accountability will be a core focus for international negotiation in 2011. In addition, national debates over mitigation and adaptation pathways have focused attention on citizen accountability, governance mechanisms and the role of incumbent industries. Although many of these debates link into existing transparency and accountability processes, the focus within climate change is relatively new. As such, the evidence base in this area is not as well developed as other research topics such as natural resource governance or donor aid. Nonetheless, transparency and accountability can potentially play a critical role in rebalancing power and building trust through:

- Engaging and empowering citizens to respond to this challenge and avoid high-carbon lock-in; ensuring that the poorest and most vulnerable in society are not excluded;
- Shaping the political conditions in the national and the international processes, through unearthing power imbalances and making a positive contribution to effective regulation;
- Helping to deliver effective new institutions and mechanisms to support adaptation and mitigation actions;
- Providing better quality of, and access to, information, enabling informed and effective policy decisions and engagement in the creation and reform of institutions; and
- Ensuring that countries are willing to take collective action and are confident that others will not renege on their commitments; providing a robust system of accountability to manage the difference between genuine errors leading to under-delivery versus deliberate free-riding.

The new frontiers put forward in this report form a package of measures which encompass the importance of addressing transparency and accountability across critical sectors, countries and forums. The recommendations identify the catalytic and transformative new frontiers where transparency and accountability can deliver trust and help to reshape power imbalances. This will enable reorientation away from 'business as usual' towards low-carbon, resilient development. These new frontiers build on linkages between climate change and the changing international political and economic landscape. They encompass the proposition of moving beyond environmental silos, complementing other new frontiers and reaching out beyond the sphere of the public sector. This will entail tackling the fundamental incentive and power structures which perpetuate high-carbon lock-in. However, as a new emerging debate, these interventions aim to build upon progress from other transparency and accountability processes and practices, enhancing the potential for delivery.

Climate change transparency and accountability new frontiers

1. Creating NGO initiatives focused on robust engagement in a measurement, reporting and verification (MRV) regime to enhance transparency and accountability of climate actions.

- Following the political bargaining and agreement at the UNFCCC meeting in Cancun, it is necessary to provide a coherent and unified technical analysis to enhance understanding of MRV issues. The Cancun Agreements established important political bargaining on the sensitive issue of MRV and ICA, with a balanced agreement of differentiated actions for both developed and developing countries. Negotiations in 2011 will focus on designing a process for MRV and ICA of mitigation actions by both developed and developing countries under the Subsidiary Body for Implementation (SBI), with a view to enhancing reporting of actions and their guidelines and the establishment of a registry. Parties can submit their views on the work programmes to define guidelines on reporting formats for MRV for Annex I and MRV and ICA for Non Annex I countries with an expectation to develop detailed criteria for adoption at the December meeting of the UNFCCC Conference of Parties (COP) in Durban. Although concrete deadlines for the work programmes have not been set, the level of transparency and accountability that this system creates will be an essential foundation for any future climate regime. It is therefore vital to build an effective and politically astute NGO community that can input into UNFCCC MRV/ICA discussions operating at the international level. The community should effectively communicate coherent messages and add value to high-level dialogue on the creation of the MRV/ICA work programme for 2011 and an overarching international MRV regime. Synthesis of data on subject areas including finance, REDD+ and adaptation (technology and capacity-building support) should be channelled in a way that is tangible to citizens and other CSOs; this may also be used to inform governments and build responsiveness and to enhance transparency of commitments.
- Principles-based political campaigns at international level focused on building capacity for enhanced transparency of MRV/ICA: coordinate NGOs operating at the UNFCCC to build a unified campaign on MRV/ICA, based on principles of transparency and accountability and which can be communicated to a diverse audience. The campaign should mobilise citizen engagement and enhance government responsiveness through effective lobbying at the international level and in key capitals (BASIC, G20donors). It should enhance the transparency of commitments and hold governments to account.
- National hubs to monitor domestic MRV actions: create national hubs/platforms of civil society organisations (CSOs) to monitor climate actions in key countries and enhance accountability of governments. These should provide full transparency to citizens and build government responsiveness to act. This feeds into accountability mechanisms of an international regime and enhances transparency of domestic actions. It also builds CSO capacity in key areas (finance, REDD+, technology) to enhance in-country expertise.
- Enhancing the integrity of Reduced Emissions from Deforestation and Forest Degradation (REDD+) programmes through coordinated overarching principles on safeguards and increasing the transparency of land use and tenure.
- The Cancun Agreements have led to the creation of a work programme for REDD+ issues for 2011 and beyond. This

will include discussions on policy approaches, incentives and safeguards under the Subsidiary Body for Scientific and Technological Advice (SBSTA). Concerted civil society action will be essential to obtain robust core principles for social and environmental international safeguards for REDD+ projects and programmes. Current REDD+ delivery institutions, contributor countries and CSOs are using different sets of safeguards; adoption of a set of common principles for safeguards will facilitate effective implementation and protect the interest of vulnerable stakeholders.

- Transparency of land tenure and use target key forest governments to encourage transparent disclosure of existing land tenure and use as well as the 'pathways' to tenure i.e. formal and informal processes of land acquisition.

2. Building models of resilient, low-carbon national development and planning responses.

- Disclosure of carbon liability of Brazil's National Development Bank (BNDES). A green growth strategy in Brazil requires structural reforms of BNDES to ensure that low carbon is the main focus – hence a reorientation of BNDES toward low-carbon lending. Disclosure of its carbon liability would be the first step toward decarbonising the bank.
- Transparency of carbon liability of public budgets and domestic climate finance. Establish an NGO partnership in a core set of countries campaigning for disclosure of carbon liability of public budgets and expenditure, including climate finance.
- Accountability and public participation in South Africa's national development planning. Supporting a strong civil society voice in shaping the low-carbon development plan for the country, through the National Planning Commission, and ensuring that the recommendations are taken up and acted on by government.
- Understanding climate vulnerabilities in Most Vulnerable Countries (MVCs) and developing risk management tools. Establish a scientific review process to understand climate vulnerabilities in MVC communities; incorporate necessary actions into national/regional planning processes; develop actionable risk management tools for decision makers at local level.

3. Enhancing transparency (and accountability) of public/private policies and investment flows.

- Transparency of Brazil's BNDES export/import bank. Brazilian citizens to push the Brazilian government to disclose BNDES's carbon liability. This could act as a path-finding initiative for transparency of other export/import bank banks.
- Transparency of Singapore's sovereign wealth fund, GIC, and Singaporean citizens to push the government to disclose its carbon liability. This could act as a path-finding initiative for transparency of other sovereign wealth funds (SWFs).
- G20 fossil fuel production subsidies. Establish a network of CSOs in G20 countries challenging vested interests and fossil fuel production subsidies.

4. Strengthening the accountability of existing carbon disclosure initiatives.

- Multi-stakeholder dialogue resulting in action on carbon liability. Building on existing best practice such as Ceres, INCR and CDP – the aim would be to create a mechanism which enables the appropriate political and financial incentives to encourage companies to seriously take responsibility for, and respond to, their carbon liability, based on their annual carbon disclosure reporting.

1. The importance of transparency and accountability to climate change

Transparency and accountability will be critical in providing an effective response to climate change. Moving to a low-carbon, climate-resilient development pathway will require fundamental changes in how we produce and consume goods and services. Transparency and accountability will be essential to engage and empower citizens to respond to this challenge, to contribute their ideas and to generate trust, both within and between nations, to enable collective action to work. The effects of climate change pose a shared dilemma affecting people across national borders. Climate security is a global public good and, in order to deliver it, action will be required at the national, regional and international levels. Transparency and accountability will be important factors at each of those levels.

The post-Copenhagen context

The inability of the world to agree a binding legal framework at Copenhagen in December 2009 was a failure of politics. Solving climate change creates fundamental challenges for national sovereignty and developmental choices which world leaders have not been able to tackle. Building the political conditions in key countries to move forward on the climate agenda will be critical to unlock the politics in the international climate negotiations. Transparency and accountability play a central role in shaping the political conditions in the capitals and the international negotiations, through unearthing national power imbalances and enabling citizens to constructively engage in the debate with a view to redressing obstacles that inhibit low-carbon development.

The Copenhagen climate change conference led to the creation of the Copenhagen Accord and an extension of the formal parallel negotiations under the Kyoto Protocol and the Long-term Cooperative Action tracks (LCA). The Copenhagen Accord is a political 'letter of intent' that was cobbled together in the final hours of the negotiations by a few selected countries. The Accord was 'noted' by the Conference of the Parties following objections from a minority of developing countries, and no commitment exists to give it a legally binding status. Since Copenhagen, both developed and developing countries that are associated with the Accord have expressed disappointment regarding the level of ambition captured.

While not sufficient, the Accord does set certain international precedents. It calls for a scientific review to be completed by 2015 (including consideration of a goal of a global temperature rise of below 1.5°C), and extends the mitigation framework of targets and actions to countries accounting for nearly 80% of global emissions, far larger than the coverage of the Kyoto Protocol (which is estimated to equate to roughly one-third of global emissions).¹ It also provides specific (although insufficient) finance pledges by developed countries of approaching \$30 billion between 2010 and 2012, rising to \$100 billion per annum by 2020. A Green Climate Fund and the High-Level Panel on climate financing were also proposed. In addition, the Accord made progress on transparency by including agreed principles on measurement, reporting and verification (MRV) and the need to establish 'international consultation and analysis' of domestic policy.

Despite these precedents, the Copenhagen Accord will not deliver climate security: it has no legal force and countries' pledges on emissions reductions, even in the best-case scenario, still put the world on a trajectory of 3–4°C of warming. The 'de facto' pledge and review system provides few incentives for higher ambition and lacks any compliance mechanism. The uncertainty around the additionality of climate finance flows (will they displace existing developmental aid?) and the operationalisation of MRV must still be negotiated.

The Copenhagen Accord reflects a lack of confidence that countries can deliver the necessary low-carbon transformation at the scale and on the timescales required. World leaders were not ready to accept the challenge to economic sovereignty associated with developing an international climate regime. However, a vital shift in the global climate debate did occur in 2009; climate policy is no longer a niche agenda overseen by environment ministries, but has become a core element of development. This shift has been underscored by the emergence of a group of countries that no longer portray development and climate protection as clashing goals and which are prepared to decarbonise their growth strategies if the right support from the international regime is in place.

There is an opportunity over the next 2–3 years to begin to build the right domestic conditions and actions in strategic countries to put them on a low-carbon development pathway. Greater visibility of practical low-carbon policies will in turn help support increasing ambition in the international climate regime. But this will require the creation of path-finding initiatives and governance structures to deliver real transformational results on the ground.¹

¹ For more information see E3G's report 'Towards Low Carbon Resilient Economies – Implications for the Fast Start Finance Package'. http://www.e3g.org/images/uploads/E3G_Toward_Low_Carbon_Resilient_Economies_Implications_for_fast-start_finance.pdf

Role of transparency and accountability in climate change

Transparency and accountability matter for climate change because of the fundamental mismatch of power both within and across nations. Improving transparency and accountability is essential to empower citizens and civil society to ensure that tackling climate change is seen as central to the national interest. It will also be vital to build the necessary trust between nations to take collective action to deliver climate security.

It is also critical to note that enhancing participation of civil society can lead to positive outcomes, through better and more informed policy decisions and enhancing the links, and thus accountability, between citizens and state.

The power dynamics around climate change cuts across the visible, hidden and invisible spectrum, as outlined in Table 1.

Inside nations, the response to climate change must come from a range of stakeholders including not only governments but also citizens, civil society, academia and business. Power relations between these groups are distinctively unequal, operating through visible, hidden and invisible dimensions.² **Visible power**, the making and enforcing of rules, is central to national and international processes. The mechanisms of visible power can lead to sub-optimal outcomes for key groups, and an inability to resolve collective action problems when they provide unequal access.

Hidden power, including agenda setting and the ability to exclude and delegitimise certain actors, plays a central role in the ability of a regime to meet its goals. The influence of the high-carbon lobby has effectively delayed climate action for years, often by questioning the soundness of climate science and by stereotyping the environmental community as elitist, alarmist and impractical. Governments, civil society and business have also used hidden power to shape national planning, budgets and aid strategies.

Invisible power, the ability to shape meaning, values and social norms, has shaped public attitudes toward environmental stewardship, climate risk and personal responsibility. Empowering individual citizens and civil society to engage in climate action will be critical to creating critical mass.

Transparency and accountability will also be critical in shaping power dynamics between countries. Because solving the collective action problem is at the heart of a successful global climate agenda, increasing trust will be critical to success. Honesty and maturity of countries and their ability to deliver low-carbon development are critical to driving progress. This goes to the centre of the debate on MRV. The transparency and accountability of national mitigation actions and support for finance, technology and capacity building are necessary to build confidence that parties are fulfilling their commitments.

Tackling climate change will require leveraging trillions of dollars of investment (the International Energy Agency estimates that developing and deploying 17 key climate technologies will require an annual average of \$1 trillion of investment between now and 2050³) and transparency and accountability are needed to monitor and evaluate the effectiveness and additionality of climate finance.

Transparency and accountability will also matter for the creation and reform of institutions and mechanisms related to both mitigation and adaptation. Through better quality of and access to information, informed policy decisions and engagement can be delivered. This includes existing international institutions such as multilateral development banks, the Adaptation Fund and the Clean Development Mechanism, as well as emerging ones such as an international registry of actions and a technology mechanism. Reform is also occurring at the national level. For example, the UK government is in the process of establishing a Green Investment Bank; the United States has established the Advanced Research Projects Agency – Energy (ARPA-E) with \$400 million of funding

TABLE 1: SUMMARY OF KEY ISSUES IN RELATION TO POWER DYNAMICS

	Mechanism
Visible power	The making and enforcing of rules and laws; the ability to purchase and control assets e.g. Governments, courts, UNFCCC, major businesses etc.
Hidden power	The ability to set the agenda and exclude/de-legitimise certain groups e.g. lobby groups being able to capture regulatory bodies; control of the media agenda etc.
Invisible power	The ability to shape meaning, values and social norms e.g. attitudes to personal responsibility over carbon emissions; attitudes to international equity etc.

² For further details see <http://www.powercube.net/analyse-power/forms-of-power/>

³ IEA (2008) Energy Technology Perspectives.

for new technologies; and South Africa has put a National Planning Commission in charge of developing a low-carbon strategy to 2025. These approaches will deliver benefits to the extent that they build on robust, transparent and accountable structures.

While transparency and accountability play a role to enable low-carbon development, they can also pose potential threats. For example, enhancing transparency and accountability can limit the willingness of organisations to take high risks, for fear of the ramifications i.e. the visibility of failure. In addition, transparency and accountability could also disincentivise actors to contribute towards a low-carbon, resilient pathway. However, an honest and mature dialogue is predicated on the basis of open and transparent information flows: thus, while transparency and accountability do entail potential negative consequences, the overall impact has the potential to be positive.

As a relatively new area of work, less developed than other new frontiers, the opportunities for transparency and accountability have not as yet been fully assessed. While the theory of change expressed above has significant potential to deliver climate security, the immaturity of the debate, both in terms of the politics and the content, should be taken into consideration.

In summary, transparency and accountability are not an end per se for climate change; but they are at the heart of the critical strategies to rebalance power and build trust. Other elements will be essential to success, but exploring new frontiers in transparency and accountability will be critical to delivering four main outcomes:

- **Increasing the level of ambition:** Shaping power dynamics to achieve low-carbon development and to deliver transformative national actions, with provision of scaled-up finance, capacity building and technology transfer support;
- **Creating robust policy-making:** Through enhanced awareness, capacity and participation of civil society and other stakeholders;
- **Building trust and cooperation for rapid action:** Ensuring that countries are willing to take collective action and believing that others will not renege on their commitments; providing a robust system of accountability to manage the difference between genuine errors leading to under-delivery versus deliberate free-riding; and providing confidence to the private sector to invest in climate solutions; and
- **Developing and reforming institutions and mechanisms:** Ensuring effective governance, delivery and anti-corruption measures in a range of areas including MRV, finance, technology cooperation and capacity building.

2. Synergies with other strategic reviews

Climate change creates strong linkages to the other areas under consideration in this project. Donor aid, natural resource governance, budgets and financial reform have direct impacts on climate issues. Moreover, the analysis of ‘impact and effectiveness’ and on ‘new technology’ can support the case for transparency and accountability in the climate space and provide pioneering solutions to some of the challenges on the ground.

Given the overlaps, this strategic review does not attempt to duplicate the work that has been completed by other teams for the Transparency and Accountability Initiative. Instead we focus on the areas that are specific to climate issues and draw on analysis from other groups when appropriate.

FIGURE 1: LINKAGES TO OTHER AREAS



3. Major transparency and accountability trends relevant to climate change

Key cross-cutting trends that are relevant to transparency and accountability in climate change include: Scientific uncertainty and the economic development paradigm; National planning processes; The changing role of emerging economies; The centrality of measurement, reporting and verification in international negotiations; Potential for corruption and misallocation of resources.

Scientific uncertainty and the economic development paradigm

For a long time, climate change was seen as a niche environmental issue. However, current trends are moving the debate beyond the traditional scientific and environment communities to include issues of national security and economic sovereignty. Since the mid-1960s scientific understanding has driven climate change to a large extent. The debate over 'man-made' climate change is fundamental to the case for decarbonisation. The 'Climategate' media scandal over leaks of climate scientists' findings and procedures underlines the critical role of ensuring transparent and accountable processes in the review and presentation of scientific research. At the same time, these processes must ensure that the evidence around climate change is presented in a way that decision makers and the public can engage with. The presence of uncertainty and risk is a common factor in all major security challenges, such as terrorism or nuclear proliferation. However, an effective risk management response requires that policy makers engage to manage this uncertainty and, where appropriate, make precautionary responses to deal with threats.

New actors outside of the scientific community are starting to engage with climate risk management. The military and intelligence communities, for instance, are becoming active and as a result climate issues have been included in the US Quadrennial Defense Review and the remit of the new UK National Security Council. This process may bring new tools and methods to help deal with climate change. However, it is important that there is sufficient transparency to allow both independent assessment and accountability to citizens. The rise of climate change as a security issue may lead to arguments against transparency in certain areas. For example, countries such as China and Vietnam are starting to classify data on water availability as a state secret. A shift toward opacity risks hindering the ability of policy makers to design robust climate strategies.

Climate change has also become a new element in economic growth strategies. As a result, a climate dimension is emerging in trade and competitiveness debates alongside science

assessments. A race toward the low-carbon economy is emerging. In 2009 investments in clean energy soared, with China and the US investing \$35 billion and \$19 billion respectively.⁴ Ensuring that critical new technologies are developed and deployed will rely on a combination of science, energy and industrial policy. However, getting the right policy mix will require managing the trade-off between the need for countries to cooperate to tackle climate change and the need to strengthen their national competitive advantages. Transparency and accountability will have a role to play in making this happen.

National planning responses

A growing number of countries are developing innovative plans to reduce emissions and build resilience. Climate change can no longer be dealt with as a niche issue within environment ministries. The policies and measures now under consideration cut to the heart of debates on infrastructure investment, taxation, market creation, national budgets and industrial policy. The power and influence wielded by certain groups over these processes (e.g. incumbent high-carbon industries) are having a disproportionate influence on the policy outcomes. Improved transparency and accountability are essential to rebalance power and ensure that citizens engage in shaping national responses and in holding governments accountable for their actions – or lack thereof.

Several countries have put in place processes that create new opportunities for civil society engagement in low-carbon planning. The example of the South African National Planning Commission is outlined in the case study overleaf.

However, while these processes provide an opportunity for enhanced transparency and accountability, this is by no means secure. Additional support and innovation will be required in order to deliver real accountability and participation. The lessons from these processes may also serve as best-practice models for other countries to follow.

⁴ http://www.thebftonline.com/bftlifestyle_subcat_linkdetails.cfm?prodcatID=6&tblNewsCatID=3&tblNewsID=5737

Case Study: South Africa

The design of **Long Term Mitigation Scenarios (LTMSs)** marked a watershed in domestic climate debate in South Africa.

- LTMSs aimed to identify strategic mitigation actions: energy efficiency, especially in industry; electricity supply options; carbon capture and storage (CCS); transport efficiency and shifts; and people-oriented strategies; all supported by awareness raising.
- Strategic options for further research include social behaviour change, emerging technologies, resource identification, transition to a low-carbon economy.
- LTMSs informed the Climate Change Policy Framework, ready by 2010, with legal, regulatory and public fiscal measures to be enacted in 2012.
- They have provided a platform for the national debate on climate policy and for shaping the international position.

- The focus on the long term has allowed South Africa to chart potential trajectories for emission reductions: CO2 emissions would be 34% lower in 2020 and 42% lower in 2025.
- The process involved a wide range of stakeholders.

The **National Planning Commission** is tasked with planning long-term growth and with drawing up a low-carbon development plan to 2025.

It is an independent body with stakeholders and experts from academia, civil society and the private sector.

Key decisions include liberalising the energy sector; passing legislation that will facilitate and obtain international funding for renewable energy; deciding on nuclear as a replacement for coal, including funding issues in the short term; demand-side management, especially in energy-intensive industries; and diversifying the economy.

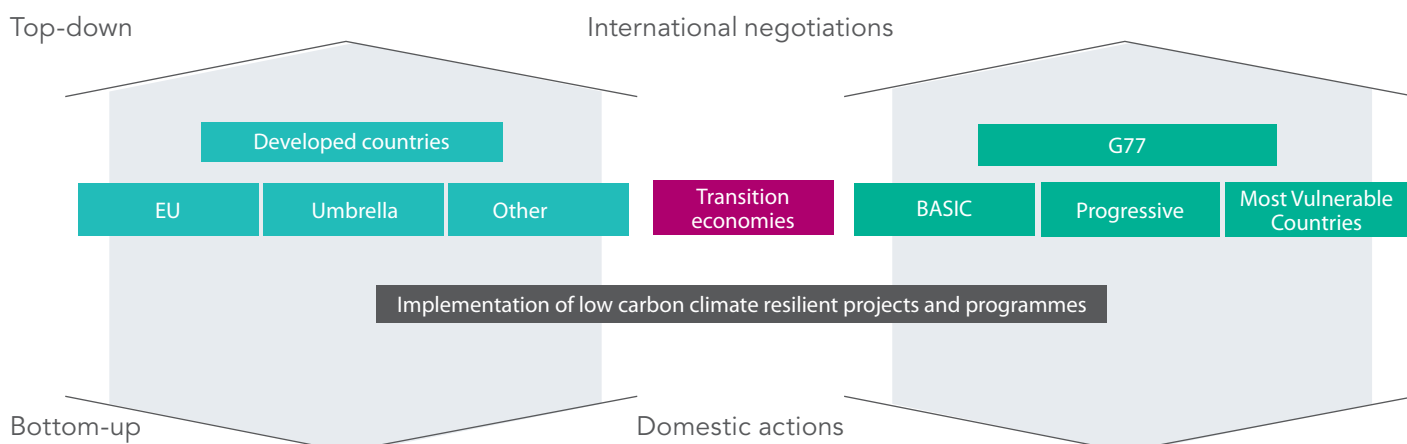
The new role of emerging economies

The rise of key countries in the international economy has had major implications for climate change. The BASIC group of countries (Brazil, South Africa, India and China) account for growing shares of global GDP (approximately 21% in 2009), international trade and global emissions (approximately 28% in 2005), despite their relatively low levels of emissions and GDP per capita. Their rapid pace of industrialisation and choices on long-lived infrastructure will have decisive impacts on global emissions trajectories. The risk of high-carbon lock-in is significant but the BASIC countries, and China in particular, are also investing in the development of low-carbon technologies. China's clean energy investments in 2009 were almost double those of

the United States and more than those of all key European economies. In Copenhagen, the BASIC countries emerged as a new political force and were central to shaping the final outcome. They are also powerful actors in shaping the role of climate finance. China and India have dominated the Clean Development Mechanism (CDM) market and will be key players in shaping future market growth.

However, other middle-income countries are also emerging as new players in the climate negotiations. Mexico, Colombia, Chile and Costa Rica, for example, are playing a more active and confident role. Their informal alignment is bound together by a realisation that development and climate objectives can reinforce one other. They are willing to be proactive and to foster innovation if the right support is in place.

FIGURE 2: NEW ALIGNMENTS OF COUNTRY GROUPS



As we move forward from Copenhagen, shaping the debate around national interests and showing concrete delivery of transformative actions on the ground will be essential to unlock progress at the international level. This relationship is often presented as a dichotomy between top-down and bottom-up processes. This is a false dichotomy: countries do not need to choose between the two approaches; instead they must strike the right balance (a confident record at home is more likely to create incentives for playing a leadership role abroad). In the short term, the emphasis on delivering domestic change is a pressing priority. However, it is essential to support top-down processes as well in ways that catalyse collective action that will put the global economy on a warming trajectory of less than 2°C.

At the national level, power dynamics between citizens and civil society and governments/business interests in emerging economies are highly unequal. This is relevant to mitigation, adaptation and equity issues. The provision of enhanced transparency and accountability will be essential in determining an appropriate development pathway and a strategy to build resilience. There is a risk that adaptation investments do not provide appropriate resilience for the poorest and most vulnerable groups. At the international level, the competition from emerging economies has provided a strong focus on transparency and accountability to ensure that there can be trust and cooperation. This has had a strong dynamic in the UN Framework Convention on Climate Change (UNFCCC) (as described below) but also encompasses broader trade and governance issues, such as the use of border tax adjustments, export subsidies etc. Transparency and accountability will have a role in shaping these international dynamics and in diffusing potentially damaging dynamics around protectionism.

Centrality of MRV in the international negotiations

Measurement, reporting and verification (MRV) was the key issue on the final night in Copenhagen. In particular, the dynamic between the US and China was largely centred on MRV of actions and the legal nature of commitments. The inclusion of language in the Copenhagen Accord on the international MRV of actions was one of the key concessions achieved by the US. The fundamental role of transparency and accountability in providing trust that countries will deliver on their commitments will be a key part of any international regime in the future.

The creation of a robust MRV regime must provide accountability but also incentives to ensure support for an international agreement over time. The system must be sufficiently rigorous to reduce free-riding, while also recognising that developing new models of decarbonisation is a complex task and that, inevitably, countries will make mistakes along the way (countries should not try to conceal policy failures – instead they should have incentives to share valuable lessons with partners and funders).

The discussion around MRV promised to be a key building block of the climate regime discussed in Cancun in November/December 2010, and ideally it should include:

- Monitoring and analysis of pledges and targets;
- Monitoring of fast-start finance;
- MRV accounting/registry (this could also apply to specific areas e.g. REDD+ registry).

Underpinning *international* compliance with an MRV system are robust *national* MRV mechanisms. The international system will be sustainable to the extent that national mechanisms are effective. The link between the national and international MRV processes calls for investing in the design of top-down and bottom-up strategies.

Potential for corruption and misallocation of resources

As public and private investment on climate change increases, there is a significant risk of corruption and misallocation of scarce resources. Preventing dangerous climate change will require a rapid scale-up of investment over the next decade to avoid high-carbon lock-in. It will also require the development of new mechanisms and institutions for carbon trading, reduced emissions from deforestation and degradation, multilateral and bilateral funds and technology transfer systems. Delivering effective governance for these institutions will require transparency and accountability in order to allow them to operate effectively. This will also be important for the reform of existing institutions. Ongoing debates over the role of the World Bank in climate finance and the reform of the CDM and Global Environment Facility (GEF) have significant transparency and accountability issues at their core. These include serious concerns over the additionality of some CDM credits and contradictions in World Bank policy, leading to investments in high-carbon fossil fuel investments (e.g. the Medupi coal power plant in South Africa). A failure to achieve sufficient accountability to citizens will undermine trust and support in these essential institutions and will hamper delivery of an effective response to climate change.

The private sector will ultimately need to drive the majority of investments in climate solutions (see trade and investment section below: energy sector investments alone will require an additional \$10 trillion over the next 20 years⁵). However, government regulation, incentives and public investment will be key to leveraging the scale of finance necessary and ensuring that there is not a misallocation of resources. The transparency and accountability of national systems around market regulation, carbon taxes, national planning and budgets will therefore be vital to structure the right investment environment.

Although public flows of finance will be small relative to the private sector, they will still be important. Public finance can deliver high-value investments and reduce risk in areas where the private sector would otherwise be unwilling to spend. Under the Copenhagen Accord, developed countries committed to providing \$30 billion of public fast-start finance, with a goal of increasing this to \$100 billion by 2020. This would almost double existing overseas development assistance (ODA); although serious concerns remain as to exactly how additional climate finance will be to current aid spending. Such a rapid increase raises serious concerns as to whether this money can be spent effectively and the potential risk of corruption. Climate finance is also different from traditional ODA in that the basis of common but differentiated responsibilities⁶ defines this obligation as an historical responsibility, not just philanthropy. Transparency and accountability are therefore necessary in both developed and developing countries to ensure that finance both delivers effective emissions reductions and protects vulnerable communities. This will have strong links to the international negotiations on MRV systems, but also to national and local governance. The balance of transparency and accountability across national and international systems is necessary to provide equity and to ensure that fundamental rights are protected during the transition to low-carbon development.

⁵ IEA (2009) World Energy Outlook.

⁶ This stems from Principle 7 in the Rio Declaration (1992): 'In view of the different contributions to global environmental degradation, States have common but differentiated responsibilities. The developed countries acknowledge the

responsibility that they bear in the international pursuit of sustainable development in view of the pressures their societies place on the global environment and of the technologies and financial resources they command.'

4. Mapping of thematic initiatives, gaps and opportunities

4.1 International climate regime

Introduction

The climate imperative becomes stronger as the climate science becomes clearer. Never before has the case for a global climate agreement and domestic action been more urgent. As a result, citizens and civil society continue to put pressure on governments to take transparent and accountable action at home and internationally.

Governments are under pressure to conclude negotiations within the UNFCCC, and a plethora of initiatives at the national and regional levels are moving forward as well.

Transparency and accountability in international climate policy processes are vitally important in order to establish integrity in the global regime, rebalance power dynamics between constituents (government–government, government–civil society, government–citizen) and build trust between nations. Transparency and accountability help discussions move beyond government-to-government dialogues and open up the space for broader participation from both civil society and citizens, making it possible to challenge decisions and raise the level of ambition. Enhanced scrutiny on country actions and increased incentives to act at the international level will help to build trust between nations and to place the imperative on collective and comparative action on climate change.

Transparency and accountability initiatives focusing on the international climate regime have grown substantially in the past few years, and especially after the Copenhagen climate talks in December 2009 failed to deliver an adequate deal to deliver low-carbon development. There are several core areas where transparency and accountability initiatives are focused in the international climate regime:

- **Trust building:** Central issues in the negotiations such as mitigation actions, adaptation actions and support for developing country emissions reductions through technology, finance and capacity-building support are all key blocs in a core and stable climate regime. They have specific outputs in terms of emissions targets, financial support and pledges for technology and capacity-building support, compliance mechanisms and country action plans (for both mitigation and adaptation), providing raw data on which transparency and accountability measures can be applied. International regulation of greenhouse gas (GHG) emissions and projects to reduce emissions and trade credits through the carbon market (i.e. CDM and Joint Implementation) provide information that can help inform policy makers as well as informing citizens of government actions, and should also be subject to transparency and accountability.
- **Rebalancing power:** Several initiatives are devoted to ensuring that governments are acting in the best interests of their citizens when making decisions on climate policy. These include scrutiny of emissions data, country positions, actions and roles of multilateral actors, and disclosure in negotiating platforms outside the UNFCCC (i.e. Major Economies Forum, G20, etc.). Access to the UNFCCC and other negotiating platforms ensures civil society participation and, as a result, accountability to citizens.

FIGURE 3: FOCAL AREAS OF INTERNATIONAL CLIMATE REGIME TRANSPARENCY AND ACCOUNTABILITY

Trust between nations

- Mitigation action
 - Adaptation actions
 - Finance, technology, capacity building support
 - Regulation
 - Carbon markets
- Core and stable regime
- Key blocs

Rebalancing power

- Access to negotiations
- Transparency of country positions
 - Rationale
 - Lobbying
- T&A of evidence
 - Science
 - Understanding other country positions and offers
- T&A of multilateral actors
 - World Bank, AGF, etc.
- T&A of near negotiations
 - MEF, etc.

Importance of transparency and accountability in the international climate regime

Transparency and accountability are highly important in the international climate regime; decisions made at the international level to govern climate policy and manage impacts have consequences on citizens worldwide – constituents who are often the most vulnerable, poor and marginalised. Transparency and accountability can help to resolve power and trust issues between governments, nations and citizens, and create a role for civil society in negotiations.

The scientific predictions regarding impacts are uncertain, in part due to a lack of quality data. Transparency and accountability of national and international emissions information can enhance the quality of data and, in combination with a global agreement, can address the urgency of acting on climate change.

Efforts to monitor actions and mechanisms to enhance MRV are needed in the international regime to enable effective delivery of these actions, and to build trust toward a global agreement. An international MRV mechanism can provide tools to enhance accountability of governments in terms of concrete deliverables, such as emissions targets and the provision of support. Although there is a process in place to work towards an MRV mechanism in the UNFCCC, a robust mechanism does not yet exist and is absent from negotiating platforms outside the UNFCCC. Civil society initiatives are powerful tools for enhancing transparency and lobbying governments, but they lack the political incentives and strategy which hold governments to account on climate change targets and financing.

Finally, transparency and accountability in the international climate regime can ensure the integrity of the global system. Actions can be measured in terms of their transparency, and mechanisms in a robust global climate regime can ensure accountability through strong compliance. (See box)

Best practices in international climate regime transparency and accountability initiatives

The following criteria have been identified in the mapping of existing initiatives as contributing to a more effective way of assessing transparency and accountability.

Criteria	Example initiative(s)
Comprehensive datasets providing information on emissions targets, GHG emissions, project-level details, funding information, etc.	CO2 Scorecard LowCarbonWorld Climate Funds Update AidData
Stakeholder participation inclusive of civil society, funding recipients, donors, etc.	Electricity Governance Initiative International Budget Partnership
Proven track record of effectively assessing transparency and accountability with measurable outcomes	Climate Analysis Indicator Tools Electricity Governance Initiative
Legitimacy in scientific or expert analysis	Climate Action Tracker
Ability to assesses a variety of criteria to provide a complete picture of climate action	Climate Competitiveness Index
Geographic and linguistic coverage to ensure information is credible and accessible to all	Climate Funds Update
Ability to influence decision makers through high-level lobbying or publication/media outreach	Climate Action Tracker Global Financial Integrity Climate Action Network
Publicly available and easy to use	Climate Analysis Indicator Tools
Provides up-to-date information on a regular basis	Climate Competitiveness Index Climate Action Tracker
Does not duplicate existing efforts or is joined up with existing initiatives	International Aid Transparency Initiative

Drivers of change

Initiatives focused on enhancing transparency and accountability in the international climate regime have not always existed, and the majority are relatively new. They are a reaction to the understanding that action on climate change is a global public good and that governments making decisions to tackle climate change should be held accountable to their citizens. Several factors, including the high-profile and calamitous nature of the Copenhagen Conference, have led to an increase in focus on transparency and accountability in this area by civil society and other stakeholders. Deficiencies in the international climate regime in terms of accountability in climate finance and the absence of robust compliance mechanisms under the Kyoto Protocol have led to a call for increased transparency and accountability (although given the current political conditions, the Kyoto Protocol compliance mechanism is relatively ambitious).

Climate impacts have provided the impetus to scrutinise public climate finance flows and to call for better-quality data on emissions. In particular, climate advocates want to assess whether contributors are effectively transferring funds to developing nations, and there are stronger drives for transparency accruing from the need to hold the contributor country accountable to taxpayers, as well as concerns over corruption regarding the use of public climate financing. Finally, the urgency associated with climate impacts has led to more initiatives focused on greater transparency on GHG emissions.

A sense of broken promises among developing countries is also driving much of the request for MRV of climate finance commitments by developed countries. As with development aid, there is a strong need for transparency and accountability in the transfer of funds for climate change, both in contributor and recipient countries. However, public climate finance is inherently different from traditional aid, due to issues of historical responsibility and global share of emissions (generally referred to as 'common but differentiated responsibilities'). High-income, carbon-emitting developed nations bear a responsibility to provide financial assistance to low-income, low carbon-emitting developing nations which will be hit hardest by climate change, and which are less able to cope (due to levels of poverty and poorly developed infrastructure).

Concerns of protectionism in the international trade regime, and the resulting impact on the transfer of clean technologies to address climate change, have led to a call for maintaining an open trade regime internationally. Transparency in the production and transfer of technologies to and between developing countries can ensure an equitable share of knowledge and effective action on the ground.

Finally, the recent move to more informal negotiation spaces (i.e. Major Economies Forum, G20, Greenland Dialogue, Petersburg Climate Dialogue, ministerial-level meetings, bilateral summits) which are not accessible, inclusive or transparent, and which have limited accountability, has increased the need for transparency and accountability initiatives focused on improved access and participation for all stakeholders.

To determine areas where initiatives tend to focus in the international climate regime, a mapping exercise was carried out for all major areas and relevant initiatives were analysed and assessed.

According to this analysis, initiatives tend to be concentrated in a few key areas with a specific focus on transparency:

Transparency initiatives in the above areas are fairly comprehensive, especially in terms of the UNFCCC. Many initiatives which work towards the synthesis of existing data (i.e. on GHG emissions, targets and finance pledges) are useful in terms of transparency, but they lack the primary data, which minimises their ability to tell the full story – particularly on public climate finance.

Initiatives cover aspects of fast-start financing pledges and National Communications (i.e. emissions pledges and historic responsibility), but they are not connected effectively to any accountability mechanism, thus failing to drive real accountability. Currently the only tools to address accountability are weak compliance mechanisms associated with the Kyoto Protocol – they have limited political ramifications for compliance, and limited incentives for meeting targets.

In order to obtain meaningful data to increase transparency, it is necessary to put in place the right international MRV regime. This can assist in providing rigorous analysis and data which can be accessed by stakeholders to inform civil society oversight, creating a mechanism that holds governments politically accountable and incentivises increased ambition.

There are new initiatives in the international climate policy and finance space that hold promise. For example, several initiatives were born after Copenhagen (such as the Climate Competitiveness Index, Climate Finance Options and CO2 Scorecard) which touch on government accountability and transparency of support. It is however, still too early to assess them. One problem facing these initiatives is a lack of coordination, which may lead to duplication, while another is a lack of stakeholder participation. Another challenge is to increase the depth of the analysis (often these informative initiatives tend to provide high-level data). It is important to note that no single initiative meets all the desirable elements identified in the best practice box above (see Best practices on page 19).

Summary of existing initiatives

UNFCCC: The UNFCCC is the most visible process in the international climate regime to be held up to public transparency and accountability standards, as it is where decisions on international climate change policies are negotiated by government representatives. Several civil society initiatives have been set up to monitor progress and outcomes and to act as observers to this process. Initiatives monitor not only outcomes, but access to the negotiations. Participation in the negotiations is a fundamental right of the public, and has been established through the Aarhus Convention to increase government accountability, transparency and responsiveness.

Emissions data: Governments have pledged targets under the UNFCCC to limit their GHG emissions; these are embodied in countries' National Communications. However, without a legally binding agreement after the expiration of the first commitment period of the Kyoto Protocol, and as a result of the Protocol's weak compliance mechanisms, these targets are not enforced. Several initiatives are devoted to lobbying and publishing information on targets pledged at the international level; this is one of the areas that encounter most of the non-governmental scrutiny. A range of databases exist covering national GHG emissions, varying in terms of quality, depth and coverage.

Public climate finance: An effective delivery of public climate finance from developed to developing countries is at the core of a well-functioning climate regime – governments and citizens need to know whether commitments/pledges have been fulfilled and whether funds are used properly. A handful of new initiatives are devoted to assessing the scope and scale of climate finance pledges, and tend to focus on transparency; however, contributor countries' ability to provide transparent and up-to-date information is limited. Many of these initiatives are still too new to assess, but lessons and good practice can be gained from the analysis of effective transparency and accountability initiatives on development aid (i.e. AidData, International Aid Transparency Initiative), while acknowledging the difference between public climate finance and aid, and the political and legal commitments to more robust MRV of financial support.

Multilateral institutions: The World Bank and other multilateral institutions have traditionally been the target of heavy civil society pressure to disclose more and better information about their lending portfolio. As these institutions manoeuvre themselves into the climate finance space, more public scrutiny is expected over the projects and conditions for allocating funds. As with public climate finance, there are several initiatives focused on development aid which can be adapted and applied to these potential climate finance channels (i.e. Multilateral Organisation Performance Network), but incentivising different actors will be critical to deliver transformation.

Recommendations

Transparency and accountability in the international climate regime consist of a combination of raw data and government processes providing analysis synthesised by civil society initiatives to promote transparency. Accountability is achieved when these initiatives, through the use of tools or incentives, can inform citizens who are then empowered to act and can hold their governments to account (see Figure 4 below). Transparency and accountability initiatives in this area lack access to adequate raw data (especially on climate finance) and the platform or tools to convert synthesis and transparency into effective accountability. A targeted package of recommendations for NGO initiatives based on securing a robust MRV regime can be suggested to enhance the effectiveness of transparency and accountability in the international climate regime.

Create NGO initiatives focused on robust engagement in an MRV regime to enhance transparency and accountability of climate actions.

At present there is no unified international dialogue and MRV is dealt with in silos at the UNFCCC negotiations and in the key capitals, and as a result is fragmented. Technical discussions on MRV in CSOs are held in smaller groups at an elite technical level and tend not to encourage citizen engagement or learning.

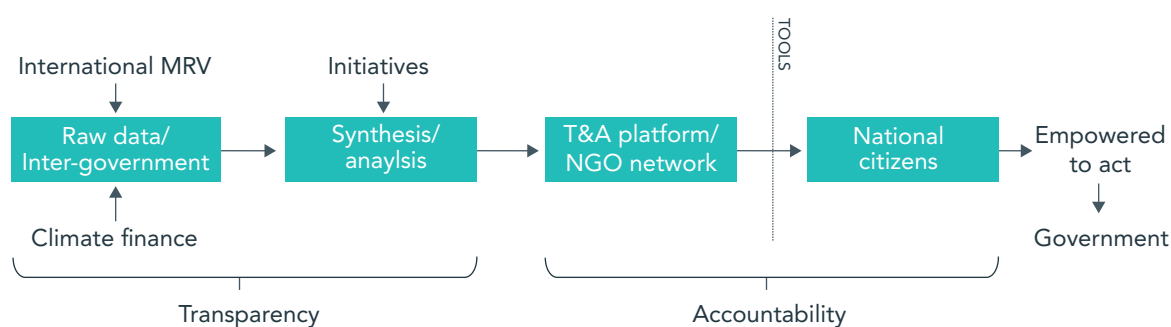
New frontier initiatives can mobilise the international climate NGO community to prioritise a coherent, politically astute strategy on building a unified MRV regime. This will include compiling and disseminating existing expert analysis; political campaigning; and on-the-ground monitoring. To form a more inclusive and principles-based discussion and constituency, NGO initiatives focused on MRV can take the following forms:

Disseminating and compiling technical analysis of MRV: NGO initiatives in this space should pull together expert analysis on MRV across the climate policy spectrum, and communicate the analysis in easy-to-understand, principles-based messaging.

Initiatives on building a political campaign on MRV: NGO initiatives can coordinate existing groups focused on UNFCCC campaigning with MRV experts to provide effective political lobbying in key capitals to push for and work toward ensuring a sound and robust MRV regime which can effectively hold governments to account through strong compliance mechanisms.

Initiatives based in-country to provide on-the-ground monitoring of international MRV mechanisms: Effective CSO national hubs/platforms should be developed which utilise and inform synthesis data and develop the right incentives to engage governments and hold them to account. This can feed into international compliance mechanisms and link actions to the international MRV regime.

FIGURE 4: STAGES OF TRANSPARENCY AND ACCOUNTABILITY IN THE INTERNATIONAL CLIMATE REGIME



4.2 Reducing emissions from deforestation and degradation (REDD+)⁷

Role of forests in climate change

Forests act both as sinks and as sources of carbon emissions. The Intergovernmental Panel on Climate Change (IPCC) estimates that in the 1990s tropical deforestation contributed to 20% of global carbon emissions.⁸ The future of a global climate regime relies upon how the international community deals with these emissions: they are absolutely critical to a comprehensive deal. In addition, forests also host rich biodiversity and are home to millions of people; both are extremely vulnerable to climate change. Forest communities are also important actors in the implementation of national climate change strategies. Evidence suggests that where forest communities are engaged in protecting their local resources, the better the chances are of delivering both environmental and social success.⁹

An overview of forest governance

The issue of forest governance is not new and the problem of forest mismanagement has been prevalent for decades. It gained prominence internationally during the Rio Summit in 1992, which led to the establishment of the Forest Principles, the Intergovernmental Panel/Forum on Forests and the high-level inter-agency Task Force on Forests, resulting in the Non-Legally Binding Instrument on All Types of Forests. Despite receiving international attention, however, deforestation has risen and a variety of initiatives have failed to succeed.

Forest management in many developing countries is plagued by problems such as corruption, illegal logging, externalisation of environmental and social costs, and wanton disregard for the rights of forest communities. Many forest-rich countries are also suffering from the 'resource curse', where rent-seeking behaviour causes earnings from forest resources to be concentrated in the hands of a small group of elites, causing severe destruction of forests. In many places, private and community land tenure and use rights are either not protected or not recognised, and oppression and displacement of forest communities are also common occurrences. Dysfunctional forest governance is also linked to overall bad land use planning, where non-forestry activities (e.g. agriculture and land speculation) encroach on forestland. While a REDD+ regime alone is not expected to address all of these problems, it can nevertheless generate the right momentum and urgency to close the gaps in forest governance.

The role of transparency and accountability in REDD+

Consistent with the overall narrative, transparency and accountability in REDD+ play an important role in rebalancing power and building trust between and within nations.

National level

- At the national level, transparency and accountability backed by public participation will increase the role of civil society, especially of forest communities, in the use and management of forests to counter the power of government officials and of companies. Given the wide coverage of REDD+, it is essential that there is a genuine multi-stakeholder process that allows civil society (including NGOs and forest communities) to play a proactive role in decision-making, implementation and monitoring of REDD+ activities, as opposed to previous attempts, which have been dominated by governments.
- Transparency and accountability will also foster trust between local communities and government/multilateral development banks, which often have a toxic legacy of distrust from forest communities, following previous programmes. Thus enhancing transparency and accountability of these institutions will invariably increase the likelihood of success of REDD+ activities. Despite the importance of public participation, multi-stakeholder consultations or decision-making processes are currently the exception rather than the norm.
- Transparency and accountability will also contribute to greater scientific certainty in relation not only to carbon storage and emissions, but also to the extent and implications of land use practices. Better-quality data and a clearer understanding of the overall practices in land use and forest management will reduce the risk of policy failure. Without a robust evidence-based assessment, there is a significant danger that misguided policies may damage both the environment and the social integrity required to deliver adequate emissions reductions in a sustainable manner.
- Transparency and accountability will be essential to track and correct policy implementation. Greater scientific understanding will also bring out best practices and provide a comprehensive assessment of forests' overall value (economic, environmental – both carbon and non-carbon – and social values).

⁷ Reducing Emissions from Deforestation and Forest Degradation (REDD+ is an effort to create a financial value for the carbon stored in forests, offering incentives for developing countries to reduce emissions from forested lands and invest in low-carbon paths to sustainable development." See <http://www.un-redd.org/>.

⁸ http://www.ipcc.ch/ipccreports/sres/land_use/index.php?idp=0

⁹ Forest People's Programme. <http://www.forestpeoples.org/>

International level

- Transparency and accountability in REDD+ will also help to rebalance power at the regional and international levels. On the one hand, the role and influence of countries in REDD+ will become apparent as their forest-related carbon potential and the impact of land use, land use change and forestry (LULUCF) become clear. On the other hand, forest-rich countries will be held more accountable to the international community in relation to the use of their forests, especially if REDD+ financing is involved.
- Transparency and accountability will also enhance the integrity of an international REDD+ regime and build trust between contributor/international community and recipient countries. Verification of carbon storage and baselines, which involves sharing of information and transparency, will be crucial in order for REDD+ to function. There is also a need to ensure that the large sums of REDD+ funding going into recipient countries are properly monitored and accounted for by citizens of donor and recipient countries, and by the international community. In addition, the carbon and non-carbon impacts (social, political and economic impacts) of REDD+ activities at the national level need to be robustly assessed and monitored, especially if a performance-based REDD+ system is to be set up.
- Finally, transparency and accountability will help to address the LULUCF controversy (the so-called 'logging loophole') to a certain extent. During the recent UNFCCC negotiation sessions, some Annex I countries¹⁰ proposed setting a LULUCF baseline (the baseline is determined by negotiated methodology, and acts as a benchmark to illustrate progress or regressions against the baseline) that is inflated. This has wide implications in relation to the carbon emissions reduction responsibility of Annex I countries. To improve transparency, some developing countries have put forward a proposal that calls for an independent panel to review reference points that a country could choose to meet its carbon reduction pledges. This will help improve transparency and expose countries' low levels of ambition, but it will not actually reduce the loophole.

International processes

International negotiations on REDD+ have suffered a setback recently where provisions (on setting up an international REDD+ regime) that had been previously agreed upon were once again open for discussion. In addition, the REDD+ Partnership Process has ground to a halt due to tensions over the levels of stakeholder participation. Although there was optimism that an agreement on REDD+ could still be reached in Cancun, this was by no means certain. There was also a real concern that the wider UNFCCC negotiations could overshadow the REDD+ discussion and block its progress.

Furthermore, the process is still dominated by government actors who, although they recognise the importance of forest governance, are resisting independent monitoring and review provisions. Most countries see this as an infringement of their sovereignty. International institutions such as the World Bank and other UN bodies have set up funds to help prepare countries for REDD+. Built into these funds are requirements to assess countries' status in relation to forest governance and public participation.

One major issue plaguing the international discussion is the REDD+ baseline. Just as Annex I countries have tried to manipulate their LULUCF baseline to give themselves more space for future emissions, so some developing nations are also trying to manipulate their REDD+ baseline to take advantage of REDD+ finance. One example is the inflation of a projected baseline that would allow either more deforestation in the short term or more REDD+ finance, or both. The power politics at play in this discussion are significant, with those who wield more political capital being likely to shape the negotiations. Exposing these games will be critical to developing a transparent and scientifically acceptable set of guidelines to protect the integrity of the REDD+ regime.

Apart from clear and accurate LULUCF and REDD+ baselines, an international regime also requires REDD+ activities to be 'additional' and not to lead to leakage. An international MRV regime is thus crucial to REDD+, as it ensures that participating countries act within a transparent framework and enhances the integrity of the REDD+ regime. The concept of a REDD+ registry has been discussed to align developing countries' needs with expertise and financial resources (see recommendations in Box 4 below for more details). Proposals suggest that it should have a balanced representation of developing and developed countries, with a transparent governance system. Four main functions have been identified: information and knowledge management, regulatory, matching and verification. The REDD+ registry could streamline and coordinate multiple multilateral and bilateral funding mechanisms in order to promote efficiency and effectiveness; if developed adequately, it could provide a one-stop shop for access to information on MRV.

¹⁰ Parties include the industrialized countries that were members of the OECD (Organisation for Economic Co-operation and Development) in 1992, plus countries with economies in

transition (the EIT Parties), including the Russian Federation, the Baltic States, and several Central and Eastern European States.

A significant discussion in international circles relates to the links of REDD+ to carbon markets in the future. While many country assessments suggest that in the near future non-carbon-related funding will provide the finance flows for REDD+, post-2020 the politics could alter. Getting the baselines and MRV right now will be critical to assessing if REDD+ is able to enter the offset market.

In order to promote accountability, an international dispute resolution and redress mechanism is needed to settle disputes between donor and recipient countries, as well as to provide redress to forest communities whose rights have been infringed.

Another issue regarding an international REDD+ regime is the use of technology to carry out monitoring and promote compliance. Countries are now using satellites and GPS phones to produce a more accurate picture of forest and land use, and to monitor it. A REDD+ regime may potentially require international coordination on the use of technology and may promote technology sharing. However, there will be risks of unilateral monitoring by certain countries, which may create disputes and mistrust between countries.

National processes

Although there is yet to be an international agreement on REDD+, a few countries have set up, or are in the process of setting up, national REDD+ or equivalent systems. These include forest-rich countries such as Brazil, Congo and Indonesia, and contributor countries such as Norway. The approaches taken by these countries differ from one other, depending on their national circumstances.

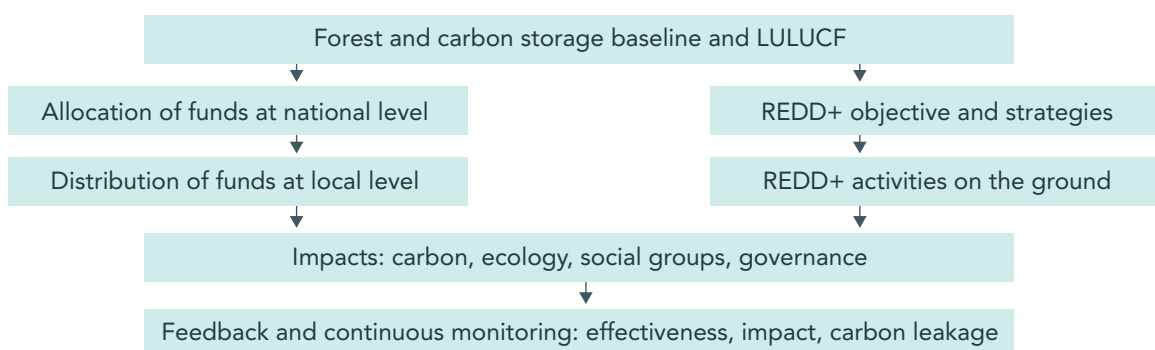
In general, the quality of national processes varies. Although most countries emphasise the importance of good governance and multi-stakeholder participation, very few have actually set up processes or guidelines

to implement or monitor the safeguards. In particular, many countries lack the institutional capacity to enforce and protect forestland ownership and use rights. There are also serious concerns about accountability and transparency of the use of the funds, especially if REDD+ money is channelled through central budgets. In addition, indigenous people and forest communities do not usually have a formal role in decision making, implementation or monitoring. There are instances where REDD+ planning is dominated by government officials and commercial lobby groups (i.e. logging and mining companies), which has resulted in REDD+ plans that favour logging activities while discriminating against traditional uses of forest (e.g. DR Congo's REDD+ plan).

So far, Brazil has set up an Amazon Fund (see below) that aims to disburse \$21 billion over the next few years, and there is also a Congo Basin Forest Fund (\$100 million) that is managed by the African Development Bank. In addition, there are several bilateral programmes such as the Papua New Guinea-Australia Forest Carbon Partnership, while Norway is a major donor that has entered into agreements with countries such as Indonesia and Brazil. Brazil's Amazon Fund can potentially provide a workable model for other forest-rich countries, although there are concerns regarding its relationship with Brazil's development bank (BNDES), which is managing the Fund but which does not have a good track record on being transparent or accountable to forest communities.

Although there is not yet a uniform approach to REDD+, it is generally a five-stage process (see Figure 5 below). Each stage will need to be accompanied by safeguards such as transparency, accountability, monitoring (which could include donor country monitoring, recipient country monitoring, international monitoring and independent monitoring) and stakeholder and public participation.

FIGURE 5: FIVE STAGES OF NATIONAL REDD+ PROCESS



Summary of existing initiatives

Although REDD+ has been debated for many years, there is yet to be a comprehensive agreement at the UNFCCC level. As a result, there are limited case studies to refer to and the impact of transparency and accountability of new initiatives

such as the World Bank's Forest Carbon Partnership Facility (FCPF) and UN-REDD+ are impossible to assess at this stage. The following are some important transparency and accountability initiatives related to REDD+.

International REDD+ funding initiatives

e.g. World Bank's FCPF and Forest Investment Programme (FIP), and UN-REDD+ (FAO, UNEP and UNDP) highlight the importance of good governance and require countries to answer a set of questions and meet indicators that provide an overview of the status of their forest governance.

REDD+-specific good governance indicators and criteria

Independent Monitoring-REDD+ (IM-REDD+) by Global Witness, and Social and Environmental Standards by CARE/CCBA (benchmarks to design and implement REDD+ and other forest carbon programmes that respect the rights of indigenous peoples and local communities and generate significant social and biodiversity co-benefits).

Forest governance

The EU's Forest Law Enforcement, Governance and Trade (FLEGT) Voluntary Partnership Agreements, Chatham House's illegal logging indicators and Transparency International's corruption monitoring tool. The World Resources Institute's Governance of Forest Initiative (GFI) Toolkit contains a comprehensive list of indicators that can be used to assess and improve forest governance. Global Witness has an Independent Forest Monitoring (IFM) regime where independent third parties, working with and building up capacity of local civil society, monitor and provide recommendations on legal compliance, forest management and law enforcement systems. The Extractive Industries Transparency Initiative (EITI), which requires countries to disclose and reconcile information about the value and scope of resource extraction rights and activities in the country, can also be extended to REDD+.

The Amazon Fund

The Amazon Fund is an autonomous public-interest institute that mobilises international funding to combat deforestation and support sustainable management in Brazil. It contains a multi-stakeholder steering committee or board (including local government, national ministries and civil society – indigenous people, traditional communities, NGOs etc.) that sets guidance for fund application, while implementation is carried out by local government and NGOs. The fund is managed by Brazil's development bank (BNDES).

Protection of the rights of forest communities

The Rights and Resources Initiative (RRI) is a global coalition working to advance forest tenure, policy and market reforms, primarily in developing countries, through research and information sharing. The Centre for People and Forests is an NGO that specializes in capacity building for community forestry and devolved forest management. K:TGAL (Kyoto: Think Global, Act Local) is a research and capacity-building project designed specifically to assess the feasibility, reliability and cost-effectiveness of community forest carbon inventories.

Guyana

Guyana has also set up a multi-stakeholder steering committee and a multi-stakeholder consultation process to prepare its low-carbon development plan, including REDD+. As a donor country, Norway has also introduced its own benchmarks to assess and provide safeguards for its International Forest and Climate Initiative.

Recommendations

International level

- **Supporting high-quality consistent data collection:** A major gap in initiatives relates to creating ownership of consistent data provision. Global satellite mapping will require reliance upon country-owned satellite systems; the international community needs to acknowledge this provision of data as robust and impartial.
- **Shaping the politics of REDD+ baselines and MRV:** While various civil society groups are attempting to tackle the baseline discussions within the UNFCCC at a technical level, they are not at present able to deliver the right incentives to allow environmental and social integrity to prevail. Understanding of the political dynamics and incentives facing countries and unpacking and exposing these will allow for a clearer understanding of how civil society can deliver impacts in the forestry sector.
- **Influencing an International REDD+ mechanism:** An international mechanism could shape the following issues:
 - o Harmonisation of safeguards: a proliferation of safeguards at present exists and could provide challenges for developing countries that wish to access REDD+ and for civil society to monitor. Harmonising safeguards through a single system should be a priority for civil society moving forward;
 - o Redress/dispute mechanism: local communities should be allowed to have their complaints heard and investigated at the international level.

National level

Transparency of land tenure and use: This is a critical factor in enabling some of the future discussions on REDD+. While transparency in and of itself will not be sufficient, it goes some way to clarifying tenure disputes (although there are associated risks) and establishes a baseline for accountability.

Public participation in decision-making: Major gaps exist in relation to public participation in decision-making (although this should link to the safeguards proposal above). Potential existing examples could be expanded upon, such as the Amazon Fund and multi-stakeholder steering committee in Guyana, and could be made mandatory and a condition for receiving REDD+ funds. If linked to the recommendation below, this could provide a powerful tool for real action.

Independent forest monitoring: A network (international or regional) of civil society-based REDD+ monitoring could also be set up to promote knowledge and resource sharing and to empower forest communities. There are currently loose alliances of forest communities and indigenous people that focus primarily on making their voices heard, some of which are represented at the international negotiations. A more implementation-focused network could enhance the quality of participation and also initiate a more bottom-up approach across the different countries. Lastly, current initiatives that aim to build civil society's capacity to participate in forest governance and REDD+ can be scaled up. For example, WRI's Forest Governance Toolkit can be used in conjunction with Global Witness's Independent Forest Monitoring to push public participation to the mainstream of public decision-making, including REDD+.

4.3 Domestic policy

Introduction

Transparency and accountability play a critical role in rebalancing power and building trust through:

- Strengthening national action in order to lay the foundation for mutual trust, enabling greater ambition of a future multilateral agreement on climate change;
- Shifting the balance of power in defining national (self-)interests and responsibilities towards citizens;
- Providing a basis for more comprehensive and effective policy making.

The momentum behind the Copenhagen summit led to a greater understanding of climate change, shifting it away from an environmental silo and towards a core national development issue, fighting for prioritisation. Even before Copenhagen, however, national governments were increasing the adoption of climate policies and measures in recent years.

For example, in 2008 the UK adopted the world's first comprehensive legal framework for emissions reductions. Similarly, China's 11th five-year development plan (2006–10) set a 20% energy efficiency target by 2010 and a 15% renewable energy target by 2020. Its next five-year plan (2011–15) is expected to include forms of carbon tax and carbon trade, low-carbon cities and further implementation plans for the 40–45% carbon intensity target by 2020 which China announced at Copenhagen. The current climate agenda in Mexico includes a long-term plan (the Special Climate Change Program) for a 30% reduction target below 'business as usual' by 2020, providing there is international support. It also contains a goal of a 50% reduction by 2050, which is also contingent on global ambition and support. Actions foreseen within this plan cut across all sectors, including a cap-and-trade scheme.

However, the policy landscape in most countries tends to be fragmented, with competing and often contradictory policy objectives. Therefore, if we are to avoid high-carbon lock-in, especially in emerging economies, urgent action is needed to reveal these contradictions and address them.

Policies and measures to address climate change cut into

core issues such as market access/regulation, investment, national budgets and the role of political influence of non-state actors. Unpacking these key elements is critical in understanding how national priorities are shaped, and therefore in rebalancing power through enhanced accountability towards citizens.

Summary of existing actions

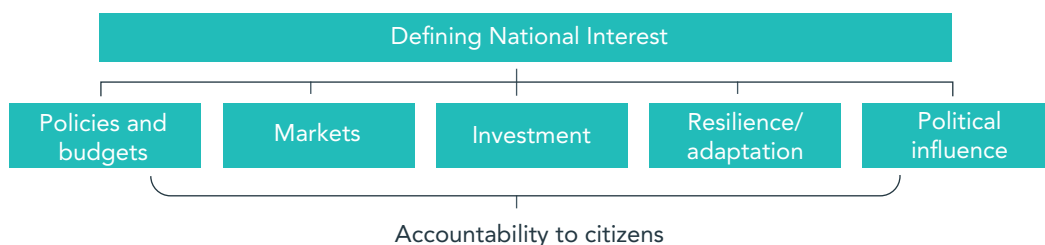
Countries are diverse in the ways that they address and deliver on good governance practices in identifying national priorities, and it is not possible to provide absolute coverage of all initiatives. However, there are numerous initiatives for enhancing transparency and accountability at the national and local levels, both in the climate change area and on non-climate-related topics.

Overall, most initiatives provide analysis and tools on specific sectors but, given the low level of maturity regarding these initiatives, they remain piecemeal in nature and lack sufficient integration to rebalance power adequately. Most increase transparency in certain areas but have limited impact on accountability, primarily due to the nature of incentives for different stakeholders to engage.

Participation in decision making, the effectiveness of access to information legislation and public consultation processes remain a mixed bag in different country contexts, depending upon the incentives. There are various initiatives exposing the political influence of high-carbon incumbents in shaping policy decisions on markets and investment. But with regards to foreign policy trade-offs and development cooperation of emerging economies, transparency remains limited, with little accountability to citizens.

This analysis has mapped major initiatives and gaps across three key themes, i.e. public policy and budgets, resilience/adaptation and decision making/political influence, and helps to unpack where national interests lie and how they are defined.

FIGURE 6. PIVOTAL PROCESSES REQUIRED TO INFLUENCE NATIONAL INTERESTS



Public policy and budgets

Implementation of transformational climate strategies, policies and measures will require a substantial shift in public budgets toward lower-carbon alternatives and a better understanding of 'carbon liability' of policy and investment choices, and of opportunities in the emerging low-carbon technology race. Increased public scrutiny of national investments, policies and measures would enable a more comprehensive evidence base for managing public resources and risks.

- **Policies and measures:** A number of databases and civil society and private sector initiatives track and analyse policies and measures that are in place (e.g. IEA databases for energy efficiency, renewable energy and climate policies; Deutsche Bank Climate Tracker; Climate Competitiveness Index). These are very useful in making country actions more visible. However, major gaps include:
 - o Fragmentation in geographical scope;
 - o An understanding of effectiveness of the proposed policies;
 - o Creating synergies between these different streams of policy mapping.
- **National budgets and expenditure:** There are a number of innovative initiatives and programmes, both domestic and international, campaigning for wider transparency of public budgets and expenditures (e.g. Open Budget Initiative, International Budget Partnership, Hewlett Foundation's Global Development Programme on Transparency and Accountability). Major opportunities include:
 - o Initiatives monitoring the 'carbon liability' of overall public investments, especially in emerging economies, which pose a particular challenge given the high potential for lock-in;
 - o Enhancing political accountability within existing initiatives.

The use of 'carbon liability'

Carbon liability as a term is not a fixed definition. It goes beyond the concept of a carbon/ecological footprint, i.e. the statistical analysis of damage caused by a product/organisation, to encompass the concept of carbon lock-in and the responsibility of an agent to respond to the risks associated with the investment and decisions they make.

Carbon liability requires prior recognition that the environmental damage caused by carbon emissions will be reflected in future investments. While this scenario is still being debated, other factors, such as fossil fuel price volatility and the security implications regarding the impacts of climate change, can incentivise companies to be more responsive and accountable for their investment decisions and avoid lock-in. The nature of risk is fundamental to the concept of carbon liability; however, this should be complemented with the concept of opportunity afforded by green development.

Participatory decision making and political influence

Increased transparency and accountability would help rebalance power dynamics in influencing decision making in favour of citizens. High-carbon incumbents hold disproportionate amounts of influence in domestic policy and political processes, particularly in relation to shaping market access and regulation. In an increasingly complex and interdependent world, foreign policy and government ministries need to be recast in order to respond to emerging challenges and opportunities. Reducing opacity in decision-making processes and enhancing participation of civil society and citizens would help capture more effectively public good in low-carbon transformation.

- **Long-term, low-carbon development strategies:** South Africa's recently established National Planning Commission, comprised of representatives of the private sector, academia and civil society, is expected to provide a participatory and transparent long-term, low-carbon development plan to 2025 (see Box 1). Hungary's Ombudsman for Future Generations provides an innovative example of a parliamentary scrutiny and accountability instrument.
 - o Most countries have not yet developed participatory long-term strategies on how they will move toward low-carbon development.
- **Influence of high-carbon incumbents in regulation and market access:** Most initiatives look at issues around governance, corruption and political influence of incumbent Western energy industries (e.g. Transparency International's annual corruption reports; Platform), or focus on specific energy industry links to the scientific debate (e.g. Exxon Secrets).
 - o There is a lack of focus on the economic risks associated with carbon liability (i.e. mostly concerning corruption) within the energy industry.
 - o In line with the overarching theme, there is little emphasis on emerging economy incumbents (with the exception of agribusiness in Brazil and Indonesia) or on links to foreign policy priorities, especially in relation to South–South relations.
 - o The absence of investigations and analysis of the role of think tanks, foundations, large auditing and consultancy firms (which provide much of the 'evidence base' for emissions reductions), NGOs and trade unions in either perpetuating energy-intensive practices or limiting transformational ambitions is a particular potential gap for exploration.
- **Foreign policy priorities, including aid/development cooperation:** Overall, foreign policy choices are opaque and often not the primary focus of parliamentary scrutiny in many countries. There are many initiatives dedicated to exposing bilateral energy, natural resources and arms trade deals between certain developed and developing countries from a human rights and conflict perspective (e.g. Human Rights Watch, Global Witness, Crude Accountability, the Campaign Against Arms Trade).

A few organisations (e.g. Chatham House, IISD, Brookings Institute, Global Witness) make the direct link between climate change and foreign policy in their analysis.

Only a handful of studies focus on the phenomenon of 'emerging donors' and track their foreign investment/development cooperation (e.g. ODI, IDRC and ECOSOC, BankTrack).

- o Obtaining access to information relating to foreign policy decision making is a major gap, and so the initiatives listed above are often based on secondary evidence.
- o While some information is available, verification and thus accountability are lacking.

Resilience and adaptation

Transparency and accountability in resilience and adaptation are critical to ensure that effective action targets the most vulnerable. Understanding country/regional climate vulnerabilities and the implications for different cohorts of society, especially the most vulnerable communities, will enable better and more equitable risk management. Learning from the performance of selected projects/programmes and effective flows of funding (either national budget or aid) would be maximised through good governance practices.

- **Climate vulnerabilities:** Most studies on climate vulnerabilities are at national or regional level (e.g. IPCC reports, World Bank reports) and there is growing emphasis on the need for higher-resolution analysis (e.g. World Bank Pacific Islands report, UKCIP).
 - o However, use of these as a risk management tool at a local level remains limited, and the development of these tools in a transparent and participatory manner, which would strengthen the accountability of local/regional governments toward communities, especially the most vulnerable, is also lacking.
 - o Many countries lack a national dialogue on where national vulnerabilities lie, who will be affected, and where resilience should be targeted. Transparency and participation would help enhance political accountability of decisions that will affect the poorest communities.
- **Impact of community project/programmes and flow of adaptation funding:** There are a number of initiatives campaigning for transparency and accountability of public budgets and expenditure at the international (e.g. Open Budget Initiative) and also, to a lesser extent, at regional level (e.g. DISHA in Gujarat). There are also numerous initiatives which provide guidelines to ensure the rights of communities in major development projects and guidelines for impact assessment (e.g. Oxfam's Guide to Free, Prior and Informed Consent; Practical Action's Participatory Action Plan Development approach; 3IE).
 - o Overall there is lack of safeguards for transparency and accountability, especially in relation to national budgets and the decision-making process.

Recommendations

As countries vary enormously in their domestic policy making, there is no 'silver bullet' for better governance. Nevertheless, building national models that deliver for citizens will be critical. Drawing from best practices in key countries or exploring synergies between existing initiatives will be required. Focusing in on critical countries, including key industrialised and emerging economies, would deliver better value and impact.

In order to drive transformational change, three major building blocks need to be addressed simultaneously, which would translate increased transparency and participation into real accountability and would rebalance power relations:

Transparent public policy and risk management tools

To enable citizens and state to unpack the vulnerability of communities and the carbon liability of national domestic and overseas investment. Employing better and more widely used risk management tools would enhance accountability and implementation of transparency.

Civil society and citizen participation in national policy processes

This would focus on direct access by citizens to government planning and priority-setting processes, shaping market regulation, thus limiting the role of incumbents in influencing these decisions. Sustainable and resilient low-carbon transformation requires a new 'social contract' between citizens and the state. Effective and meaningful civil society participation in national policy processes would be an essential instrument to manage potential risks (i.e. policy and market failure risks) and identify opportunities and greater public good by:

- Drawing on best practice in multi-stakeholder climate planning at national level (e.g. South Africa National Planning Commission) as well as local planning, especially in relation to adaptation, enhancing synergies with existing initiatives;
- Supporting national dialogue on the political implications of vulnerability for different cohorts of society.

Direct citizen accountability through tackling political lobbying

This would help to rebalance the disproportionate influence of high-carbon incumbents through enhanced transparency, and would increase the visibility of foreign policy trade-offs. There are many opportunities for building synergies between initiatives that work towards exposing corruption and structural problems that enable disproportionate levels of high-carbon business influence in decision making. This can be done via:

- A high-carbon lobby index to establish who has spent how much on lobbying against climate-related market reform and regulation. Interests should be made more transparent through a financial disclosure requirement, to include a focus on developing countries and South-South interactions.
- Identifying opportunities to compile better-quality data on foreign policy priorities and enhance national accountability mechanisms to enable citizens to effectively hold their governments to account.

4.4 Trade and private investment

The importance of trade and private investment to climate change

The scale and scope of the challenge that climate change presents to the planet requires a fundamental reorientation of our production, consumption and investment patterns away from energy-intensive practices towards low-carbon, resilient development, in order to avoid high-carbon lock-in.

While public finance flows are crucial to deliver equitable and ambitious climate action and to stimulate private investment, the vast majority of investments will be delivered by the private sector. Transforming 'business as usual' of the economic and financial systems towards green development is a complex but urgent task. Figure 8 below estimates that additional global investment required to a 450 ppm¹¹ scenario (i.e. not sufficient stabilisation to deliver with certainty 2°C degrees) will require \$10.5 trillion in total between 2010 and 2030 in energy infrastructure and energy-related capital stocks, of which roughly \$200 billion per annum in additional investment will be required in non-OECD countries. In addition, the cost of adaptation

Fact box

Global assets under management

Pension funds: \$24,000 billion

Mutual funds: \$24,000 billion

Sovereign wealth funds: \$3,300 billion

Foreign exchange reserves: \$7,300 billion

Source: International Financial Services London (2008)

Global carbon market value

Global carbon market value: \$120 billion

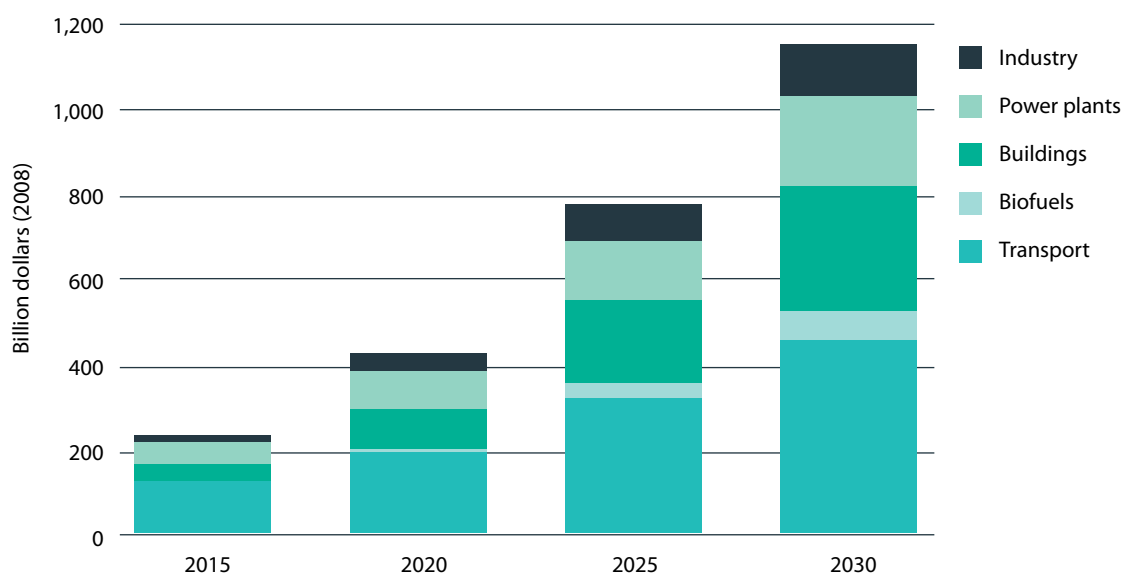
ETS: \$94 billion

CDM: \$22 billion

Source: Point Carbon (2009)

to developing countries from now until 2050 is estimated at \$70–100 billion per annum (World Bank 2010). Thus, while public climate finance has a critical role, it will not be sufficient to cover the additional costs (the incremental costs are still to be negotiated). The scale of the challenge will require the private sector to be catalysed into low-carbon development.

FIGURE 7: ADDITIONAL GLOBAL INVESTMENT REQUIRED IN A 450 PPM SCENARIO AGAINST A BUSINESS-AS-USUAL SCENARIO



Source: IEA (2009)
World Energy Outlook

¹¹ Parts per million CO₂ equivalent.

The importance of transparency and accountability to trade and private investment flows

Obtaining a more accurate understanding of 'carbon liability' will:

- Allow for more honest, open and mature dialogue exposing the vulnerability of our economies to carbon lock-in and what this means for economic outlooks;
- Expose the inconsistencies in public policy supporting trade and investment i.e. fossil fuel subsidies;
- Help to demystify the trade concerns and speculation about potential trade impacts which have caused damage to progress internationally;
- Build trust and confidence in low-carbon industries and empower new entrants to the market by:
 - o Preventing the policy capture of regulatory bodies and processes by incumbents;
 - o Allowing consumers to make informed choices relating to goods and services.

While exposing the carbon liability of sectors and economies is critical, enhancing the transparency and accountability of low-carbon industry would also enable the following:

- Shape debates on open and cooperative trade and R&D systems, through a better understanding of who owns our low-carbon future;
- Ensure that low-carbon industries are not limiting the ambition and transformational potential of climate action;
- Build confidence amongst the public against the rising tide of 'greenwash'.

Summary of existing initiatives

The existing initiatives do not incentivise the right actors to deliver accountability or shift patterns of investment. Figure 9 below illustrates the accountability and incentive dynamics in the economy to deliver change.

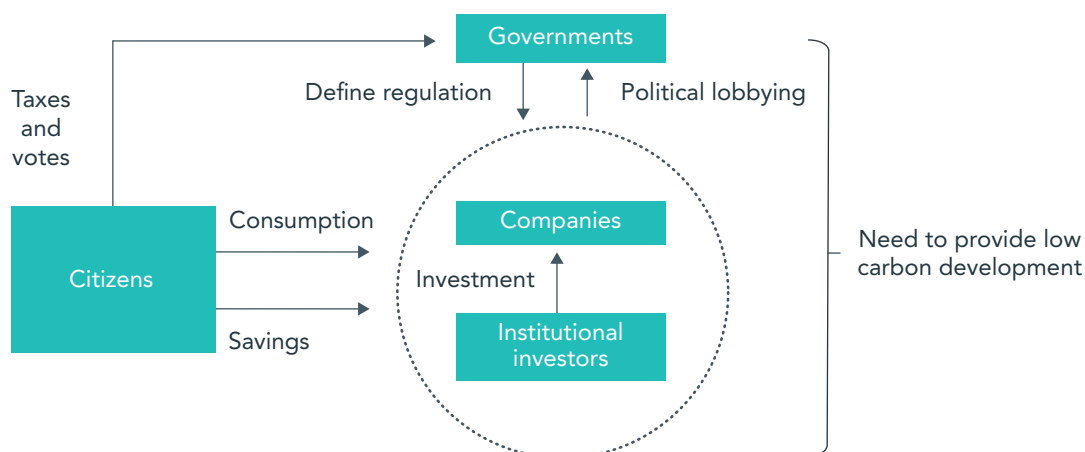
Citizens have the potential to incentivise, alter and command behavioural change in governments, companies and institutional investors, but existing initiatives are focused on the following:

- **Targeting energy companies:** This has mostly been undertaken in the context of specific projects in particular countries, and although it has had cumulative effects on the sector, there is not a systematic approach to exposing carbon liability and internalising this within the company.
- **Enhancing the transparency of institutional investors' portfolios:** These include, for example, CERES, INCR and IICCG, but investors are not yet incentivised to internalise the carbon liability and be more accountable and responsive to climate change. Some initiatives exist, but these often focus on a particular company or sector, and not generally on the entire portfolio e.g. Fairpensions and Tar Sands campaign.
- **Transparency of carbon liability in companies:** Such initiatives are possible due to the authority of institutional investors to command disclosure. However, there is very little activity holding companies to account on the basis of the information provided, as the aggregation and synthesis of data do not adequately incentivise companies to fully comprehend the lock-in or to relate this to future growth patterns for the economy as a whole. Examples include the Carbon Disclosure Project; CarbonTracker aims to lobby for regulation that would oblige companies to disclose their GHGs when listing on the London Stock Exchange. In addition, the proliferation of different methodologies and initiatives for calculating carbon liability (e.g. GHG Protocol, CDP and Climate Registry) can often confuse and hinder companies from applying methodologies to their assets.
- **Surge of activity in relation to the public/private interface of trade and investment in energy-intensive industries:** Since the Pittsburgh G20 announcement on phasing out wasteful fossil fuel subsidies, many Washington and European CSOs have rejuvenated past campaigns tackling export/import banks in relation to carbon liability. However, critical export credit agencies and export/import banks have limited oversight and accountability by CSOs, especially those in emerging economies e.g. China's CIC and Brazil's BNDES, which are providing an ever increasing share of export credit.

Some notable gaps in existing initiatives include:

- **Lack of transparency and accountability in sovereign wealth funds (SWFs):** The largest SWFs are based in emerging economies (notably the Middle East and Asia). While they are not yet in the same league as institutional investors, they are rapidly growing and increasingly un-transparent and unaccountable, yet still a critical part of the economy.
- **Comprehensive assessment of the integrity and consistency of regulation, fiscal policy and subsidies:** In general, there are very few initiatives which comprehensively assess the integrity and consistency of national policies and regulations that interface with private investment both in the industrialised and developing world. This could include regulation, tax breaks, subsidies, contingent liability and SWFs, all of which have limited transparency and accountability at present.
- **Insufficient transparency and accountability of governmental and corporate behaviour in emerging economies:** This gap is a key theme looming large and poses a challenge given the pivotal role that these countries play in the global economy – and their role in the growth of infrastructure, energy consumption and industrialisation is only expected to increase in the next decades. Civil society tends to be weak in these countries, and the political dynamics create difficulties for international NGOs to operate at a political level to influence, given the absence of national legitimacy.

FIGURE 8: INCENTIVE SYSTEM



Facts: finance and emerging economies

- In June 2010 Brazil lent \$14 billion to the IMF, its first loan to the institution (for decades Brazil struggled to pay back its loans) (President Lula's article in the *Financial Times*, July 2010).
- Brazil's national development bank (BNDES) is the second largest in the world. In 2009 disbursed nearly \$140 billion (*The Economist*, July 2010). Brazilian firms in poor countries have obtained \$3.3 billion in commercial loans from BNDES since 2008. In addition, the value of all Brazilian development aid, broadly defined, could be as much as \$4 billion a year (*The Economist*, July 2010).
- In 1973, Chinese foreign aid accounted for 7.2% of its annual fiscal expenditure, higher than many developed countries (*Global Times*, August 2010).
- China's role in overseas mergers and acquisitions, either as purchaser or target, has been rising over the years. In the first half of 2010, China ranked second in the two global M&A rankings, behind the US (*Global Times*, July 2010).
- The aggregate total assets under management by all sovereign wealth funds currently stand at an estimated \$3.51 trillion, representing a 9% increase from 2009. Three-quarters of SWFs originate from the Middle East and Asia (*Financial Times*).

Recommendations

The right incentive systems must be created to engage governments, institutional investors and companies (spanning various sectors) in working towards a low-carbon economy. This should enhance citizen participation to strengthen the accountability and responsiveness of the private sector and of governments e.g. multi-stakeholder initiatives; building on CERES, INCR and CDP.

A comprehensive transparency and accountability initiative is needed on the public-private interface of carbon liability, in particular relating to emerging economies and focusing on subsidies, export/import banks and sovereign wealth funds.

4.5 The carbon market

Role of the carbon market in climate change

The potential of carbon markets to reduce emissions and guide investment has acted as a catalyst for influential climate policy and legislation, such as the introduction of the EU Emissions Trading Scheme (ETS) and the Clean Development Mechanism (CDM). Carbon markets have created low-carbon projects in large developing countries, some of whom are now considering voluntary cap-and-trade schemes. In addition to international and regional trading regimes, bilateral carbon trading arrangements are also starting to take shape, with Japan and China taking the lead.

Carbon markets have the potential to deliver emissions reductions in a flexible and cost-effective manner. However, their success relies upon tight emissions caps, creating demand and effective regulation to drive success. At present, the carbon market is worth around \$120 billion per annum (Point Carbon 2009), and some estimates suggest that this could grow to \$1 trillion by 2020, although the recent failure of US legislation to create a cap-and-trade scheme makes this estimate unlikely. However, the total investment required to solve climate change is an order of magnitude larger than this – global additional investment required in the energy sector alone by 2030 is over \$10 trillion.¹² Cap-and-trade systems are not yet able to deliver the transformational shift required, and do not cover all sectors of the economy. The market has recently been shrinking, due to decreasing demand from the EU and unsuccessful attempts to introduce cap-and-trade systems in the US and Australia. Consequently, while carbon markets remain influential, their role should not be over-emphasised, and other policies such as taxes, incentives and regulation will play a key role.

The primary and secondary markets

The selling or buying of carbon credits or allowances is fundamentally derivatives trading. Currently, most carbon is sold as futures or forward contracts, which contain promises to deliver carbon allowances or credits of a certain quantity, at a certain price, by a specified date.

'Sub-prime carbon' contracts or 'junk carbon' – contracts to deliver carbon that carry a relatively high risk of not being fulfilled and may collapse in value – are potentially harmful not only to the environment (as they do not entail actual emissions reduction) but also to the financial system. 'Junk carbon' exists mainly because of data manipulation, insufficient oversight and verification, and sub-standard projects (FoE US).

The carbon market also has a secondary market where carbon credits or allowances are bought and resold, either through a central legal exchange or over the counter (OTC).

Securitisation is where carbon credits or allowances are repackaged and offloaded in the secondary market; this may further convolute trading trails. Lack of transparency is further exacerbated by carbon speculation and a lack of regulatory oversight.

Lack of public scrutiny and the increasing size of secondary markets (for example, about 70% of EU allowances are traded OTC) may harm the integrity of the carbon market, in a not too dissimilar way to the recent financial crisis, which was set off by sub-prime mortgages and toxic assets. The EU and the US have recently proposed legislation to curb OTC trading, although this is likely to be watered down due to pressure from interest groups.

¹² IEA (2009) 'World Energy Outlook'.

Role of transparency and accountability in carbon market

The carbon market is currently governed by national, regional and international entities where public registries are used to keep track of carbon trading e.g. the CDM Executive Board. Information disclosure as well as accountability is required at country and company levels, where carbon caps are set and where carbon trading takes place. Transparency is crucial to the effective and sustainable functioning of the carbon market and the integrity of the environment. Verification of information and data is particularly important to ensure that there are real and additional carbon emissions reductions. Without transparency, there is a risk that the market will be flooded by shoddy carbon credits that will not only harm the environment but also the market itself.

Transparency and accountability of carbon trading, especially the flow of money, will also help to reduce the risk of corruption. The risk is particularly high in countries that receive proceeds from the sale of carbon credits, which could amount to millions of dollars. For example, Ukraine has recently been plagued by corruption scandals regarding the misuse of proceeds from a 2009 sale of emission permits to Japan, amounting to around \$300 million. Transparency is also important in purchasing countries to avoid serious fraud and excessive rent seeking in the secondary market. As the recent carbon VAT fraud case in Europe shows, the authority (in this case, the Finance Ministers of the EU member states) can act quickly to hold the perpetrators accountable when there is political will.

Transparency and accountability also play an important role in the secondary market, where unacceptable risks can be hidden away through securitisation of carbon credits. The EU and US are currently trying to improve transparency in the trading of derivatives in the wake of the financial crisis by introducing legislation to decrease over-the-counter (OTC) trading, among other things. However, the effectiveness of this legislation is already being questioned, partly due to the number of exemptions that have been approved under pressure from industries. Tighter regulations are also needed to control and curb speculative behaviour, which may inflate the market and cause it to collapse.

Lastly, transparency of carbon credit flows is also crucial to promote equity. Currently most of the carbon credits traded under the CDM come from only five countries – China, India, Brazil, South Korea and Mexico. And within these countries, carbon credits come mainly from a select few industries and projects. This is mainly due to the lack of capacity in other developing countries or sectors – capacity building remains outside the scope of CDM projects. A clear picture of the flow of international carbon finance in terms of geography and actors will help to inform future reforms of existing carbon trading mechanisms in order to promote a more equitable share of carbon finance among developing countries.

Summary of initiatives

International carbon market transparency initiatives:

CDM Watch is a joint initiative of several international NGOs to provide an independent perspective on CDM projects, methodologies and the work of the CDM Executive Board. Its ultimate goal is to help ensure that the current CDM, as well as a reformed mechanism post-2012, are effectively verified and contribute to sustainable development in CDM host countries.

NGOs monitoring the carbon market:

International Rivers monitors the offset markets in relation to revealing the impact of dam building on the environment and on local communities. Sandbag monitors and reports back on the state of the EU ETS and offset mechanisms by focusing on country-by-country reporting. Friends of the Earth (FoE) exposes the current environmental and social flaws in the carbon market and offset mechanisms, and exposes unregulated carbon derivatives through campaigning, analysis and advocacy on this issue in the US.

Civil society institutions working to reform secondary markets

SOMO and FERN work with limited capacity at a European level on the OTC trading consultations and proposed legislation by the European Commission. The Institute for Agriculture and Trade Policy looks at US regulation on commodities derivatives and the secondary carbon market with relation to the impacts on trade and food security. The Corner House has been undertaking policy work focusing on enhancing the transparency and accountability of secondary markets, but this has had limited impact in delivering an outcome due to low capacity.

Recommendations

Focus on emerging cap-and-trade schemes

Given the level of activity by civil society in relation to the primary market around the EU ETS and the CDM, the focus has been on targeting the EU and the CDM Executive Board. As emerging economies start considering and implementing regional or national trading mechanisms, enhancing the transparency and accountability of these will be critical to ensuring that they deliver emissions reductions and are equitable.

Focus on OTC trading

The potential implications of the secondary market for the environmental integrity of the trading system, and the various opportunities to engage in political and policy processes, pose opportunities for strengthening civil society engagement on this issue, especially at the European level.

5. Criteria for assessing new frontiers

Building on the mapping analysis and identification of gaps and opportunities, the identification of new frontiers will be assessed against a series of key criteria. This is intended to ensure that the final proposals put forward to the collaborative provide the right balance of impact, delivery and innovation. The criteria are designed to include a balance of qualitative and quantitative indicators to reflect the diverse range of potential opportunities

Impact assessment criteria

- Assessment of the centrality of transparency and accountability to solving particular issues related to adaptation, mitigation and fairness/equity.
- Animating new constituencies:
 - o Ability to reach out to key groups who may not yet be active in the climate debate.
- Linkages and synergies to other areas:
 - o Ability for climate initiatives to also help deliver impacts in other areas of the strategic review e.g. natural resource governance, donor aid, national budgets etc.;
 - o Learning from other initiatives with similar methods and processes.
- Transparency and accountability as a unique tool for challenging power and building trust, through linking CSOs to political processes:
 - o This will build on the power analysis discussed earlier in this paper. New frontiers will be prioritised in areas where they play a central and catalytic role in empowering and engaging citizens and civil society and building trust.
- Scale and scope of potential impacts:
 - o Identification of areas that will have a large impact on mitigation actions, reduced adaptation risk etc. Assessment on the timing of impacts (long-term vs. short-term) and geographical coverage;
 - o Ability to provide breakthrough consequences and catalyse further actions;
 - o Potential for not only contributing to climate objectives but to overall governance and anti-corruption measures.

Delivery assessment criteria

- Level of capacity required for implementation:
 - o This would include both the capacity to build the mechanisms necessary to increase transparency and accountability (e.g. a monitoring system) and the capacity to utilise the mechanism on the ground (e.g. capacity of civil society and other actors (governments and private sector) to participate effectively, have sufficient literacy levels etc.).
- Ability to monitor and evaluate outcomes:
 - o This includes the potential for initiatives to contribute to learning and knowledge dissemination.
- Ease of access to relevant information/analysis:
 - o Whether the transparency initiative can build on existing systems and readily available data or whether the system needs to be built from scratch.
- Legitimacy/capability of potential partner organisations:
 - o Assessment of whether existing actors are already in place to take forward new frontiers, and their legitimacy in relation to political sensitivities.

Innovation assessment criteria

- Giving agency to new audiences and actors:
 - o Ability of new frontiers to open up new horizons for action and provide agency to key groups.
- Replication and scalability:
 - o Ability to provide best-practice examples for others to follow, ability to extend and catalyse initiatives into new areas.
 - o Potential to utilise new technologies:
 - o Assessment of whether new technology can be deployed in order to increase the effectiveness of new frontiers. Ability to build on existing technologies, utilising them in different ways and with new users;
 - o Assessment of ease of access and use for key actors to utilise new technology;
 - o Implies both hard and soft technologies.

Annexes

Annex I: Introduction, methodology and scope

The Transparency and Accountability Initiative

The Transparency and Accountability Initiative (T/A) is a donor collaborative that aims to create a more coherent, relevant and effective community of practice, and to increase the impact, coordination and breadth of funding available for transparency and accountability work. The Initiative is a donor collaborative that includes the Ford Foundation, Hivos, the International Budget Partnership, the Omidyar Network, the Open Society Institute, the UK Department for International Development (DFID), and the William and Flora Hewlett Foundation.

The initial phase of the Initiative (April to October 2010) focused on three key areas of work:

1. **Research on the impact and effectiveness of transparency and accountability activities:** This work focused on evaluating the validity of current approaches and identifying those approaches and strategies that have the greatest efficacy in promoting enhanced accountability and transparency. The research aimed to improve understanding among policy makers and practitioners of the available evidence and to identify gaps in knowledge to inform a longer-term research agenda.
2. **New technologies for transparency and accountability:** This area of work focused on carrying out a global review of the uses of technology in promoting transparency and accountability. It also carried out feasibility studies on implementing open government data initiatives in middle-income and developing countries.
3. **New frontiers in transparency and accountability:** The final area of work was to carry out strategic reviews of transparency and accountability issues in a number of areas. This included identifying innovative proposals for programmes and policies on transparency and accountability, with a particular focus on so-called 'demand-side' interventions. The five areas of focus under this area of work were:
 - o Budgets, expenditures and procurement
 - o Donor aid
 - o Climate change
 - o Financial system reform
 - o Natural resource governance (NRG).

This report consists of the strategic review, as well as a long-list of possible programme and policy ideas, for the climate change theme of work.

Methodology

Context

This proposal outlines a research project to develop several focused proposals for innovative civil society activities which use transparency and accountability to deliver high-impact climate change outcomes.

The project design reflects the current context in this area:

National, regional and international climate change activity: Whatever the outcome of the UNFCCC negotiations, the coming years will see continued rapid growth in global activity to mitigate and adapt to climate change. National and regional actions will have critical implications for transparency and accountability. This project will seek to take a balanced geographic focus, including both Annex I and non-Annex I countries. Up to \$30 billion in 'fast-start' climate change funding may be delivered from developed to developing countries in 2010–2012; probably split approximately 50%:20%:30% between adaptation, mitigation and forestry. Transparency regarding the sources (aid budgets versus new additional funding) and delivery channels of these funds will prove critical to building confidence between parties.

The World Bank and international development banks (IDBs) are likely to play a strong role in these activities, alongside bilateral cooperation institutions, and there are various opportunities to learn from organisations and initiatives that have experience in engaging with these institutions on aid. Carbon market finance will continue with reform of the Clean Development Mechanism and new sectoral mechanisms being developed by the EU and other countries, including the difference in the transparency and accountability of exchange-traded and OTC products. Beyond the carbon market, the project will also consider transparency in relation to the overall balance of public and private expenditure. A large number of developed and developing countries will implement national policies on emission reductions and adaptation, financed from their own and international resources. Climate change-related issues will also be increasingly addressed in other forums, such as the G20 (energy subsidies); WTO (investment agreements); and OECD (aid definitions and monitoring). The project will also consider the national transparency and accountability implications for REDD+ mechanisms, including safeguards, e.g. SESA, World Bank inspection panel etc., and registry proposals.

The UN Framework on Climate Change (UNFCCC) negotiations: The ongoing UNFCCC negotiations following up after the Copenhagen Climate Summit in 2009 are aiming to establish a comprehensive global agreement which will encompass appropriate mitigation obligations and actions in developed and developing countries, action on forests (REDD+) and technology, adaptation action in developing countries, and financial support. This may include Direct Access issues including the current discussions around the Adaptation Fund Board, and discrete tracking of fast-start finance support. Issues of measurement, reporting and verification (MRV) have been central to the politics of this process, and will remain a high-profile component of both political and technical discussions over the next 2–3 years. Currently, early agreement on these issues is unlikely given the interdependence of the component parts of the negotiations (with the exception of REDD+, negotiations which could move forward earlier); subsequently, most governments are planning to conclude negotiations by end-2011 at the earliest. To date, mechanisms for public transparency and accountability have not played a large part in the formal negotiation process, until Copenhagen, which has refocused CSOs' emphasis on transparency and access to the formal and informal negotiations, building on the provisions within the Aarhus Convention and initiatives in other international forums.

Existing transparency and accountability activity:

There is already a significant amount of activity covering transparency and accountability related to these areas, including public assessment of country emission reduction plans; participatory adaptation plans; public analysis of deforestation emissions; public assessment of carbon markets and CDM effectiveness and rents/corruption. Other methods and tools can be drawn upon from non-climate-related approaches, focusing not only on specific thematic issues but also on their intersection, including the integration of fiscal, development and social planning.

The research will map these contextual areas in detail, identifying existing activities, areas of political risk and opportunity, policy priorities and likely scenarios for the evolution of the broad climate regime.

Aims and objectives

The aim of the research is to develop three proposals for innovative civil society activities which use transparency and accountability to deliver high-impact climate change outcomes.

Climate change covers a huge area of activity across the whole global economy and there is no 'scientific' way to prioritise areas based on abstract criteria. We suggest that the most effective and pragmatic approach to this project is to focus on identifying areas where improving transparency and accountability can have the biggest impact on achieving critical climate change objectives. The analysis should therefore start from an evaluation of the outcomes which need to be achieved and developing new and innovative ways to achieve them through examination of the political economy, understanding the drivers of change and power analysis, in particular unearthing the incentives that different actors require to deliver the outcomes and the power.

We will take as guidance of desired climate change outcomes the agreed platform of the Global Campaign for Climate Action and the Climate Action Network, which together form the most comprehensive and representative civil society networks on climate change (this guidance will enable the research to be more focused, but analysis will draw on other groups for guidance such as Climate Justice Now, Indigenous People's Forum on Climate Change and the Ecosystems Climate Alliance).

Methodology and analysis

Introduction

The research and analysis will require a balance between the formal/informal international and domestic processes and politics on transparency and accountability, stressing the distinction between the role of MRV systems as compared with the role of transparency and accountability measures by civil society. Particular sectors, processes and flows have been identified where this project could have impact. Critical areas identified by the reference group include the equilibrium between public and private financial flows (carbon market and non-carbon market), transparency and accountability within the forestry sector, the importance of domestic-level initiatives and the integration of processes in incentivising progressive international action. Clarity regarding the role of MRV systems as distinguished from the role of transparency and accountability measures by civil society will be an important distinction going forward, although the two in tandem will be critical to shaping development pathways. Often MRV systems and adaptation planning are the only means by which local communities are empowered to shape their own country strategies.

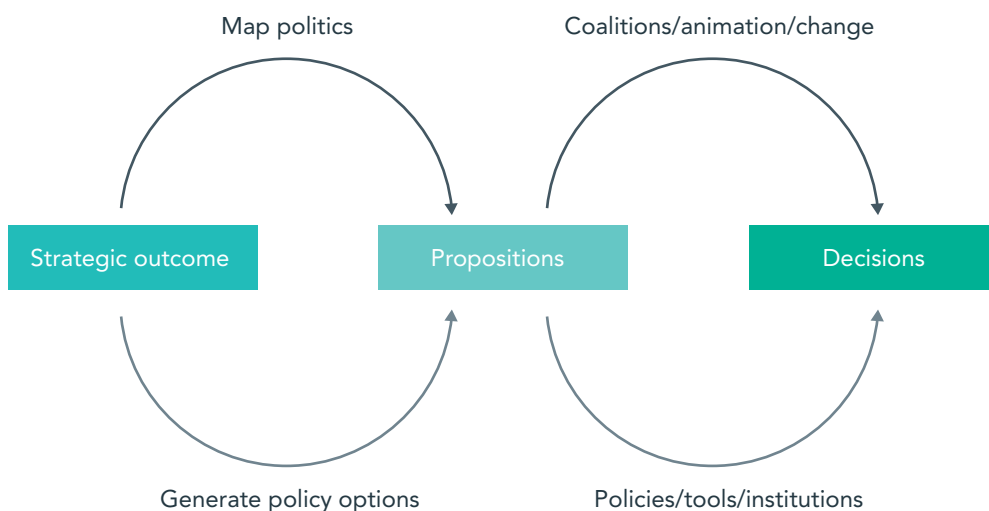
Delivering these objectives requires analysis in three areas beyond the contextual mapping identified above:

Identifying the role of transparency and accountability: Systematically identifying where transparency and accountability are critical to delivering critical climate change outcomes, who it should target, what incentives exist to engage with different stakeholders: for

example, supporting a sustainable and fair climate change agreement by creating trust between State parties; ensuring effective and efficient use of climate change funding; empowering relevant stakeholders including marginalised and vulnerable groups to participate in the design, implementation and delivery of adaptation programmes; reducing social and international tensions over resource management of climate-sensitive natural resources.

Mapping existing activity on transparency and accountability: A significant amount of activity on transparency and accountability is already under way and more activities are currently planned by organisations such as Transparency International, the World Resources Institute and many governments, including signatories to the Aarhus Convention. In addition, the climate debate can learn from other transparency and accountability efforts relating to extractives, budgets and aid which have relevance, in particular drawing upon the incentives to ensure participation by different stakeholders e.g. multi-stakeholder initiatives. However, the fast pace of activity in this area means that the gap between opportunity/need and current activity is still growing. The global financial and economic crisis – and subsequent fiscal squeeze in many countries – will result in a general climate of increased oversight, risk aversion and demands for public value in all public spending, taxation and regulatory activity. Understanding this broader context (e.g. financial system reform; subsidy reviews) will be critical in finding imaginative and effective synergies between climate change and other activities.

FIGURE 9: E3G CHANGE FRAMEWORK



Identifying innovative proposals for action: The sheer scale of the global low-carbon transition challenge (\$25–35 trillion in investment to 2030) and adaptation challenge (\$200–400 billion per annum) makes innovation in approaches to transparency and accountability a necessity. The significant number of negative experiences with the EU ETS and CDM show the ability of vested interests to subvert the best-intentioned policy instruments, and perhaps the lack of attention paid to issues of public accountability, good governance and corruption in climate change policy making in the past. Innovative proposals will need to focus on areas where there are high political/public demand for accountability, some ability to readily access data and information and potential for leverage through political institutions, social networks and mainstream media.

E3G uses a range of systems, creativity and political mapping tools to undertake such analysis based on an overall 'change framework' methodology, illustrated in Figure 1.

The scope of this work will focus on the left-hand side of the framework: identifying key strategic objectives; mapping the political context and opportunity space for delivering them; generating a set of potential policy and institutional options; and then synthesising this information into an initial number of propositions which can be tested with the reference group as an initial proxy for the coalitions who will need to deliver these outcomes.

The right-hand side of the framework will be the focus of the next stage of the process – building effective interventions and using them to drive real decisions.

The analysis will focus on the role that NGOs and civil society play in transparency and accountability issues, but will not specifically address the quality of participatory engagement by the NGOs themselves. This includes action in three main areas:

- **Monitoring existing processes:** Civil society plays a critical role in monitoring existing processes and institutions, attempting to ensure that they are accountable for their actions. This includes governments, businesses and multilateral organisations (e.g. the World Bank);
- **Facilitating information transmission to the public:** Through enhancing accessibility, availability and usability of information.
 - o Civil society is a major source of accessible information for the general public and has an essential role in promoting transparency;
 - o Civil society action has been critical in increasing awareness on the science and impacts of climate change and exposing corrupt practices (e.g. illegal logging activities);
 - o Civil society has been critical in influencing actors to be more transparent through disclosure.
- **Advocating for new oversight mechanisms:** Civil society is an important player in generating the pressure for new oversight and accountability mechanisms to be established. Civil society is taking a leading role in shaping the current UNFCCC debates over frameworks for measurable, reportable and verifiable (MRV) criteria for climate actions and finance. This mechanism will be critical to hold governments and companies to account based on disclosure of information.
- The analysis will look at various methods employed by civil society to enhance the three issues above:
- **Participatory methods:** Ability of CSOs to create participatory spaces for citizens/communities to engage in the planning, implementation and evaluation of national climate change strategies;
- **Capacity building:** How NGOs strengthen the ability of citizens/communities to digest data, to engage with governments and energy companies and work with these actors to enable them to be more responsive to citizens/communities;
- **Direct action and other advocacy tools:** To expose governments and companies with negligible records in this area.

The aim of the project will be to produce the first iteration of a set of robust propositions which are informed by in-depth assessment of both technical feasibility and also political resonance with key stakeholders.

Given the timescale and resources available, we suggest that resources should be focused on the process of identifying outcomes and options and testing these with the reference group and other stakeholders, rather than on carrying out an exhaustive mapping exercise of the field.

Scope of research/proposal design

The work will address the following long-list of areas (subject to agreement with the reference group and the programme manager):

Climate change science: Transparency of climate science research processes; access to climate change impacts data at an international and national level;

International policy: Transparency of international formal and informal negotiation forums; accountability of international compliance, review and assessment;

National mitigation: Transparency and accountability of national mitigation plans and decision-making processes; the role of affected communities in the design and implementation of national mitigation plans and MRV of national climate change action; transparency and accountability of subsidies and taxation; transparency and accountability of emissions trading mechanisms and carbon finance (including OTC); transparency and accountability of national infrastructure planning decisions/ access to redress over decisions, including corruption around national and sub-national funding and investment;

International mitigation cooperation: MRV of international financial support (both public and private, pre- and post-2012) and technology cooperation; transparency of existing national and international delivery mechanisms (prioritisation, allocation and impact assessment), including non-climate-related portfolio; corruption around international funding/ investment; REDD+/agriculture: Transparency in the design-making process, implementation and delivery of REDD+ plans, including the role of affected communities in the design and implementation of REDD+ plans and MRV of international financial support; informal financial support; transparency and accountability of national and international delivery mechanisms (prioritisation, allocation, safeguard integration and impact assessment); corruption around international and national funding/ investment of forest resources;

Adaptation: Formulation of national and sub-national strategies; role of affected communities in adaptation planning; transparency of community/individual resource rights and tenure in adaptation planning; legal redress for maladaptation; transparency and accountability of international resource allocation and management regimes, including direct access;

Lobbying/political processes: Transparency and accountability of domestic policy formulation in relation to the international processes, and transparency of corporate lobbying activity; accountability for national targets and transparency of government decision making in infrastructure, energy and natural resource management.

Annex II: Defining transparency, accountability and participation

Given the general nature of the key terms that the initiative is focused on – transparency and accountability – it is necessary to provide some brief definitions around these terms. The following definitions have been developed by the T/A Initiative Programme Manager and are being used across all areas of research being carried out by the programme.

Transparency

Transparency is a characteristic of governments, companies, organisations and individuals that are open in the clear disclosure of information, rules, plans, processes and actions.¹³ As a principle, public officials, civil servants, the managers and directors of companies and organisations, and board trustees have a duty to act visibly, predictably and understandably to promote participation and accountability. Simply making information available is not sufficient to achieve transparency. Large amounts of raw information in the public domain may breed opacity rather than transparency. In order for that to be achieved, a number of qualifying criteria must be added to the definition. Information should be managed and published so that it is:

- **Relevant and accessible:** Information should be presented in plain and readily comprehensible language and formats appropriate for different stakeholders, while retaining the detail and disaggregation necessary for analysis, evaluation and participation. Information should be made available in ways appropriate to different audiences, and at minimal or no cost;
- **Timely and accurate:** Information should be made available in sufficient time to permit analysis, evaluation and engagement by relevant stakeholders. This means that information needs to be provided while planning as well as during and after the implementation of policies and programmes. Information should be managed so that it is up-to-date, accurate, and complete.

Participation

Citizen participation generally is understood either as **consultative participation** or as **empowered participation**. In the case of consultative participation, the government provides citizens and their representatives with a chance to be heard, but there is no guarantee that participation will be heeded. Decision makers have the freedom to agree with citizens or not, though there is normally an obligation

to give the reasons for which they agree or disagree. In order for participation to be meaningful, there must be accountability. In the case of empowered participation, the participants are invested with decision-making power and influence, such as having citizen representatives on boards that oversee local public service delivery. Citizens may participate through local associations, social movements and campaigns, formal participatory governance spaces and multiple approaches which employ several of these strategies. Participation is key to making transparency and accountability directly meaningful to citizens. For the purposes of the Transparency and Accountability Initiative's research, citizen participation is relevant in as much as it leads to increased transparency and accountability.

Accountability

Broadly speaking, accountability refers to the process of holding actors responsible for their actions. More specifically, it is the concept that individuals, agencies and organisations (public, private and civil society) are held responsible for executing their powers according to a certain standard (whether set mutually or not). Accountability is an *institutionalised* (i.e. regular, established, accepted) *relationship* between different actors. One group of people/organisations are held to account ('accountees'), by other groups ('accounters'). It is useful to think of an accountability relationship as having up to four sequential stages:¹⁴

- **Standard setting:** setting out the behaviour expected of the 'accountee' and thus the criteria by which they might validly be assessed;
- **Investigation:** exploring whether or not accountees have met the standards expected of them;
- **Answerability:** a process in which accountees are required to defend their actions, respond to questions, and generally explain themselves. This applies both to negative as well as to positive feedback;
- **Sanction:** a process in which accountees are in some way punished for falling below the standards expected of them, or rewarded for achieving or exceeding them.

Most accountability sequences are not as formal, and/or do not include all these stages. More informally, one can think of accountability as not only a set of institutional mechanisms or a checklist of procedures but an arena of challenge, contestation and transformation.

¹³ Transparency International, 2009.

¹⁴ Moore/Teskey, 2006.

Accountability can usefully be categorised in terms of horizontal, vertical and diagonal mechanisms (with the proviso, however, that success is most often found not in one of those approaches alone, but in their interaction).

- **Horizontal accountability** consists of formal relationships within the state itself, whereby one state actor has the formal authority to demand explanations or impose penalties on another. It thus concerns internal checks and oversight processes. For example, executive agencies must explain their decisions to legislatures, and can in some cases be overruled or sanctioned for procedural violations.
- **Vertical forms** of accountability are those in which citizens and their associations play direct roles in holding the powerful to account. Elections are the common formal institutional channel of vertical accountability. But there are also informal processes through which citizens organize themselves into associations capable

of lobbying governments and private service providers, demanding explanations and threatening less formal sanctions, such as negative publicity.

- **Diagonal accountability** operates in a domain between the vertical and horizontal dimensions, and refers to the phenomenon of direct citizen engagement with horizontal accountability institutions in efforts to provoke better oversight of state actions. Citizens bypass cumbersome or compromised formal accountability systems in order to engage in policy-making, budgeting, expenditure tracking, etc.¹⁵

¹⁵ DFID/GTF, 2008.

Annex III: Workplans and recommendations

Recommendation 1. Creating NGO initiatives focused on robust engagement in an MRV regime to enhance T/A of climate actions

Mobilise the NGO community engaged in the UNFCCC negotiations on MRV and ICA issues to coordinate a coherent strategy on building a unified MRV regime which encompasses climate finance, REDD+ and technology transfer.

Individual initiatives aimed at forming a more inclusive and principles-based discussion and constituency can include the following: improving and compiling expert analysis; political campaigning; and on-the-ground monitoring.

Initiatives on improving the technical analysis of MRV:

NGO initiatives in this space should pull together expert analysis on international MRV/ICA across the climate policy spectrum (including subject areas such as fast-start finance, technology transfer, REDD+ and emissions pledges), and communicate the analysis in easy-to-understand, principles-based messaging.

Initiatives on building a political campaign on MRV:

NGO initiatives can coordinate existing groups focused on UNFCCC campaigning with MRV/ICA experts to provide effective lobbying at the UNFCCC negotiations and in key capitals, and a forum for information at the international level. Civil society should push for and work towards ensuring that a sound and robust MRV regime is created which can effectively hold governments to account through strong compliance mechanisms.

Initiatives based in-country to provide on-the-ground monitoring of international MRV mechanisms:

Develop effective CSO national hubs/platforms which utilise and inform synthesis data and develop the right incentives to engage governments and hold them to account. This can feed into international compliance mechanisms, providing best-practice examples of action on the ground, and linking actions to the international MRV/ICA regime.

Problem

At present there is no unified dialogue on MRV/ICA across the various subject areas (i.e. provisions of finance, technology and capacity-building support, nationally appropriate mitigation actions by developing countries and mitigation actions by developed countries). MRV is dealt with in silos at the UNFCCC negotiations and as a result is fragmented into tracks that NGOs tend to focus on and engage with. Discussions on MRV/ICA in CSOs are held in smaller groups at an elite technical level and tend not to encourage citizen engagement or learning.

The Cancun Agreements have committed countries to negotiate detailed criteria for MRV and ICA. 2011 will be a critical year in the UNFCCC negotiations to influence the development of reporting and accounting guidelines and a process for matching action with support. Party submissions are currently being tabled on the work programme for MRV/ICA with no concrete deadline for the establishment of guidelines or the overarching regime. Negotiations on a process to assess emissions reductions for Annex I and Non Annex I parties will likely take place under the upcoming meeting of the Subsidiary Body for Implementation (SBI), and discussions on the work programmes for Annex I MRV will take place under the Ad

Hoc Working Group on Long Term Cooperative Action in Bangkok on 3–8 April. Engagement in principles-based discussions on MRV/ICA in the UNFCCC throughout 2011 is crucial to ensuring the creation of an effective regime.

A post-2012 global agreement on climate change must include robust mechanisms to support an international MRV regime. Dialogue is not currently unified and is potentially subject to considerable political risk moving forward (this is one of the key debates between developed and developing countries). An MRV regime will be crucial to operationalise an international climate change agreement to ensure that governments disclose information on actions that are transparent, ensure that commitments made in the UNFCCC are held to account and ensure that commitments are translated into action on the ground.

Current state of play on initiatives

The UNFCCC negotiations will have a strong focus on MRV and ICA this year, with an expectation of achieving a detailed outcome at the Conference of the Parties in Durban in December (COP 17). Currently, NGO groups engaged in the UNFCCC process tend to be fragmented and focused on MRV in individual subject areas (i.e. climate finance, mitigation actions, etc.). There is a large gap in terms of initiatives focusing on MRV in an international climate regime; several initiatives provide transparency on climate actions and emissions reductions (i.e. Climate Competitiveness Index, Climate Action Tracker, Climate Analysis Indicator Tools, Climate Funds Update, etc.), but there are few which verify these actions (Climate Data Due Diligence is one example), and even fewer which study MRV exclusively (WRI has done work in this area). Analysis of MRV mechanisms tends to exist in individual tracks concentrating on specialised information such as climate finance or emissions data, with notable gaps in the evidence base and raw data. The NGO community is fragmented on the subject of MRV and has yet to form a coherent campaign strategy on the topic. NGO actions tend traditionally to focus on the level and transparency of support from developed countries for mitigation actions in developing countries. While still an important area for CSO focus, NGO intervention across the MRV/ICA element can help to build capacity for transparency in the overarching regime.

Discussions taking place at the UNFCCC are designed to negotiate a global agreement on climate action, to come into effect in 2012, and an international MRV regime is a crucial piece of any agreement. It will hold necessary mechanisms to measure, report and verify actions taken by countries to reduce their emissions and provide support to developing countries – forming a strong compliance mechanism to hold countries to account. The MRV dialogue has not progressed fast enough and is not fully formed enough to produce a robust mechanism by 2012. Building coalitions of CSOs and experts on MRV to synthesise technical data and carry out political campaigns could help advance this dialogue. Elevating the political nature of this issue can work toward effective negotiating sessions and the speedy development of an MRV/ICA work programme under the UNFCCC for 2011.

Political analysis

The MRV issue cuts across all actionable elements of a global deal and has thus far been the most difficult issue to address in the UNFCCC negotiations. It requires countries to submit information on budgets and national plans, as well as economically sensitive information relating to heavy-emitting sectors. As a result, large industrialised countries have been reluctant to sign up to binding commitments, and compliance tools have been regarded as infringing on national sovereignty. China and the US have been at the heart of the disagreement; and the breakthrough on international verification at Cancun was a significant milestone in the negotiations. It is critical that 2011 cements this progress by producing an operational framework for implementation this year, or there is a significant risk of falling back into a stalemate.

Political campaigns focused on principles of a unified MRV package – one that delivers robust environmental integrity – should target those countries that have featured in the debate as blockers and donor countries that will be providing the bulk of the support. These countries include BASIC countries (with an emphasis on China and India) and G20 countries (the US, EU and other major donors).

Linkages

Links to aid and donor finance and public budgets, expenditure and procurement groups.

Workplan 1. Coherent and unified technical analysis to enhance understanding of MRV issues

Goal	Build an effective and politically astute NGO community focusing on MRV discussions and operating at the international level. The community should effectively communicate coherent messages and add value to high-level dialogue on the creation of an international MRV regime. Synthesis of data on subject areas including finance, REDD+ and adaptation (technology and capacity-building support) should be channelled in a way that is tangible to citizens and other CSOs; may also be used to inform governments and build responsiveness and to enhance transparency of commitments.
Timescale	Short term: from now to 2012.
Success indicators	NGO coalitions adopt an effective 'SMART' (specific, measureable, attainable, relevant, time-bound) strategy pulling in expert analysis and unifying the discussion. Transparent and accountable finance flows, targets for REDD+ and adaptation support at the international level, which translate into actions in-country. Negotiators design an effective work programme in early 2011 which incorporates accounting and reporting guidelines.
Targets	Government negotiators, treasuries, elite think tanks and CSOs. Target MRV discussion at UNFCCC and country positions in key capitals.
Opportunities	Enhance broader understanding of MRV, address its importance at the UNFCCC and enhance its political status.
Risks	Low risk: expertise already exists and NGOs are engaged in MRV in individual subject areas. Additional information will be needed from a future international MRV regime and country-level data collection; data synthesis and understanding of MRV as a central issue can aid dialogue.
Stakeholders	Key experts working on MRV streams (WRI); NGOs at the international level; government negotiators at the UNFCCC; legislators at the country level.
Opportunities for new technologies	New database creation which houses a visual presentation of comparable data in an easy-to-access format. Should build on existing initiatives including the Dutch Fast Start Finance website on climate finance and the WRI Climate Analysis Indicator Tools website/database for GHG emissions and targets.

Workplan 2. Principles-based political campaigns at international level

Goal	Coordinate NGOs operating at the UNFCCC negotiations to build a unified campaign on MRV based on principles of transparency and accountability and which can be communicated to a diverse audience. Should mobilise citizen engagement and enhance government responsiveness through effective lobbying at the international level and in key capitals (BASIC, G20 donors). Enhance transparency of commitments and hold governments to account.
Timescale	Short term: from now to 2012.
Success indicators	Governments provide full disclosure of MRV-able actions at the international level; transparency of FSF actions are enhanced – clarity on donor financing, how money is spent, etc.
Targets	Government negotiators and governments in key capitals. Campaigns should take place in UNFCCC and capital cities.
Opportunities	Need to secure a workable framework for adoption at Durban – small window of opportunity to influence negotiators and governments in key capitals; must be done by 2012.
Risks	Low risk: principles-based campaigns which engage citizens are already taking place around climate change issues; success depends on the effectiveness and quality of technical analysis. Campaigns will be more effective if they are linked to lobbying efforts in key capitals.
Stakeholders	NGOs at the international level; government negotiators at the UNFCCC; NGOs and government ministries in key capitals; citizens.
Opportunities for new technologies	New social networking/media tools to target a new audience; comprehensive website devoted to the campaign.

Workplan 3. National hubs to monitor domestic MRV actions

Goal	Create CSO national hubs/platforms which monitor climate actions in key countries and enhance accountability of governments. Should provide full transparency to citizens and build government responsiveness to act. Feeds into accountability mechanisms of an international regime and enhances transparency of domestic actions. Builds CSO capacity in key areas (finance, REDD+, technology) to enhance in-country expertise.
Timescale	Long term: post-2012 and beyond.
Success indicators	Sub-national governments take action in key capitals which are linked to and encourage the creation of an international MRV regime, and which reflect commitments made at the UNFCCC. Builds capacity in sub-national governments and CSOs for local monitoring.
Targets	Sub-national governments and CSOs engaged in monitoring activities. Key capitals in BASIC and donor countries (G20) should pilot monitoring hubs. Should cover areas of finance, REDD+, technology and adaptation actions.
Opportunities	Ensures international regime is translated into effective action on the ground and in key capitals.
Risks	Medium risk: hubs will be linked to the future MRV regime at the international level, and will have a degree of reliance on international standards. However, action at the national level can help progress on an international system and should be robust. CSOs in-country need to build capacity to develop monitoring systems.
Stakeholders	NGOs at the international level; NGOs and government ministries in key capitals; sub-national governments responsible for climate action; citizens.
Opportunities for new technologies	New technologies utilising on-the-ground monitoring tools and development of MRV databases; website devoted to disclosing on-the-ground actions and enhancing transparency.

Recommendation 2. Enhancing the integrity of REDD+ programmes through coordinated and harmonised safeguards and increasing the transparency of land use and tenure

Recommendations

Ensure the environmental and social integrity of international REDD+ processes through transparent and accountable practices which seek to adopt a set of overarching principles for addressing and implementing safeguards and disclosure of land tenure and use, enabling forest communities and citizens to hold their governments accountable. Monitoring of REDD+ finance and implementation, an intrinsic element of a successful REDD+ regime, forms part of the international MRV discussion set out above.

Problem

IPCC estimates that in the 1990s tropical deforestation contributed to 20% of global carbon emissions. The future of a global climate regime hangs upon how the international community deals with these emissions – they are absolutely critical to a comprehensive deal. In addition, forests also host rich biodiversity and serve millions of the world's poorest people. Evidence suggests that forest communities are constructive actors in the implementation forest protection.

At present, various funding programmes, processes and initiatives are established associated with forests and REDD+. For example, potential and current sources of finance include the Oslo-Paris Process, the Forest Investment Programme, the Forest Carbon Partnership, the Amazon Fund, the Indonesian Climate Change Fund and the GEF, while processes include the UNFCCC, IFC/World Bank, UNCBD, UNFF etc. These fragmented policy processes and funding streams limit the ability of developing countries to access funding and for civil society to monitor and participate in decision-making regarding REDD+ and land tenure.

The crux of the problem relates to government and private sector inability to recognise that forest communities contribute towards sustainable and resilient forests. The inclusion of robust social and environment safeguards, including transparency of land tenure, enables CSOs and forest communities to reduce the high risk of policy failure, which currently favours dangerous low-cost carbon abatement.

Current state of play on Initiatives

In Cancun, countries agreed on the key elements and framework for developing a new REDD+ mechanism. This includes agreement on the necessity of developed country finance to support REDD+ activities, and further negotiation to explore financing options. Safeguards for the environment and the rights of indigenous peoples and local communities were also included in the Cancun Agreements. These have also established a phased approach for REDD+ readiness in developing countries, ranging from plans and implementation to results-based activities in the longer term. Developing countries were encouraged to establish the systems and information needed to undertake REDD+ activities, such as preparing a national strategy or action plan; establishing a forest reference emission level at national/sub-national or forest levels; establishing a robust and transparent national forest monitoring and reporting system; and establishing a system for providing information on the safeguards, including their implementation. Furthermore, a work programme was created under the UNFCCC Subsidiary Body for Scientific and Technological Advice (SBSTA) to address REDD+ issues in 2011 and beyond. SBSTA's work programme will encompass:

- Methodological issues to estimate emissions and removals and report to COP 17;
- Developing modalities for determining national reference levels, monitoring systems and reporting, providing information on safeguards for consideration at COP 17;
- Developing modalities, as necessary, for MRV-ing emissions and removals consistent with guidance on MRV-ing developing country NAMAs.

Given the disparate nature of the international, regional and bilateral forest processes for civil society, this provides a significant focus and opportunity to move forward the debate on safeguards and to enhance transparency and accountability. Concerning land tenure and use, there are various national/sub-national efforts by forest communities and indigenous peoples.

Political analysis

The political economy of forests remains complex and challenging. Vested interests of logging companies and agribusiness, cross-border dilemmas and land tenure disputes all contribute to limiting concerted action in tackling deforestation. Each country/region has specific contexts and obstacles in addressing the issue. A critical failure to date has been the inability to comprehend that forest communities contribute to the solution, not the problem, thus safeguards are not a burden but a game-changing initiative that protects the social and environmental integrity of forests and the multiple services they provide. 'Business as usual' will not deliver the integrity, because safeguards are at present displaced, ignored and fragmented at the international level. This race to the bottom does not deliver the collective action required, REDD+ will not be delivered in isolation from a broader deal on MRV and we have a short window of opportunity to negotiate MRV and the Green Climate Fund and – in the process – safeguards.

The Cancun Agreements encourage countries to develop an information system to track how safeguards are addressed and implemented for REDD+. This is an important operational step for making the safeguards applicable, but further clarification is needed regarding data collection and its transparency and accountability. Since most key stakeholders and actual experience regarding safeguards are situated outside the UNFCCC negotiations process, it will be important to make progress on harmonisation in key developed and developing country capitals. Direct investment in governance and safeguards issues in developing countries would also be needed to build capacity for implementation.

Meanwhile, any progress on safeguards made outside UNFCCC should be fed into the UNFCCC REDD+ and wider MRV and Green Climate Fund discussions. Developing a critical mass of champions within contributor and recipient capitals as well as existing partnerships (e.g. UNREDD, EU FLEGT) can generate a collective solution which leads to robust outcomes and operationalisation of the REDD+ mechanism, and also ensure that safeguards are fully integrated into the overall MRV and finance discussions under UNFCCC. Linkages between different safeguards systems under UNFCCC MRV, Nationally Appropriate Mitigation Actions (NAMA) and finance mechanisms would be crucial to maintain environmental integrity and rights and livelihoods of indigenous peoples. Establishing overarching and harmonised principles for safeguards and their implementation could also provide a model for countries which do not seek international finance.

Linkages

This initiative links with the Natural Resource New Frontier.

Workplan 1. Adoption of overarching principles/standards for safeguards and their implementation

Goal	Obtain robust core principles for social and environmental international safeguards for REDD+ projects and programmes through concerted civil society action. Current REDD+ delivery institutions, contributor countries and CSOs are using different sets of safeguards; adoption of a set of common principles for safeguards will facilitate effective implementation and protect the interests of vulnerable stakeholders. Tracking their implementation and identifying what information needs to be captured, how it will be shared and for what purposes will be crucial for REDD+ readiness of developing countries. It will also be crucial to ensure linkages between safeguards for MRV, REDD+ and the Fund, and provide a model for countries which do not seek support.
Targets	Identify key contributor and recipient REDD+ countries and delivery institutions (i.e. MDBs) to exert pressure e.g. multiple-delivery partners approach endorsed by the World Bank under FCPF.
Risks	Adoption of a set of common principles for safeguards is a medium-risk strategy, given the short window of opportunity, current fragmented delivery channels, division among REDD+ communities (e.g. CSOs) and the fact that links to MRV are politically challenging (risk that MRV and finance safeguards undermine robust REDD+ safeguards, creating loopholes or agreement on safeguards made outside UNFCCC that may not be fully reflected in MRV); there is also uncertainty regarding the effectiveness of safeguards in protecting the process and vulnerable groups.
Opportunities	Focus on the key country (both contributor and recipient) capitals, rather than the UNFCCC process would help unblock some of the political and economic challenges associated with REDD+, linking to vested interests and the political economy.
Stakeholders	Government/sub-national governments, IFIs, indigenous peoples alliances, ENGOs, UN Conventions – CBD, CITES, UNFCCC, UN Safeguard Processes, UN FF, Paris-Oslo, WB, FCPF/FIP – links communities working on transparency, governance, natural resources and climate.
Timescale	Short term: 2013.
Success indicators	By UNFCCC COP 17 in South Africa in 2011 agreement on robust MRV system for REDD+.
Opportunities for new technologies	Comprehensive database for all REDD+ programmes and safeguards; interactive system to allow major stakeholders, especially forest communities, to assess and agree on common principles.

Workplan 2. Transparency of land tenure and use

Goal	Target key forest governments to encourage transparent disclosure of existing land tenure and use as well as the 'pathways' to tenure i.e. formal and informal processes of land acquisition.
Targets	Target sub-national and national governments and logging/mining companies – context-specific depending on national land governance system, etc.
Risks	Land ownership and use are complex issues for many countries where there might be conflict between informal and formal land title regimes, and overlapping tenure between different forest communities. Risk is country-specific depending on national and sub-national law. Disclosure will also face strong resistance from vested interests.
Opportunities	While transparency is not an end in itself, disclosure and clarity regarding land tenure enable forest communities as a basis through which to assert their rights as citizens. New spatial information using technology such as satellites, GPS and mobile phones can enhance overall governance of resources and help enforce accountability.
Stakeholders	Government/sub-national governments, IFIs, indigenous peoples Alliances, ENGOs, UN FF – links communities working on transparency, governance, natural resources and climate.
Timescale	Long term: ongoing.
Success indicators	Commitments in key REDD+ countries by Rio+20 to start national actions on land tenure, completing by 2020.
Opportunities for new technologies	Satellites, GPS, mobile phones etc. for mapping and delineation of borders.

Recommendation 3. Building models of resilient low-carbon national development and planning responses

Recommendation

Improved transparency and accountability are essential to rebalance power and strengthen citizen engagement in shaping national responses and in holding governments accountable for their actions— or lack thereof. The initiative aims to support the creation of best-practice models of effective and transformational national development and planning responses through:

- Transparency of carbon liability of public budgets and domestic climate finance (with a focus on a core set of both developed and emerging economies);
- Accountability of national planning processes and citizen/civil society engagement (with a focus on South Africa and its National Planning Commission);
- Low-carbon reorientation of key domestic development institutions (with a focus on Brazil's BNDES);
- Understanding climate vulnerabilities for communities (with a focus on Most Vulnerable Countries (MVCs)).

The lessons from this initiative may also serve as models for other countries to follow, help forge collaboration between countries and build confidence and trust at the international level.

Use of 'carbon liability'

Carbon liability as a term is not a fixed definition. It goes beyond the concept of a carbon/ecological footprint, i.e. the statistical analysis of damage caused by a product/organisation, to encompass the concept of carbon lock-in and the responsibility of an agent to respond to the risks associated with the investments and decisions they make.

Carbon liability requires prior recognition that the environmental damage caused by carbon emissions will be reflected in future investments. While this scenario is still being debated, other factors, such as fossil fuel price volatility and the security implications regarding the impacts of climate change, can incentivise companies to be more responsive and accountable for their investment decisions and avoid lock-in. The nature of risk is fundamental to the concept of carbon liability; however, this should be complemented with the concept of opportunity afforded by green development.

Problem

Significant action at domestic level is required to shift the real economy to low carbon. However, the policy landscape in most countries tends to be fragmented with competing and, often, contradictory policy objectives. In addition,

power dynamics between citizens and civil society and governments/business interests in emerging economies are highly unequal. In the next decade, emerging economies are expected to make major investments in their energy and transport sectors, and to go through fast urbanisation. Under 'business as usual', these would lock the economies into high-carbon growth pathways and would make the target of staying below 2°C of warming unattainable. There is a narrow window of opportunity in engaging key national development agencies and shifting their public investment priorities to low carbon. For example, the national development bank of Brazil (BNDES) is the second largest in the world (\$77 billion disbursed in 2009) and plays a central role as long-term credit provider for infrastructure projects, mostly high-carbon. Building resilience through national preparedness and planning, particularly in the most vulnerable countries and communities, is essential as even a 2°C temperature rise will have adverse consequences. The provision of enhanced transparency and accountability will be essential in determining an appropriate development pathway and a strategy to build resilience.

Current state of play on initiatives

A number of initiatives, both domestic and international, campaign for wider transparency of public budget and expenditure (e.g. Open Budget Initiative, International Budget Partnership, Hewlett Foundation's Global Development Programme on Transparency and Accountability, IBASE's BNDES Platform). However, there is a limited understanding of whether these investments are geared toward low or high carbon. Most countries have not yet developed long-term strategies on how they will move toward low-carbon development – participatory approaches remain a key gap in the national processes. Despite a growing number of studies looking at climate vulnerabilities at a more granular level (e.g. World Bank Pacific Islands report), further efforts are needed to improve the understanding of vulnerabilities and to develop risk management tools for decision-makers.

Political analysis

Countries are diverse in the ways they address and deliver on good governance practices in identifying national priorities; therefore specific incentives for leveraging enhanced government accountability and transparency will depend on country circumstances. Nevertheless, countries are increasingly implementing climate-related policies and investing in clean technologies in order to secure their competitiveness and prosperity in future global markets. The speed and scale of national action are, nevertheless, inadequate to transform and build resilient low-carbon economies. Public spending and key national development actors have a key role in supporting the transformation; therefore, increasing transparency and accountability

on the carbon liability of public budgets and investment would be critical in paving the way. Building participatory national planning processes would depend largely on dominant political culture in a given country. Civil society would need to develop country-specific campaigning and influencing strategies. Adaptation and risk management would need to be a core component of the strategy as it largely gets sidelined in decision-making processes, which tend to focus on economic growth.

Linkages

This work programme links with the Donor/Aid and Public Budgets and Expenditure working groups.

Project proposals

Enhancing transparency and accountability of the carbon liability of public budgets and investment priorities of key national development actors, active citizen engagement in national planning processes and understanding climate vulnerabilities with appropriate risk management would be core components of action at national level. The complexity and diversity of national processes require specialised strategies on a country-by-country basis. However, creating best-practice models can catalyse action in other countries, if civil society actors explore synergies and develop collaborative influencing strategies.

Workplan 1. Disclosure of carbon liability of Brazil's National Development Bank (BNDES)

Goal	A green growth strategy in Brazil requires structural reforms of BNDES to ensure that low carbon is the main focus – hence a reorientation of BNDES toward low-carbon lending. Disclosure of its carbon liability would be the first step toward decarbonising the bank.
Targets	A number of national and international organisations work on transparency of BNDES and other multilateral development banks. Synergies could be explored to develop a strategy to track carbon liability of BNDES and to shift its investment priorities.
Risk	There is a high risk of strong resistance toward moving away from business-as-usual practices. Given appropriate incentives and strong political leadership, the likelihood of delivery could be enhanced.
Opportunities	As an economic powerhouse, Brazil is seeking an influential role in global governance, and has become a key financier to other developing countries. Transforming BNDES into the world's largest low-carbon public investor could make Brazil the leader in the low-carbon race.
Success indicators	BNDES makes a public commitment to a shift to low-carbon investment and identifies the pathway for its transition. Independent evaluation processes established.
Stakeholders	BNDES, key Brazilian development and climate ministries, regional development banks engaged in Brazilian development, Brazilian NGOs working on climate, energy, governance, and development.
Timescale	Medium to long term (with potential quick wins depending on political strategy).
Opportunities for new technologies	Limited applicability – but potential role for open data systems and the role of online media to track and report progress.

Workplan 2. Transparency of carbon liability of public budgets and domestic climate finance

Goal	Establish an NGO partnership in a core set of countries campaigning for disclosure of carbon liability of public budgets and expenditure, including climate finance.
Targets	A number of initiatives/organisations focus on overall transparency and accountability of public budgets and expenditure. Carbon liability could become an additional core component of these initiatives. Initially, a smaller set of key emerging and developed countries could be targeted.
Risk	Strong resistance to disclosing information or lack of appropriate information could pose risks to delivery.
Opportunities	Existing civil society programmes on transparency of public budgets provide an immediate landing point for carbon liability disclosure initiatives if linkages across different NGO communities could be established. Growing momentum around the low-carbon race and future competitiveness suggests that public spending should focus on creating low-carbon assets instead of high-carbon liabilities for taxpayers and citizens.
Success indicators	Coalition of key CSOs established with a clear strategic influencing plan. Core set of countries agree to implement an open budget with carbon liability index.
Stakeholders	National and international NGOs/watchdogs working on transparency in public budgets and spending; OECD.
Timescale	Short to medium term, depending on availability of data and existing legislation in a given country.
Opportunities for new technologies	Open databases for public budgets, expenditure and flow of climate financing would help track information.

Workplan 3. Accountability and public participation in South Africa's national development planning

Goal	Supporting a strong civil society voice in shaping the low-carbon development plan for South Africa, through the National Planning Commission, and ensuring that the recommendations are taken up and acted on by government.
Targets	There are currently civil society representatives engaged in the National Planning Commission. Their capacity for engagement and influencing could be enhanced. A number of NGO coalitions around electricity futures are also active in the debate.
Risk	It is likely that the recommendations developed by the Commission will pass through the legislative process successfully. However, there is moderate to high risk around implementation in the absence of international support and continued domestic leadership.
Opportunities	South Africa has taken a pioneering approach to a low-carbon strategy and can act as pathfinder for other developing countries to follow. In addition, COP 17 in Johannesburg at the end of 2011 provides a critical political moment to build on South African leadership.
Success indicators	The National Planning Commission proposes a comprehensive change model for the overall economy. Similar models of civil society engagement are established in other key emerging countries under high-level political mandate.
Stakeholders	NGO coalitions around electricity; civil society representatives involved in the National Planning Commission; development and energy ministries; South African civil society working on governance.
Timescale	2011–12 (but longer timeframe for tracking implementation).
Opportunities for new technologies	Not applicable.

Workplan 4. Understanding climate vulnerabilities in most vulnerable countries and developing risk management tools

Goal	Establish a scientific review process to understand climate vulnerabilities in MVC communities; incorporate necessary actions into national/regional planning processes; develop actionable risk management tools for decision makers at local level.
Targets	Overall, this initiative requires the establishment of interconnected climate security communities, including both academics and practitioners, in selected countries. An overall review of existing academic data/knowledge and identifying further data collection needs would be an essential first step. Strategic risk management tools would, then, need to be developed to address uncertainties and help decision-making.
Risk	Limited data availability to feed into climate models or access to existing information can pose risk to mapping vulnerabilities. Capacity or the willingness of local/regional governments to put the risk management tools into practice might also be limited.
Opportunities	As climate science advances and improved estimates of uncertainty become available, it becomes clear that the impacts could well have been underestimated. Recently, a request by small island states to review the impacts of a 1.5°C temperature rise was actively blocked by some Gulf countries at UN climate negotiations. Other venues, domestic and international collaboration platforms, are needed to carry out impact assessments and risk strategies for the most vulnerable countries, including small island states.
Success indicators	Key MVCs start detailed analysis of the risks of different communities and are starting to develop tools to manage them. Start to collect data and identify risk factors and map vulnerable communities.
Stakeholders	Academia (universities/research institutes); national and international development agencies; development and climate NGOs in selected MVCs.
Timescale	Short to medium term (depending on data availability).
Opportunities for new technologies	Advanced climate models and satellite technologies/data interpretation tools will be essential to establish the basis of improved understanding of threats and uncertainties. Online and interactive decision making and risk management tools would also be useful.

Recommendation 4. Enhancing transparency (and accountability) of public/private policies and investment flows

Recommendations

Enhance the transparency of carbon liability in public/private policies and investments in large economies, with a view to holding governments accountable for these practices.

Problem

While public 'climate' policies and finance will help create a pathway towards sustainable development, the vast majority of government investments and policies continue along a high-carbon pathway, undermining the catalytic potential of public climate policies and flows. For example, a conservative estimate of financial assets owned or controlled by governments is \$15 trillion and since 2005 at least 17 sovereign wealth funds have been created – the scale of these flows dwarf current pledges by developed countries on climate finance. At present, there is a general lack of transparency and raw data available on the investment portfolios of export/import banks and SWFs, let alone their carbon liability. In addition, information regarding the scale, definition and focus of public subsidies is opaque and vague, despite G20 commitments to report. While transparency in and of itself will not reorient these flows and policies, reporting is a first step towards accountability.

Current state of play on Initiatives

There are various voluntary initiatives to encourage transparent reporting e.g. Santiago Principles, Berne Union, G20/OECD working group, etc., and civil society is also monitoring some of these issues e.g. ECA Watch, Oil Change International, Greenpeace and Friends of the Earth, etc. However, there is little focus on the disclosure of carbon liability, and in particular in large emerging economies whose flows overwhelm those of their Northern neighbours.

Political analysis

The politics of these issues are deeply complex and intertwined with issues that the various initiatives and processes have not been able to grapple with. Public/private investments and policies go to the heart of debates regarding foreign trade, energy and military security; they encompass domestic and international political economies. Finding incentives for governments to tackle these issues relies upon country- and sector-specific context; a critical reoccurring theme relates to the willingness of emerging economies to act alongside their developed country counterparts in taking action, and the ability of civil society and governments to prepare domestic constituencies for decisions on these issues i.e. in the case of phasing out subsidies. Revealing the scale of carbon liability is the first step towards reorienting these policies and investments towards a low-carbon future. Citizens are critical to influencing these politics and investments; however, innovative proposals will be required in targeting nations where active citizenship remains complex. The potential for building civil society capacity in conjunction with indigenous think tanks, intellectuals and other critical institutions with agency will be essential.

Linkages

This emerging theme links with the Natural Resource group and Donor Aid and Budget Monitoring frontiers.

Project proposals

While these issues are critical, it would be unrealistic to expect the donor collaborative to tackle a fundamental restructuring of the world's largest economies. Consequently, E3G has broken down the New Frontier into more manageable proposals for consideration by the collaborative, but each goes some way towards unblocking the politics of climate change through targeted and catalytic focus.

Workplan 1. Brazil: BNDES

Goal	Brazilian citizens to push the Brazilian government to disclose the carbon liability of BNDES export/import bank.
Targets	There are various Brazilian coalitions forming around the role of BNDES, both domestically and internationally; while these groups are focusing on environmental programmes, there is a gap in developing advocacy strategies regarding disclosure of carbon liability.
Risks	There is an obvious risk that unless CSOs and citizens develop a politically astute strategy of influence, this programme will not deliver. Brazilian NGOs have historically not favoured constructive engagement, and the initiative would require comprehensive political economy mapping to establish where the incentives lie for the government to disclose its carbon liability.
Opportunities	As a large emerging economy, strengthening its foreign/trade policy overseas, accompanied by an active and engaged civil society, Brazil presents an excellent opportunity to catalyse some of the discussions regarding export/import banks in the economies that count.
Stakeholders	Brazilian members of ECA Watch include PCT and UNIAIS. However, there are various groups working on BNDES domestically and also on forests in Brazil.
Timescale	Medium term: 2015 (approximately).
Success indicators	BNDES discloses its carbon liability by 2015.
Opportunities for new technologies	There are limited opportunities for new technologies; however, new media would enable better monitoring of programme information flows.

Workplan 2. Singapore: GIC sovereign wealth fund

Goal	Singaporean citizens to push the government to disclose the carbon liability of its sovereign wealth fund, GIC.
Targets	GIC is one of the most 'progressive' SWFs (with the exception of Norway's). However, at present there are no CSOs pursuing disclosure of investments or the fund's carbon liability; they are not able to capitalise on the opportunity.
Risks	Singaporean civil society is weak and its ability to form interest groups limited. In addition, vested interests in maintaining the status quo would be a challenge to overcome, given Singapore's financial status.
Opportunities	As the fourth largest financial hub in the world, practices in Singapore have ramifications upon the ASEAN region and more widely in the global economy. Since the Norwegian SWF currently stands out on a limb in terms of its transparency and accountability, encouraging other like-minded SWFs has a catalytic potential. Singapore is largely seen as a progressive player in the climate debate, and this measure would help to cement its diplomacy with robust national action.
Stakeholders	Further investigation and research will be required to identify stakeholders in Singapore who are able to take up this opportunity.
Timescale	Medium term.
Success indicators	GIC discloses carbon liability by 2017.
Opportunities for new technologies	There are limited opportunities for new technologies; however, new media would enable better monitoring of programme information flows. The potential for online risk management tools could provide support to CSOs who wish to assess the potential carbon liability in the GIC portfolio.

Workplan 3. G20 fossil fuel production subsidies

Goal	Establish a network of CSOs in G20 countries challenging vested interests and fossil fuel production subsidies.
Targets	G20 Pittsburgh commitment pledges to 'phase out and rationalise over the medium term inefficient fossil fuel subsidies while providing targeted support for the poorest'. While some CSOs in the G20 countries are tracking and campaigning on this issue (mostly in the US), there is no concerted effort in all G20 countries to address the political deadlock that has arisen since the Toronto G20 meeting.
Risks	Real political and social concerns relating to consumption subsidies in developing G20 countries have stalled progress, especially due to the focus of the G20 working group on consumption, not production subsidies. Any political strategy developed by CSOs would have to systematically address the equity issue, and focus on revealing vested interests. Risks posed in some G20 countries e.g. Saudi Arabia would be too high, so alternative strategies would be required.
Opportunities	There is political momentum behind fossil fuel subsidy phase-out due to the G20 process, but a more vocal, coordinated and politically astute campaign across a number of G20 countries is required to fully catalyse the issue and break the current deadlock. The policy debate on T/A is making ground, but it is the activism and delivering the policy which remain an obstacle.
Stakeholders	Oil Change International, Greenpeace, Friends of the Earth, Global Subsidies Initiative, Pacific Environment, among other groups.
Timescale	Long term: to 2020.
Success indicators	Agreed definition of inefficient fossil fuel subsidies, better quality of data regarding incidence/equity, comprehensive and nimble NGO platform with media prowess.
Opportunities for new technologies	There are many opportunities for new media and online technologies to be developed which could track and monitor progress on the pledges, maintaining a high public profile on the issue.

Recommendation 5. Strengthening the accountability of existing carbon disclosure initiatives

Recommendation

To build on effective tools that have delivered disclosure of carbon liability in order to strengthen their accountability.

Problem

While public climate policies and finance will help create a pathway towards sustainable development, the vast majority of corporate investment continues to invest in a high-carbon pathway, undermining the catalytic potential of public climate policies and flows.

Institutional investors have catalysed disclosure of carbon liability and, using their authority, have created the right incentives for companies to disclose. For example, the Carbon Disclosure Project (CDP) acts on behalf of 534 institutional investors, holding \$64 trillion in assets, and covers 2,500 organisations in 60 countries that measure and disclose their carbon liability to CDP. While disclosure is the first critical step to transforming business practice, this exercise has done little to alter 'business as usual', as these companies are not being held accountable for their practices, which induce high-carbon lock-in.

Current state of play on Initiatives

NGOs have targeted projects in energy companies, and although this has had cumulative effects on the sector, there is no systematic approach to exposing the carbon liability and internalising this within the company. There are various reporting standards available for companies

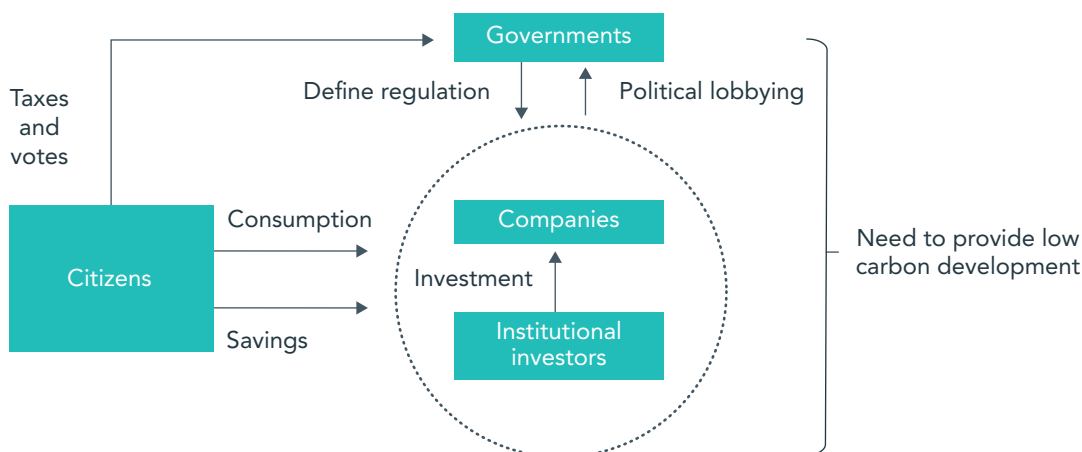
to disclose information, but the CDP is the only initiative that harnesses the authority of institutional investors to incentivise companies to disclose information across different sectors. Other NGOs, such as Fairpensions, have targeted specific companies and institutional investors, and Carbon Tracker seeks to lobby for regulation, ensuring that companies disclose their carbon liability when listing on the London Stock Exchange.

Political analysis

Companies respond to incentives to alter their behaviour from a variety of political, financial and consumer factors. The diagram below illustrates why citizens are key to influencing companies to transform towards a low-carbon future, as citizens as taxpayers, voters, consumers and savers are at the heart of influencing institutional investors and companies to act upon their liability, while campaigning for governments to introduce regulatory measures.

Linkages

This emerging theme links with the Natural Resources group and Budget Report New Frontiers.



Workplan 1. Multi-stakeholder dialogue resulting in action on carbon liability

Goal	Building on existing best practice such as Ceres, INCR, Carbon Tracker and CDP, the aim would be to create a mechanism which enables the appropriate political and financial incentives to encourage companies to seriously take responsibility for, and respond to, their carbon liability based on their annual carbon disclosure reporting.
Risks	The initiative is a medium-risk initiative. There is a serious risk that a slow and burdensome accountability process may disengage companies to act on their carbon disclosure and lead to 'fatigue'. Other risks also include the potential for institutional investors and companies to promote their credentials through participation, but make little effort to genuinely alter investment decisions.
Opportunities	The incentives for carbon disclosure are already in place, and there are various best-practice models available from other issues i.e. natural governance and EITI, which aim to create the right incentives for companies to act responsibly. Finding the right balance of incentives and pressure could lead to responsive institutional investors, government and corporations.
Stakeholders	Ceres, INCR, CDP, IICG, UNEP FI, relevant government actors, interested private sector/ transparency and environment NGOs – WRI, WWF, TI, GW, Carbon Tracker, etc.
Timescale	The initiative would be a medium- to long-term strategy.
Success indicators	Institutional investors alter their investment patterns based on disclosure of carbon liability and companies respond through reducing their GHG consumption levels.
Opportunities for new technologies	There are opportunities for new technologies, through social media and online platforms, to engage various sectors.

About E3G

E3G is an independent, non-profit European organisation operating in the public interest to accelerate the global transition to sustainable development.

E3G builds cross-sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change.

E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere.

More information is available at www.e3g.org

Third Generation
Environmentalism Ltd (E3G)

4th floor, In Tuition House, 210 Borough High Street, London SE1 1JX
Tel: +44 (0)20 7234 9880 Fax: +44 (0)20 7234 0851

www.e3g.org © E3G 2007

