Name: *We Mean Business Coalition*
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Mandate: *https://unfccc.int/documents/630912; https://unfccc.int/documents/630916*

WE MEAN BUSINESS COALITION

UNFCCC Submission to the Global Stocktake Consideration of Outputs
September 2023

Views from Parties and non-Party stakeholders on the elements for the consideration of outputs component taking into account the informal note by the co-chairs available at https://unfccc.int/documents/630104

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This submission complements the previous submissions made by the We Mean Business Coalition in March[1] and August 2022[2].

Please note that the submission contains emerging findings of the We Mean Business Coalition's Corporate Climate Stocktake. Finalized results will be made publicly available from 16 October.

The We Mean Business Coalition works with the world's most influential businesses to take action on climate change. The Coalition is a group of seven non-profit organizations (BSR, CDP, Ceres, CLG Europe, Climate Group, The B Team and WBCSD) and 50+ network partners working together to catalyze business and policy action to halve global emissions by 2030 and accelerate an inclusive transition to a net-zero economy.

The companies we work with support the implementation of the Paris Agreement, recognizing that the achievement of the 1.5°C goal can only be achieved through accelerated implementation and collaboration among stakeholders and a common vision to accelerate climate action.

The We Mean Business Coalition has been a strong supporter of the first Global Stocktake under the UNFCCC as a means of tracking progress achieved towards the objectives of the Paris Agreement and informing greater ambition in future climate commitments and action. The Coalition has been actively engaged with the GST from the outset through submissions and active participation as business representatives in all three technical dialogues.

As found in the recently published UNFCCC Synthesis Report on the Technical Dialogue of the first Global Stocktake, global emissions are not on track to achieve the objectives of the Paris Agreement. Significant more ambition is needed in setting more ambitious targets to realize existing and emerging decarbonization opportunities, with urgent action and support needed to ramp up implementation of domestic mitigation measures by realizing opportunities across all sectors and systems.

The report emphasizes that achieving net zero CO_2 and GHG emissions requires systems transformations across all sectors and contexts, including scaling up renewable energy while phasing

[1] We Mean Business Coalition submission to the Global Stocktake (March 2022) Link.
[2] We Mean Business Coalition submission to the Global Stocktake (August 2022) Link.

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out all unabated fossil fuels, ending deforestation, reducing non-CO_2 emissions and implementing both supply- and demand-side measures.

Our Coalition considers the Global Stocktake, and the relevant decision to be agreed at COP28, as a key opportunity to signal an urgent course correction on the global climate emergency. Although deployment of clean energy has been growing rapidly, overall progress on climate action, and in particular to shift away from fossil fuels production and use, is still far below the levels needed to halve global emissions by 2030 and stay within the 1.5°C objective. This is despite the frequency and seriousness of climate change impacts increasing year on year.

The GST must send a clear signal to all governments on the need to raise their climate ambition and accelerate implementation right away, including by:

- Charting the way to transform the global energy system towards a full phase out of unabated fossil fuels and scale up of clean energy , reinforcing the need for raised ambition in 2030 and 2035 targets that should be reflected in the next round of government commitments (NDCs)
- Strengthened collaboration between Party and Non-Party stakeholders, in particular the private sector.

In that light, we welcome the opportunity to further contribute to the consideration of outputs during the political phase of the first Global Stocktake, following up on our submissions in March and August 2022.

Through this submission we share recommendations for the GST on behalf of major business organizations, including findings from our **Corporate Climate Stocktake** that has run in parallel to the GST. The Corporate Climate Stocktake presents progress made across different sectors and identifies the policy-related barriers that many businesses still face to rapidly decarbonize and meet their climate targets. This analysis provides a necessary status update to understand where business could direct future sectoral investment and innovation. The findings of the Corporate Climate Stocktake are strongly complementary contribution to the Global Stocktake as they represent the voice of business in assessing where key sectors currently are, what progress has been made and the needs of business to accelerate decarbonization in each sector.

The Corporate Climate Stocktake

As nation states are taking stock, so is business. The We Mean Business Coalition (WMBC), the Climate Champions Team and Bain & Company have undertaken a unique evidence-based analysis of business across key industry sectors – power, road transport, concrete and cement, steel, shipping and hydrogen – which collectively account for some two-thirds of global greenhouse gas (GHG) emissions.

The private sector has a fundamental role to play in implementing the solutions that will get the world to net zero. That means it is vital to understand the commitments business has made, their progress so far in cutting emissions, where potential exists to accelerate climate action, and what barriers prevent business from decarbonizing sufficiently quickly to meet international climate goals.

Based on surveys and interviews with more than 250 business leaders and industry experts, and assessment of forward-looking indicators and corporate commitments, the Corporate Climate

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Stocktake (CCST) finds considerable progress and, in some sectors, the beginnings of transformational change on the road to net zero. Despite this, it also finds that the net zero transition is not happening fast enough.

Business leaders around the world are trying to understand what a rapidly changing climate means for their company and industry, and what their role is in tackling the problem. Many are already leading the way in taking action to cut emissions. More than 13,000 companies have committed to cutting their emissions by 2030 through groups like the Science Based Targets initiative and the SME Climate Hub. Corporate procurement of renewable energy is rising faster than ever before.

Signs of progress are everywhere, and in many sectors, geographies and individual companies, transformational change has been delivered since 2015. Among other findings:

- Latin American countries are scaling renewable energy fast enough to achieve their 2030 targets, while already reducing fossil fuel consumption in 2022.
- Within the next five years, electric vehicles' range capacity will reach levels that 97% consumers would find satisfactory.
- Improvements in battery technology mean electric freight vehicle models show a path to total cost-of-operation (TCO) parity with internal combustion engine trucks within the next decade.
- 75% of European and North American business leaders in the steel sector believe their companies can completely shift away from blast furnace production (the most carbon-intensive form of production) by 2050.

But it isn't nearly enough. Global energy-related CO_2 emissions are still growing, driven primarily by the burning of fossil fuels. Despite the numerous success stories, we are not getting fossil fuels out of the economy at the pace science says is required. Just some examples of the challenges remaining:

- Much of the world's coal fleet is young. For example, 37% of Chinese, Indian, and Southeast Asian coal plants are less than 10 years old, and 240 GW of proposed coal plant capacity additions are planned. To keep global heating below 1.5°C, these planned plants must be halted, and recently built plants retired before 2040.
- More than 70% of global steel is produced using high-emission basic oxygen furnaces, with over 50% of global production located in China. India – the world's second largest producer of steel – is building more blast furnace capacity, with the aim to become a net steel exporter.
- Fleet operators world-wide have not generated enough demand for EV trucks to sufficiently push prices down, and the infrastructure for maintaining and operating EV trucks is not yet in place.

By identifying and articulating the barriers that are holding business back, the stocktake can help governments and international institutions unleash the potential of business to deliver through stronger and well-designed policy. Full findings and analysis of each sector, and the underlying datasets will be released in October 2023. However, emerging findings point to a number of cross-sectoral learning relevant to the outcome of the GST. Fundamentally, achieving the scale and focus for investing in the transition requires addressing a series of complex international coordination challenges. It requires:

(i) A focus on accelerating demand for clean solutions sector-by-sector

- **Sectoral approaches cannot be a secondary consideration in the international climate process.** Businesses, investors, NGOs, and governments need to work together intensively, sector by sector, to define rapid and realistic decarbonization pathways that leverage demand signals. This also implies genuine whole-of-government approaches to climate, with different ministries becoming involved in climate change negotiations. These sector approaches need to be firmly anchored in national commitments.
- **Governments need to implement strong, sector-specific strategies to create demand for zero carbon solutions.** We know what's needed to accelerate the clean energy revolution – we now need to replicate this across geographies through sector-specific strategies in which governments:
  (1) go beyond target setting to implement economy-wide measures, such as introducing robust carbon pricing policies as part of a broader suite of policy approaches spanning industrial and fiscal policy levers; and
  (2) directly support the development and deployment of clean technologies.

(ii) Systematic, sector collaboration between business and government to overcome transition barriers

- The building blocks of collaborative approaches exist within several of the major demand sectors that currently rely on fossil fuels. In some sectors, business is organizing to overcome the barriers to decarbonization – infrastructure, access to inputs, commercialization, regulation, and technology, among others. For the transition to happen at the scale and pace required, both public and private sectors need to invest in the transition. This requires much more systematic collaboration between business and government. Where this is happening, through different forms of the WMBC "Ambition Loop" in practice, the transition is gathering pace.
- But more is needed. The process of understanding where technology development is headed, identifying the barriers, and setting out what will enable business to direct capital flows where it is most needed, is necessary to rapidly drive adoption of clean technologies.

(iii) Strategic, aligned public-private interventions

- International cooperation is essential, including through the UNFCCC, but faster progress requires innovation in the way countries and business work together. For example, in some globally integrated industries, technology options for decarbonization exist, but international competition is slowing adoption. Business and governments may understand what policy and investment decisions are needed, but they often face difficult choices: either risking the loss of industry or facing a rising tax burden from industrial subsidies. The result in these cases is stubborn investment patterns; technology is not getting cheaper, and demand for low-carbon choices is increasing at a slow rate.
- Transition will only happen at the pace the world needs with effective international co-ordination. When learning is shared, and when actions are coordinated to accelerate innovation and the diffusion of technologies through global markets, industries can move rapidly.

Governments need to come together to support industry in making this transition – to play the coordinating role that only governments can.

- This requires a major leap forward in global energy governance. The system of national goals negotiated through the UNFCCC is the foundation of our collective response to climate change. But this foundation is insufficient. An effective sectoral framework must tackle this underlying international coordination problem in the hardest-to-abate sectors. Creating the right incentives means working in smaller groups, in tightly defined sectors, and across industry and government boundaries. We need to think creatively about *how* we create change.

Recommendations for the Global Stocktake decision at COP28

The We Mean Business Coalition calls for an outcome from the political phase of the Global Stocktake at COP28 that is forward-looking, signals the course correction needed to bring the global economy on track to the 1.5°C trajectory, and helps to set the framework for new ways that governments and business can to work together to overcome barriers holding back progress. The UNFCCC GST Synthesis Report states that there are now sufficient cost-effective opportunities to address the 2030 emissions gap, and if fully implemented and supported, realizing such opportunities can raise ambition to substantially reduce net GHG emissions by 2030.

We call on Parties to the UNFCCC to adopt a Global Stocktake outcome that:

- **Reaffirms the unwavering determination of governments to uphold their commitment to keep global temperature rise to 1.5°C and deliver an urgent course correction on the global climate crisis.** The IPCC 6th Assessment Report emphasizes the importance of urgently reducing fossil fuel production and consumption in this decade to have the best chance of staying within the 1.5°C limit. Now is the time for all countries to commit to the 1.5°C trajectory, translate global goals to policies and deliver climate action in this critical decade.

- **Instructs governments to put forward strengthened, high quality updated Nationally Determined Contributions (NDCs) in line with a 1.5°C trajectory, as soon as possible and by 2025 at the latest. These should include revised 2030 targets as well as 2035 targets, to ensure near-term action is on track for 1.5°C.** Accelerating action towards 1.5°C will help drive sustainable economic growth, build resilience and solidarity, and create new jobs as part of a just and inclusive transition. To achieve this, governments must work with business to develop more ambitious NDCs and implementation plans and policies that drive systems transformation.

- **Supports transformation of the global energy system towards a full phase out of unabated fossil fuels and halving emissions this decade,** supported by goals of by tripling renewable electricity capacity to at least 11,000 GW by 2030 and doubling the rate of improvement of energy efficiency.

- **Recognizes the crucial importance of business, governments and finance actors working together to deliver increased ambition in climate commitments and action.** As referenced in the UNFCCC GST Synthesis Report, Parties should encourage non-Party stakeholders to ensure transparency of climate action and risks through mechanisms such as disclosure, science-based targets and transition plans, in line with the UN HLEG recommendations. This will aid in bringing forward more examples of the "ambition loop" in action – a positive feedback loop in which bold government policies and private sector leadership reinforce each other, and together take climate action to the next level.

- **Calls on governments to create demand for zero carbon solutions by implementing strong, sector-specific strategies which are embedded within a country's NDC target structure.** The UNFCCC GST Synthesis Report in fact highlights several examples of good practices by Parties in NDC preparation, including the mainstreaming of NDC targets in existing strategies, communicating quantitative mitigation targets, and providing detailed information on key domestic mitigation measures to achieve such targets.

- **Leverages further climate action by setting the framework for new sector-based public-private strategic partnerships and interventions.** These will see businesses, investors, and governments working intensively across sectors to define rapid and realistic decarbonization pathways, including drawing on the findings of the We Mean Business Coalition's Corporate Climate Stocktake.