INTEGRITY MATTERS:

The Hard Work is Now

CHARTING GLOBAL PROGRESS TOWARDS HIGH-INTEGRITY NET ZERO COMMITMENTS BY BUSINESS, FINANCIAL INSTITUTIONS, CITIES AND REGIONS

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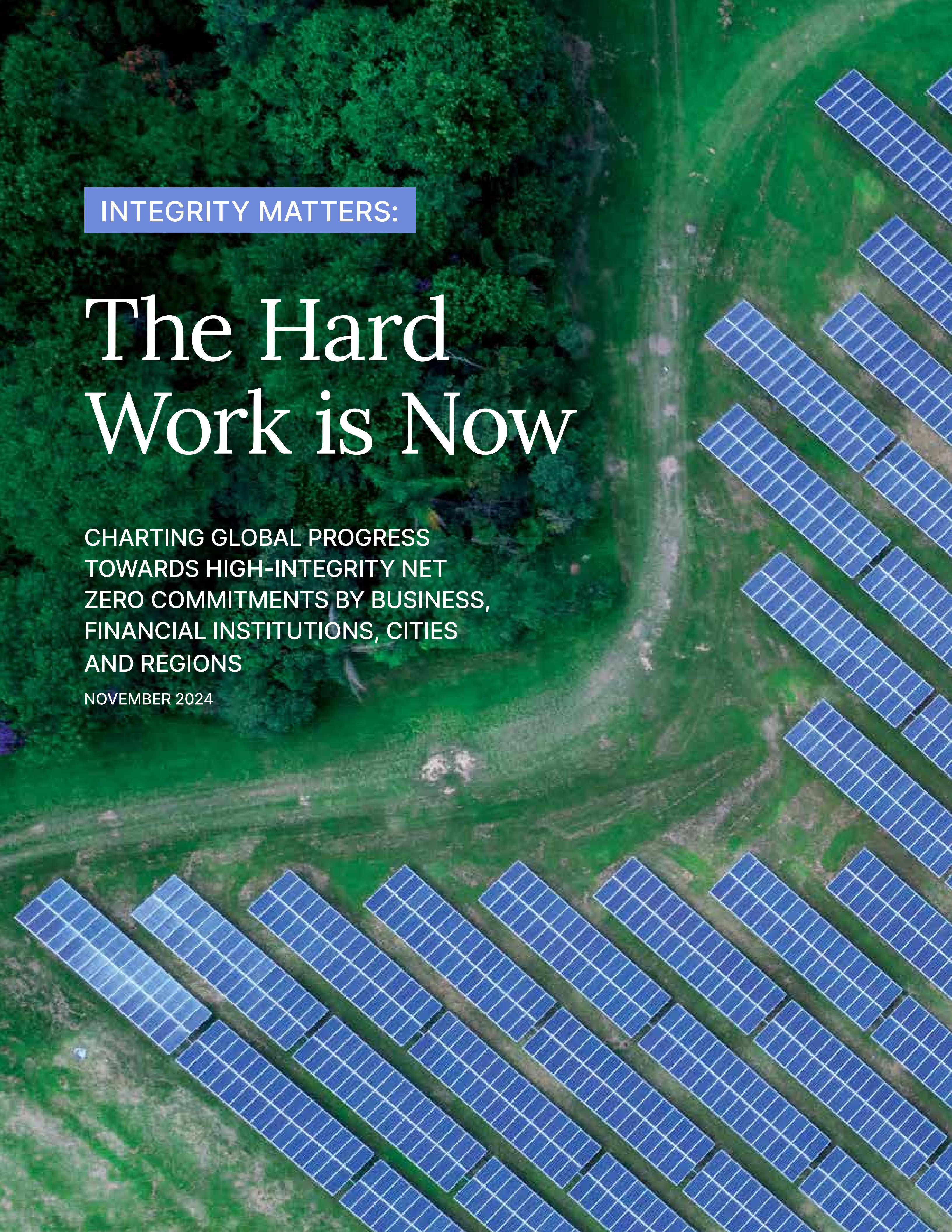

“We’re playing with fire, but there can be no more playing for time. We’re out of time. Closing the emissions gap means closing the ambition gap, the implementation gap, and the finance gap. Starting at COP29.”

António Guterres
United Nations Secretary General

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Chair, High-level Expert Group on the Net Zero Emissions Commitments of Non-State Entities

In 2022, I was asked by the UN Secretary General to chair the United Nations' High Level Expert Group on the Net Zero Emissions Commitments of Non-State Actors. The Expert Group issued the landmark "Integrity Matters" report at COP 27 in Egypt. It established clear criteria and standards for net zero commitments by businesses, financial institutions, cities and regions.

The report drew a redline around greenwashing.

As the report made clear: "Non-state actors play a critical role in getting the world to net zero CO2 emissions no later than 2050. They will either help scale the ambition and action we need to ensure a sustainable planet or they strongly increase the likelihood of failure. The planet cannot afford delays, excuses, or more greenwashing."

This follow-up report to the UN Secretary General charts the global progress towards making voluntary net-zero commitments credible and aligned with the 1.5°C goal. It builds on the criteria and standards we established in 'Integrity Matters,' and underscores the urgency—and responsibility—of ensuring every pledge is more than just words.

The window to limit warming to 1.5°C is very narrow.

The United Nations Environment Program's 2024 Emissions Gap Report shows that we are on a track for a temperature rise of 3.1C with business as usual; 2.6C if governments do what they have committed to. And the report card for nature is equally bleak: the World Wildlife Fund's 2024 Living Planet Report details an average 73% decline in wildlife populations.

Governments - working with business, investors, cities and regions - must act decisively during the next five years so that our long-term goal of limiting warming to 1.5°C remains alive. Every fraction of a degree matters and every tonne of CO2 reduced makes a difference. We must do the hard work now, or we will all face the consequences tomorrow.

The leaders highlighted in this report show it can be done. It's no longer credible to claim that moving faster on the climate crisis is too difficult or expensive. However, to meet the Paris Agreement goals, we need a much broader range of companies, investors, cities, and regions to build on these examples and scale solutions more quickly.

Some examples of net zero leadership include:

• The Net Zero Asset Owner Alliance's 4th Progress Report shows that its members are making tangible progress in reducing the carbon emissions from all portfolios, an average 6% fall in absolute annual financed greenhouse gas emissions – all while the portfolios continue to grow.

• Cities, states and regions are seeing the economic opportunity of the energy transition up close and are moving to capture it. Nearly 100 of the world's leading cities have developed a climate action plan compatible with the goals of the Paris Agreement in alignment with C40's Cities Climate Transition Framework. And in September a bipartisan group of 24 U.S. governors representing approximately 60 percent of the U.S. economy committed to training one million new apprentices in clean energy fields across their states and territories.

• Many large companies around the world are already preparing to respond to mandatory climate disclosure regulations in major jurisdictions: the EU's Corporate Sustainability Reporting Directive (CSRD) will capture approximately 50,000 companies while California's recent disclosure rules will affect approximately 75% of Fortune 1000 companies.

However, according to Net Zero Tracker, while 1,145 of the largest 2,000 public listed companies in the world have voluntary net zero commitments – an increase of 23% since June 2023, with a marked increase in Asia – only a small fraction of those targets and plans are aligned with the criteria set out in Integrity Matters.

Gaps in voluntary net zero commitments include the phase out fossil fuels which must underpin all transition plans, along with increased support for doubling energy efficiency and tripling renewables. Other major gaps include a lack of demonstrated alignment with investment plans, integration of nature and just transition commitments, and requirements for independent auditing, verification and assurance.

Clearly, voluntary efforts are not sufficient for the scale and pace of change we need to see. The business community is divided among those who are embracing the energy transition and unlocking prosperity, those sitting on the sidelines, and those fighting progress tooth and nail – especially the fossil fuel industry and those funding its unsustainable expansion.

Economy-wide transitions require strong long-term public policy alongside business innovation and investment. A recent World Business Council on Sustainable Development report on leading companies shows that 90% percent of businesses say they are prepared to invest more if governments implement policies to address sector barriers. Standard setters and regulators must move to adopt frameworks and policies that require non-state actors to deliver 1.5C-aligned, high-integrity transition plans. The governments that do this will help to ensure that their own economies and people thrive in an energy transition that's already underway.

2025 is a pivotal year for climate action, marking a successful decade of multilateral cooperation under the Paris Agreement. It's the year when national governments must reinforce their own commitments, establishing clear pathways to limit global temperature rise to 1.5°C in their updated Nationally Determined Contributions (NDCs).

The UN Secretary General has also called on non-state actors to present robust transition plans by COP 30, in line with the criteria set out in "Integrity Matters".

Ratcheting up global ambition will not be easy — especially in the midst of new and ongoing geopolitical tensions. This is why we need everyone who cares about tackling the climate crisis and limiting warming to 1.5°C to loudly call for action in their own countries.

We know that a global majority wants stronger climate action. This was demonstrated by UNEP's Peoples' Climate Vote 2024, which found that more than 80 percent of people understand that we are in a climate crisis and expect their governments to take stronger action. They are waiting to see their countries step up, set aside their differences, and work with businesses, financial institutions, cities and regions, to ensure a sustainable and liveable future for all.

The hard work is now.

The Honourable
Catherine McKenna

Chair, High-level Expert Group on the Net Zero Emissions Commitments of Non-State Entities

Ms.McKenna is Canada's former Minister of Environment and Climate Change from 2015 to 2019 and Minister of Infrastructure and Communities from 2019 to 2021. Ms.McKenna is a founder and principal of Climate and Nature Solutions and of Women Leading on Climate launched at COP26 in Glasgow.

Construction of a solar park for renewable power generation, Germany

Credit: Markus Spiske/Unsplash+

Introduction

The High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities (HLEG) was established by United Nations Secretary-General António Guterres on 31st March 2022 to provide a roadmap to prevent net zero from being undermined by false claims, ambiguity and "greenwash".[1]

Expert Group members were chosen by the Secretary General based on their personal expertise and experience relevant to the task while ensuring gender, geographic and thematic balance. Members were asked to provide their best advice serving in their individual capacity, not as part of the institutions or organisations they represent.

In seven months, they held 40 regional and thematic consultations, with the participation of more than 500 organisations across the world. The group convened a wide range of stakeholders, including through a Business and Finance Roundtable and two Global Public Sessions, co-convened with the UN Foundation. The Expert Group also received close to 300 written submissions from interested organisations, initiatives and individuals. For more details about the mandate, process and consultations, see the Annexes.

The Expert Group submitted their recommendations to the Secretary-General ahead of the UN Climate Conference (COP27) in Sharm el-Sheikh, Egypt. Built on existing science and best-in-class voluntary efforts, the **Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions report** sets out five principles — the bright stars that should guide the setting and attaining of net zero targets – and ten recommendations providing more detail about what non-state actors need to consider through each stage of their progress towards being net zero aligned.[2]

The Five Principles

1. Ambition which delivers significant near— and medium —term emissions reductions on a path to global net zero carbon dioxide emissions by 2050 and net zero greenhouse gas emissions soon after
2. Demonstrated integrity by aligning commitments with actions and investments
3. Radical transparency in sharing relevant, non-competitive, comparable data on plans and progress
4. Established credibility through plans based in science and third-party accountability
5. Demonstrable commitment to both equity and justice in all actions

The Ten Recommendations

1. Announcing a Net Zero Pledge
2. Setting Net Zero Targets
3. Using Voluntary Credits
4. Creating a Transition Plan
5. Phasing out of Fossil Fuels and Scaling Up Renewable Energy
6. Aligning Lobbying and Advocacy
7. People and Nature in the Just Transition
8. Increasing Transparency and Accountability
9. Investing in Just Transitions
10. Accelerating the Road to Regulation

In 2024, the UN Secretary General asked me to review progress towards these ten recommendations, providing data where available. **"Integrity Matters: The Hard Work Is Now"** is that assessment and it's a story of imperfect progress.

Increased action by leaders is underway within each of the 10 recommendations but the need to scale those high-integrity examples is urgent.

In some areas, the stage is set for massive acceleration:

- Two years later, voluntary commitments are more widespread, and transition plans are becoming more mainstream, but only a fraction of existing pledges, targets and transition plans are 1.5°C aligned. Updates to net zero standard setters planned for 2025 must increase convergence around high-integrity targets, plans and disclosure guidelines, paving the way for governments to mandate the adoption and disclosure of Paris Agreement compatible climate transition plans. High-integrity plans drive action.

- While transparency and accountability will ultimately come from government regulation, work is steadily progressing to improve, align and publish high-quality, comparable climate-transition data that is free and accessible to all. In the interim, investor and civil society benchmarking efforts are shining light into more corners.

In other areas we are lagging badly:

- Plans to phase out of fossil fuels must underpin all climate action plans, along with firm targets to double energy efficiency and triple renewables by 2030. And support for a just transition across non-state actor plans, and within the international finance community must ramp up immediately.

- Relatedly, stronger advocacy efforts at the national and regional levels are needed to counter lobbying efforts by the fossil fuel industry and others to slow climate action.

Across all of the 10 recommendations, an uneven regulatory landscape underpins the slow rate of change. Building stronger mechanisms for cooperation between non-state actors and national governments supported by high-integrity standards, better data and clearly articulated financial needs and strategies will help shape new climate commitments in 2025.

The hard work is now. And we must find ways to do it together.

Acknowledgments

My sincere thanks to the Climate and Nature Solutions team, the Oxford Net Zero Engagement Team and the Net Zero Tracker for their special contributions to this report.

I'd also like to thank a number of partners for their assistance, including the Global Covenant of Mayors, the Glasgow Financial Alliance for Net Zero, the Net Zero Asset Owners Alliance, InfluenceMap, The European Climate Foundation, the Taskforce on Net Zero Policy, UNEP FI, the London School of Economics' Just Transition Finance Lab, the Green Climate Fund and various members of the High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities.

A special shout-out to Helena Viñes Fiestas, Chair of the Taskforce on Net Zero Policy for her visionary leadership and dedication to the launch the Taskforce, and to the entire the team at the PRI Secretariat for so ably helping to make it a reality over the last year.

Finally, this report recognises that capacities and needs differ widely within and between non-state actors. While the focus of the review is on large corporations, financial institutions, and cities and regions, smaller non-state actors also play an important role and need support and capacity building assistance.

Recommendations 1 2 4

Announcing a Net Zero Pledge, Setting Net Zero Targets, and Creating a Transition Plan

Integrity Matters Main Recommendation

A net zero pledge should be made publicly by the leadership of the non-state actor and represent a fair share of the needed global climate mitigation effort. The pledge should contain interim targets (including targets for 2025, 2030 and 2035) and plans to reach net zero in line with IPCC or IEA net zero greenhouse gas emissions modelled pathways that limit warming to 1.5°C with no or limited overshoot, and with global emissions declining by 50% by 2030, reaching net zero CO2 emissions by 2050 and net zero greenhouse gas emissions soon after. Net zero must be sustained thereafter.

Non-state actors must have short-, medium- and long-term absolute emissions reduction targets and, where appropriate, relative emissions reduction targets across their value chain that are at least consistent with the latest IPCC net zero greenhouse gas emissions modelled pathways that limit warming to 1.5°C with no or limited overshoot, and where global emissions decline at least 50% below 2020 levels by 2030, reaching net zero CO_2 emissions by 2050, followed by net zero greenhouse gas emissions soon after.

Non-state actors must publicly disclose comprehensive and actionable net zero transition plans which indicate actions that will be undertaken to meet all targets, as well as align governance and incentive structures, capital expenditures, research and development, skills and human resource development, and public advocacy, while also supporting a just transition. Transition plans should be updated every five years and progress should be reported annually.

Voluntary commitments are more widespread, and transition plans are becoming more mainstream.

Net Zero Tracker data shows that since 2023, voluntary net zero target-setting has increased by:

- 28% among states and regions in the largest 25-emitting countries in the world;
- 8% in cities with populations of more than 500,000;
- 23% of publicly listed companies they track from the Forbes Global 2000 (a jump from to 929 to 1,145).[3]

Geographic spread has increased as well: there has been a significant rise in net zero target-setting among companies based in Asia.[4] This increase in pledges sends an important demand signal for governments ahead of 2025 revisions of Nationally Determined Contributions (NDCs) despite some high-profile examples of backtracking over the same period.

The 2024 Transition Pathways Initiative's (TPI) State of Transition report finds by region, European, Australia-New Zealand and Japanese companies' climate targets have the highest alignment with 1.5°C or below 2°C in 2050, at 66%, 64% and 56%, respectively. Momentum in Asia is welcome as in China, 82% of companies are either not aligned or lack suitable disclosure of relevant information; while for those headquartered in other Asian countries this figure is 70%.[5]

Importantly, uptake is also increasing in the number of transition plans being produced: out of the 23,000 companies that submit plans to CDP, there has been a 44% increase since 2022, with 1 in 4 reporting having a climate transition plan in place, and a further 8,600 planning to have one within two years.[6]

Of the 700+ financial institutions that have committed to achieving net zero as part of the GFANZ sub sector alliances, two-thirds have plans covering the GFANZ framework for transition plans.

Only a fraction of existing pledges, targets and transition plans are 1.5°C aligned – and privately-held companies are lagging behind their publicly-listed peers.

The TPI State of Transition report shows the credibility of long-term climate ambitions is often unclear, with many companies lacking intermediate targets and clear quantifications of the key elements of their climate strategies. The Net Zero Tracker's 2024 Stocktake shows that only 5% or fewer of the 2,000 largest publicly-traded companies in the world meet all the basic criteria of the Integrity Matters report.[7] The main gaps were not procedural but substantive, like reporting only CO2 emissions instead of all greenhouse gases or covering only parts of the value chain (e.g. addressing Scopes 1 and 2, but not Scope 3 emissions).

CDP numbers show that in 2023, just 2% of companies that report having a transition plan were currently disclosing to all 21 CDP indicators to track credibility largely aligned with HLEG criteria – key barriers include complete strategy, target setting and financial planning.[8]

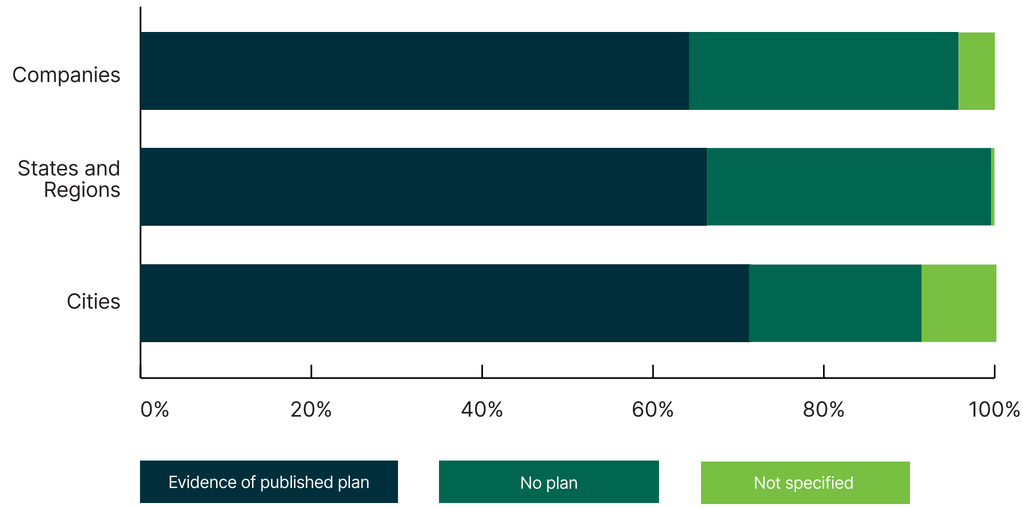
Privately-held companies continue to trail behind their publicly-listed peers by around half on net zero target-setting and on the integrity of their strategies to achieve these targets.[9]

Despite the TPI report's findings that the regulatory environment in host countries is likely to influence how well companies manage climate-related risks and opportunities, the Task Force on Net Zero Policy data shows that climate target setting provisions diverge across G20 countries in terms of requiring a target or disclosure – and not all policies explicitly mention the 1.5°C limit.

Unsurprisingly, we haven't been seeing emissions drop fast enough: the Climate Action 100+ 2024 Benchmark shows that while most of the 168 'systemically important emitters' they assess have reduced their emissions intensity over the past three years, fewer are reducing emissions at the pace necessary to achieve a 1.5°C aligned pathway or revealing how they will align their business practices to achieve their net zero commitments.[10]

Publication of plans to meet net zero targets

A growing proportion of entities are publishing implementation plans to reach their net zero goals. Still, a concerning percentage — for example, almost one in three companies — are yet to publish plans to meet their targets.



Data: Net Zero Tracker

All large companies, investors, cities, regions – as well as G20 countries – must implement 1.5°C aligned targets and transition plans in 2025. To support this, standard setters must align corporate guidance with 1.5°C.

Convergence around "good net zero" has increased since 2022 across the governance landscape and major bodies continue to mature and solicit feedback on areas where more detail is needed to reduce ambiguity and increase rigour.[11] Updates are ongoing to the GHG Protocol, SBTi's Corporate Net Zero Standard[12], and the conversion of the ISO Net Zero Guidelines into an independently verifiable international standard. These efforts should move rapidly to set guidelines for 1.5°C alignment in targets and transition plans that will drive action at a scale, including:

- demonstrated financial and capex alignment;
- Support for renewables and plans to move away from fossil fuels in line with HLEG recommendations and COP28 calls to action;
- Better integration of nature and just transition elements;
- Requirement for independent auditing, verification and assurance.

The ISSB should develop formal application guidance for the disclosure of company transition plans.

Regional governments should improve vertical alignment with national goals on short and long-term target setting, including policies that support net zero implementation. The upcoming IPCC Special Report on Cities and Climate Change will help by identifying the pathways required to achieve progress.

High integrity guidance for cities, states and regions has increased since the launch of the *Integrity Matters for Cities, States and Regions* report. Updated guidance on target-setting is underway and C40 has published an updated Cities Climate Transition Framework as a mandatory membership requirement.[13]

Among the G20 countries, only the European Union has a mandatory requirement for corporates to both adopt and disclose Paris Agreement compatible climate transition plans: an estimated 50,000 publicly-listed companies with substantial business in the EU will be obliged to report their transition plans by 2027/2028. To ensure a level playing field, others need to follow suit, mandating the development of high integrity targets and transition plans by large companies and financial institutions.

Recommendation 3

Using Voluntary Credits

Integrity Matters Main Recommendation

Non-state actors must prioritise urgent and deep reduction of emissions across their value chain. High integrity carbon credits in voluntary markets should be used for beyond value chain mitigation but cannot be counted toward a non-state actor's interim emissions reductions required by its net zero pathway.

High-integrity carbon credits are one mechanism to facilitate much-needed financial support towards decarbonizing developing country economies. As best-practice guidelines develop, non-state actors meeting their interim targets on their net zero pathway are strongly encouraged to balance out the rest of their annual unabated emissions by purchasing high-integrity carbon credits.

A high-quality carbon credit should, at a minimum, fit the criteria of additionality (i.e. the mitigation activity would not have happened without the incentive created by the carbon credit revenues) and permanence.

Amidst widespread scrutiny of carbon credits in voluntary markets over the past few years, many global initiatives to improve integrity are ongoing.

The Integrity Council for the Voluntary Carbon Market published a set of Core Carbon Principles and a related assessment framework to create a single standard that acts as an indicator of high-quality credits and have started releasing the results of assessments of certain credit categories.[14]

The International Organisation of Securities Commissions (IOSCO) is coming out with principles focused on establishing clear regulatory guidance and transparency and the US Commodity Futures Trading Commission (CFTC) issued guidance, which includes enforcement action.[15]

As part of its Net Zero Standard review in 2024, the Science Based Targets Initiative released two reports in February to advise companies on the design and implementation of high-integrity and high-impact Beyond Value Chain Mitigation (BVCM) strategies[16] and to provide policy insights on reforming the broader corporate ecosystem to incentivise private-sector BVCM.[17] More recently it has outlined potential uses for carbon credits and called for more research after a review of evidence found that many credits are largely ineffective.[18]

The Voluntary Carbon Market Integrity Initiative (VCMI) released a claims code which establishes three tiers for companies to use beyond value chain credits.[19]

Within this landscape, some governments are also stepping in to bring more transparency and accountability.

The proposed EU Green Claims Directive requires companies to substantiate voluntary green claims to prevent false or misleading advertising from hindering the green transition and is working to establish a dedicated Carbon Removal Certification Framework. And in California, the Voluntary Carbon Market Disclosure Act (which came into effect on January 1, 2024) stipulates disclosure of voluntary carbon credits when making climate-related claims.

NSAs are also setting norms within their industries: Members of the Net Zero Asset Owners Alliance, controlling $11 trillion in assets[20], voluntarily decided to refrain from using any credits towards their net zero targets before 2030 to prioritise urgent and deep reduction of emissions across their value chain[21], while encouraging beyond value chain contributions to a liquid and well-regulated market for carbon removals.

Integrity Matters for Cities, States and Regions states that Cities, states, and regions must prioritize urgent and deep reduction of emissions across their administrative boundary, including sinks and removals.

The Good con't

Specifically, they cannot use credits to demonstrate progress toward their emissions reduction targets and pathways. If they choose to purchase credits, they must:

- Choose credits associated with a credibly governed standard-setting body that has the highest environmental integrity, with attention to positive social and economic outcomes where the projects or jurisdictional programmes are located;
- Transparently report all transactions, and ensure that associated claims are easily understandable, consistent and verified; and
- Transparently report whether or not the mitigation associated with a carbon credit could be counted towards a country's nationally determined contribution (NDC) under the Paris Agreement.

The Gaps

Too many companies are using credits towards their target rather than prioritizing urgent and deep reductions of emissions across their value chain. Further, policies are not in place to ensure the additionality and permanence of carbon credit projects.

Transparency remains an issue. While most companies now disclose if they are using credits towards their targets, less than half the market reveals the names (and/or unique IDs) of the projects that have generated the carbon credits they are using.[22][23]

The Taskforce on Net Zero Policy found few examples of policies that would limit the use of carbon credits or ensure the environmental additionality and permanence of emission reductions, indicating a material gap in net-zero policy setting.

What's Needed Now

Companies, investors, cities and regions need to prioritize their own emissions and disclose their use of credits more transparently to ensure integrity.

Non-state actors must prioritize urgent and deep reductions of emmissions across their value chains, using credits for beyond value chain mitigation.

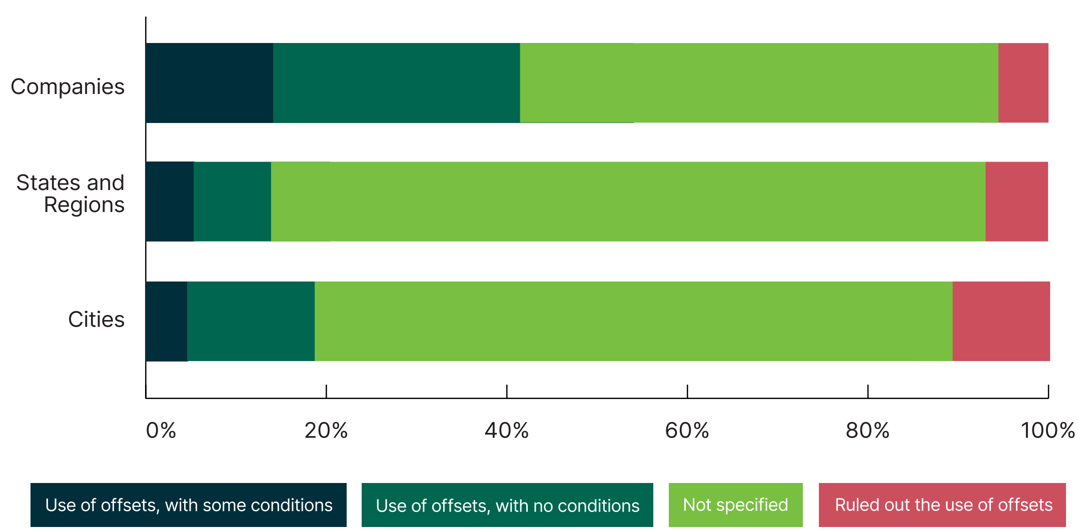
Governments should mandate more transparency in carbon credit reporting, including the highest-integrity principles in their carbon market policies and when engaging in Article 6 cooperation to ensure alignment and continuous improvement in the market.

Core Carbon Principles

The launch of the Core Carbon Principles by the Integrity Council for the Voluntary Carbon Market (ICVCM) in June 2023 has prompted real world alignment. These supply side principles were mirrored in the Biden-Harris Administration announcement of high-integrity principles for the VCM in May 2024.

Use of carbon credits (offsets) to meet net zero targets

Only one in 20 companies rule out the use of carbon credits to meet their net zero targets. The vast majority of entities are opaque about their intentions around carbon credits (offsets). Those that do intend to use carbon credits often do not specify any conditions on their use, such as a 'maximum permitted percentage' or 'only using credits of high environmental integrity'.



Data: Net Zero Tracker

Recommendation 5

Scaling Up Renewable Energy and Phasing Out of Fossil Fuels

Integrity Matters Main Recommendation

All net zero pledges should include specific targets aimed at ending the use of and/or support for fossil fuels in line with IPCC and IEA net zero greenhouse gas emissions modelled pathways that limit warming to 1.5°C with no or limited overshoot, with global emissions declining by at least 50% by 2030, reaching net zero CO2 emissions by 2050, followed by net zero greenhouse gas emissions soon after.

The transition away from fossil fuels must be just for affected communities, workers and all consumers to ensure access to energy, and avoid transference of fossil fuel assets to new owners.

The transition away from fossil fuels must be matched by a fully funded transition toward renewable energy.

The Good

Renewable energy has accelerated rapidly in recent years. And for the first time, COP28 called on countries to triple renewables and double efficiency by 2030, and to transition away from fossil fuels.

According to IEA data, global renewable capacity is expected to grow by 2.7 times by 2030, surpassing countries' current ambitions by nearly 25%, although it still falls short of tripling.[24]

Cleantech costs are falling by around 20% for every doubling in deployment, drastically increasing the affordability of renewables and setting the stage for national plans to become much more ambitious, focusing on planning and permitting, grid build outs, and supply bottlenecks.[25]

Corporate coal phase-outs show signs of progress: 56% (145 of 259) of publicly listed companies that engage in (or facilitate) coal production have made a full or partial phase-out pledge for coal[26]

- Several G20 countries have adopted flagship end dates for existing coal power (achieved by the UK in 2024), new coal power (Korea) or oil and gas exploration and production (France).

International campaigns like the Powering Past Coal Alliance, the Beyond Oil and Gas Alliance (BOGA) and the Fossil Fuel Non-Proliferation Treaty are growing in strength and membership. BOGA launched its just transition fund at COP28, and is now supporting Kenya and Colombia in their transition plans membership.[27]

The Gaps

The majority of companies, investors, states and cities have not yet committed to transition away from fossil fuels on a timescale consistent with the Paris Agreement's temperature goals.

Fossil fuel companies must get real about the energy transition:

- According to the 2024 Carbon Majors report, since the Paris Agreement was signed in 2015, a small number of fossil fuel entities — just 57 corporate and state producers — have been responsible for 80 percent of emissions.[28] A majority of those actors expanded production during that time.
- The fossil fuel industry is not engaging in the transition: despite average revenues of USD 3.5 trillion since 2018, the IEA reports that in 2023, the oil and gas industry's capital spending on low-emissions alternatives such as clean electricity, clean fuels and carbon capture technologies was less than 5% of its upstream spending. This adds up to only 1% of total clean energy investment globally.[29 30]
- Only 3% of companies actively involved in oil or gas production have a full production phase-out pledge.[31]
- Despite new private sector pledges, new money and new corporate charters since 2022, the 75% cut in fossil fuel methane emissions needed by 2030 to limit warming to 1.5°C has yet to materialize at scale, even though tackling methane leaks can be done very cost-effectively.[32]

The world's 60 largest private banks financed fossil fuels with $6.9 trillion in the seven years since the Paris Agreement was adopted. Nearly half – $3.3 trillion – went towards fossil fuel expansion, despite the acknowledgement from the International Energy Agency that there was no room for new fossil fuels if we are to achieve net zero by 2050.[33] In the meantime, significant amounts of finance needs to flow to support the phase out of coal-fired power stations, especially in emerging markets.

While national net zero targets cover 88% of global GHG emissions, only 7% of those emissions are covered by at least one full or partial phase-out commitment relating to exploration, production or use of coal, oil or gas.[34] And the IMF calculates that fossil fuel subsidies totalled $7 trillion in 2022.[35]

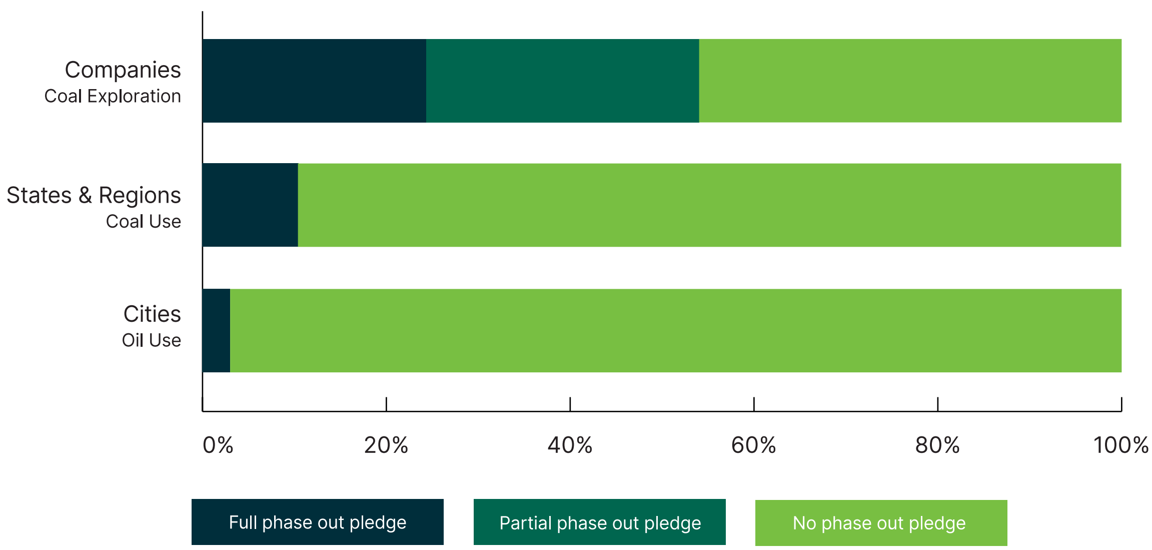
Phasing out of fossil fuels must underpin all climate plans, along with increased support for doubling energy efficiency and tripling renewables.

To accelerate this transition, non-state actors should set specific targets and detailed plans to align with 1.5C goals, including:

- Specific, measurable renewable energy capacity targets for 2030 and 2035, alongside robust implementation frameworks.[36]
- Commitments to no new coal, oil, and gas exploration licences, as well as target dates for winding down production. To be credible, these targets should have plans to ease the transition for affected workers and communities.
- National governments are not providing leadership either: current national plans and targets are set to deliver only half of the required growth in renewable power by 2030.[37] Countries should include these elements above in their NDCs as well as clear and ambitious target years to eliminate fossil fuel subsidies with national roadmaps that guide implementation. Countries should also produce science-based sustainable finance taxonomies.

Status of fossil fuel phase out commitments in net zero targets

Despite rapid and wide uptake of net zero targets, the majority of countries, states and regions, cities and companies have not yet committed to end fossil fuel exploration, production, and use on a timescale consistent with the Paris Agreement's temperature goals.



Data: Net Zero Tracker

Recommendation 6

Aligning Lobbying and Advocacy

Integrity Matters Main Recommendation

Non-state actors must align their external policy and engagement efforts, including membership in trade associations, to the goal of reducing global emissions by at least 50% by 2030 and reaching net zero CO_2 emissions by 2050, followed by net zero greenhouse gas emissions soon after.

This means lobbying for positive climate action and not lobbying against it.

The Good

In terms of aligning lobbying and advocacy with 1.5°C, there are more examples of positive corporate action while industrial policy coalitions and global campaigns are bringing clarity to the policies needed for ambitious action by corporates.

This year's Global Leaders report from InfluenceMap ranks companies in the Forbes 2000 list against three broad categories: Science-Aligned Advocacy, Strategic Engagement, and Addressing Indirect Influence. In 2024, 41 companies met the criteria for leadership status, up from 27 in 2023, although tackling indirect influence such as through industry association membership remained elusive.[38]

Since 2022, NSAs can increasingly turn to best practice guidance like the Global Standard on Responsible Climate Lobbying launched by a wide coalition of investors in 2022, the We Mean Business Coalition's Framework for Responsible Policy Engagement[40] and Exponential Roadmap Initiative's Business Associations Climate Action Guide.[41]

Race to Zero also provides professional services firms with guidance for how to work as advocates for their clients' transitions to net-zero, addressing a growing area of net zero transparency.[42] Efforts like the Net Zero Lawyers Alliance show how service providers can pro-actively galvanise action through commitment and capacity building.

Global campaigns to phase out fossil fuels and ratchet up upcoming national climate plans like Fossil to Clean and Mission 2025 help to raise awareness and show support for stronger policies from a wide range of businesses, mayors, investors[43] [44] while collective efforts by non-state actors at the national level provide more detail, including the C40 Climate Politics and Policy Intelligence (CPPI), the Ceres Policy Network (US), the Corporate Leaders Group (UK and Europe) and the Japan Climate Initiative.[45]

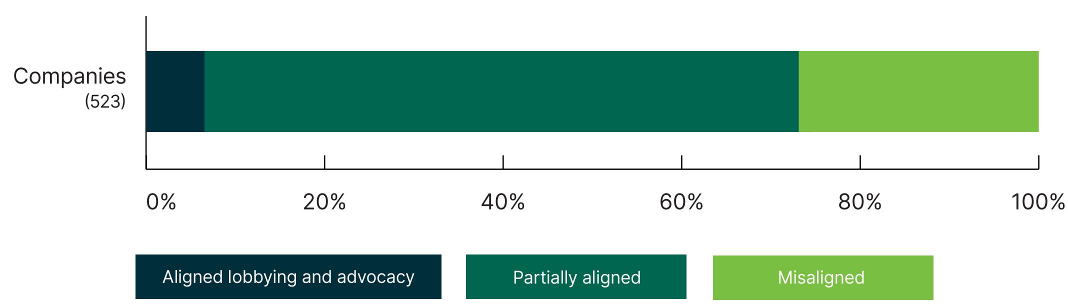
Industrial coalitions, including the Energy Transition Commission and the Industrial Decarbonization Alliance are outlining the policy need for specific to meet 1.5°C targets.[46]

Less than 10% of companies assessed by InfluenceMap have fully Paris-aligned lobbying activities which means that governments and the public are not hearing what is needed by companies to transition to net zero, especially as the fossil fuel industry continues to fund policy and political opposition against transitioning away from fossil fuels.[47]

The professional services sector has significant influence on the wider economy: a 2024 analysis by InfluenceMap shows how the corporate clients of the Big Six PR and advertising agency holding companies have engaged on climate policies: across the 58 relationships with energy sector clients in InfluenceMap's database and 38 relationships with automotive clients, only one entity—the Clean Energy Council— is supportive in its climate advocacy. In contrast, 26 energy sector clients are obstructive while none of the 38 mapped clients in the automotive sector support 1.5°C-aligned climate policy.[48]

Alignment of lobbying activities with the Paris Agreement's 1.5°C goal

Of the more than 500 companies that InfluenceMap assesses, about one in four are misaligned on their climate policy engagement and lobbying practices. Few are fully aligned, meaning most are somewhere in the middle. Those companies that are partially aligned and misaligned should review their policy engagement and direct and indirect lobbying practices to ensure they are advocating for climate action, not against iton a timescale consistent with the Paris Agreement's temperature goals.



Data: Net Zero Tracker

Companies, investors, cities and regions must advocate at the national level for the policies they need to meet their 1.5°C net zero commitments, both short and long-term.

The IPCC's April 2022 report identified "opposition from status quo interests"—primarily fossil fuel companies, both upstream and downstream—as a key reason for the lack of progress on climate policy globally.[49]

At this critical time, climate leadership from the business community can help set the tone for world leaders and national governments as they craft their national climate policies. NSAs should encourage suppliers and peers to set 1.5°C-aligned targets, use their voice to publicly back ambitious climate policy through direct interactions with governments, and ensure that trade groups are in line with the company's positions and strategy.

Current best practice guidance and reporting frameworks developed by the Greenhouse Gas Protocol, CDP and SBTi acknowledge the role of service providers. And should clarify the operational boundaries of how providers should inventory its clients GHG emissions.

In addition to mandating or encouraging net zero transition, governments can remove perceived barriers to setting net zero targets. For example, companies have sometimes faced criticism that joining a voluntary net zero alliance may violate competition law. While such charges have little substantive merit, governments can protect climate leaders from spurious criticism by issuing guidelines that explicitly protect pre-competitive climate action, as, for example, the UK and the Netherlands have done.

Recommendation 7

People and Nature in the Just Transition

Integrity Matters Main Recommendation

As part of their net zero plans, businesses, cities and regions with material land-use emissions must achieve and maintain operations and supply chains that avoid the conversion of remaining natural ecosystems— eliminating deforestation and peatland loss by 2025 at the latest, and the conversion of other remaining natural ecosystems by 2030.

Financial institutions should have a policy of not investing or financing businesses linked to deforestation and should eliminate agricultural commodity-driven deforestation from their investment and credit portfolios by 2025, as part of their net zero plans.

A huge increase in reporting platforms and standards are now available for non-state actors to achieve and disclose progress towards ending deforestation and a broader set of nature-related issues.

In 2023, for the first time, companies were able to disclose comprehensively on deforestation and conversion-free commodity volumes through CDP using a set of standardized metrics.[50] This same set of metrics has also been incorporated into other reporting standards such as the Global Reporting Initiative, industry association protocols such as the Consumer Goods Forum's Forest Positive Coalition KPIs, and other assessment tools.

In 2024:

- Science-Based Targets for Nature unveiled its new target-setting guide, with updated technical guidance and resources aimed at helping companies set science-based targets for nature.[51] Global Canopy, UNEP FI and UNEP-WCMC have developed ENCORE to help financial institutions get started.[52]
- The first comprehensive guidance and disclosure recommendations for nature transition plans were released by the Taskforce on Nature-related Financial Disclosures (TNFD) in alignment with ISSB standards, GRI Standards and European Sustainability Reporting Standards (ESRS). GFANZ has also recently published a consultation report on Nature in Net Zero Transition Plans.
- The Finance Sector Deforestation Action initiative (FSDA) and IIGCC published a set of investor expectations for commercial and investment banks on eliminating commodity-driven deforestation, conversion and associated human rights abuses in their lending and investment practices.[53]

Governments are also starting to move:

- Amidst strengthening policy signals and regulatory changes like the 2022 adoption of the Kunming- Montreal Global Biodiversity Framework and the 2023 adoption of the European Union's Deforestation Regulation (to be applied from 30 December 2024), comprehensive disclosure is now a minimum expectation for companies that produce or source agricultural and forestry commodities.
- In 2024, China's financial markets introduced new guidelines for sustainability reporting as part of a wider initiative to develop China-wide standards that would be fully rolled out by 2030.[54]
- The Network for Greening Financial Systems has led the development of scenario approaches for assessing the materiality of nature-related financial risks for financial institutions[55] while the European Central Bank's climate and environmental risk guidance has led to banks expanding their risk management frameworks to incorporate nature.[56]

The Taskforce on Net Zero Policy also shows that countries such as South Africa, France, the United Kingdom, and Australia have introduced measures to incentivise nature-positive investments and penalise harmful practices and that some countries and regions have also been developing nature-inclusive sustainable finance taxonomies.

A small number of corporate leaders are already voluntarily showing the way by taking steps to transform their operations through credible nature strategies through the 'It's Now for Nature' campaign. These companies, including Enel, RaboBank, L'Occitane Group, Natura &Co and Orsted, have clearly laid out how they will address their most material impacts and dependencies on nature.[57 58]

CDP data shows that a holistic approaches to environmental impacts makes action easier and more effective: Companies reporting to CDP on more than just climate were not only almost twice as likely to get an 'A', but were also more than twice as likely to be on track to meeting their targets.

Credit: Getty Images

After the historic adoption of the Global Biodiversity Framework, implementation by governments and businesses has been slow: very few countries have submitted biodiversity plans while recent evaluations of corporate action show there is little progress on deforestation and other priorities are in early stages.

The 2024 WWF Living Planet Report shows that every indicator that tracks the state of nature on a global scale shows a decline.[59] And UNEP's 2023 State of Finance for Nature report shows that while US$7 trillion flow towards activities harmful to nature, only US$200 billion support nature-based solutions.[60]

More than 230 institutional investors with nearly $30 trillion in assets under management released the first benchmark data for Nature Action 100 companies. Results show that most of the initiative's 100 companies[61] are in the early stages of addressing their nature-related impacts and dependencies. Much more urgent and ambitious action is needed for companies to mitigate the growing material financial risks their businesses face from nature loss and fulfil the private sector's role in reaching global biodiversity goals.

More specifically, Global Canopy's Deforestation tracker produced a detailed stocktake of action on deforestation by more than 700 financial institutions that have strong net-zero commitments. Results showed that the sector is largely failing to act. 75% of the financial institutions assessed still do not have a public deforestation policy, and just 10% have a deforestation policy in place for all highest risk commodities.[62]

Despite this very poor overall outlook, the Tracker has identified pockets of progress: nearly half (44%) of the financial institutions are involved in a collaborative sector initiative on deforestation or involved in advocating for legislation focussed on deforestation, conversion or associated human rights abuses.[63]

Caracol Waterfall, Canela, Brazil

Credit: Jonathan Borba/Unsplash

What's Needed Now

Non-state actors must step up and develop nature targets and transition plans while also pressuring governments for policy to drive conservation at scale and address the major drivers of nature loss.

Given the limited time left to have an impact, governments must mandate strong, well-integrated climate and nature transition plans aligned with global targets and support cities and regions in efforts to transform ecosystems.

Cities and regions must also promote compact, dense development that is better able to protect existing nature and build up new and additional natural systems.

Nature Conservation
Credit: Ave Calvar

Recommendation 8

Increasing Transparency and Accountability

Integrity Matters Main Recommendation

Non-state actors must annually disclose their greenhouse gas data, net zero targets and the plans for, and progress towards, meeting those targets, and other relevant information against their baseline along with comparable data to enable effective tracking of progress toward their net zero targets.

Non-state actors must report in a standardised, open format and via public platforms that feed into the UNFCCC Global Climate Action Portal to address data gaps, inconsistencies and inaccessibility that slow climate action.

The Good

More international standards and national and regional regulations are ensuring credibility, levelling the playing field, and making it easier to address cases of greenwashing.

New disclosure rules by governments like China[64], California[65], the US[66] and EU[67] are creating a stronger accountability infrastructure:

- California's requirements, for example, will cover approximately 75% of Fortune 1000 companies who will in turn engage their supply chains.[68]
- The EU's Corporate Sustainability Reporting Directive will require disclosures to include impact materiality requirements and undergo reasonable assurance like financial reporting from 2028, affecting 40,000 EU companies and approximately 10,000 non-EU companies.[69]

Assurance bodies are responding to this demand signal: in September 2024, the IAASB approved International Standard on Sustainability Assurance 5000 with formal publication expected in December, and guidance materials out in January 2025.[70]

In 2023, to provide a global baseline of comparable information, the ISSB issued international standards (IFRS S1 and S2) for climate-related information.

To date, jurisdictions representing over half of global GDP, over half of global greenhouse gas emissions, and 40% of global market capitalisation have committed to implement standards aligned with the ISSB standard.[71]

In June, ISSB announced it would take ownership of the UK's Transition Plan Taskforce materials, develop education materials, and consider bringing transition plan disclosure guidance formally into IFRS S2.

Data initiatives like the CDP and the NZDPU are innovating to make sure that every stakeholder has free access to the emissions data of companies, their targets for reducing emissions, and their performance against those targets.[72] This data is feeding into the UNFCC GCAP portal.

Some Net Zero Alliances have also shown increased accountability. The Net Zero Asset Owners Alliance (NZAOA) reports annually on progress, including on emissions reductions. The 2024 report shows that together, NZAOA members have reduced absolute financed emissions reductions of at least 6% per year since 2018.[73]

Investor and civil society efforts to provide transparency have increased. Clmate Action, 100+ and TransitionArc are each positive examples of this trend.

As more jurisdictions move to develop regulatory standards to prevent greenwashing, courts are playing a larger role in establishing corporate and government accountability.[74 75]

The Gaps

Too many inconsistencies in tracking and reporting progress as well as gaps in the availability of comparable information continue to make it difficult for the public and investors to distinguish high-integrity action from greenwashing.

Progress has been considerable since 2022, but more governments must move quickly to mandate accountability from all large companies and financial institutions, and to correct inconsistencies in reporting and gaps in the availability of information still making it difficult for the public and investors to distinguish appropriate actions from greenwashing.

Many subnational governments struggle to access up-to-date and high quality data. National governments should support cities, states and regions with timely verified activity data, emissions factors and key performance indicators to enable cities, states and regions to develop robust GHG emissions inventories and reduction pathways, and monitor, evaluate, and report progress.

Valley of windmills

Credit: Appolinary Kalashnikova

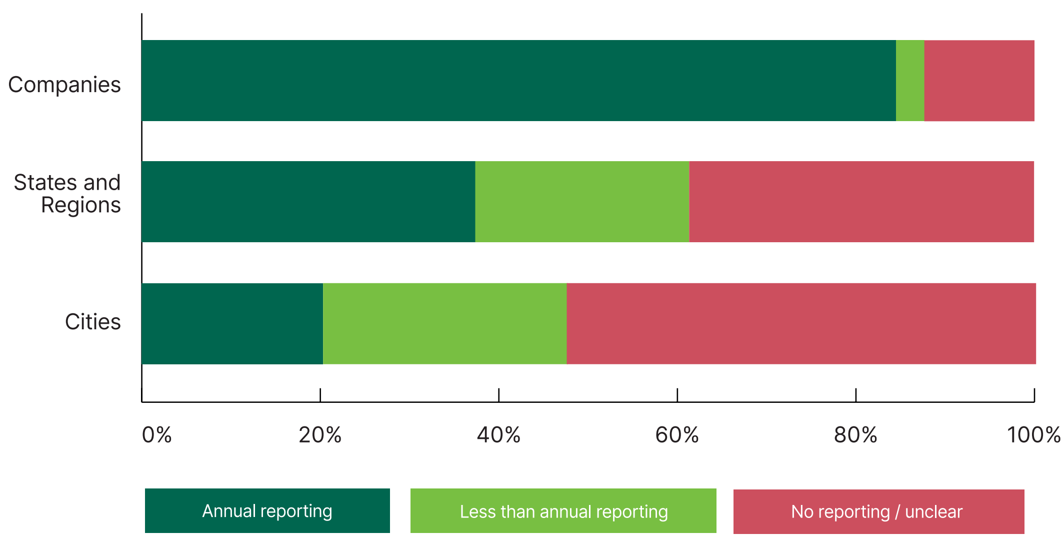
Full implementation of standard disclosure requirements, including Scope 3 emissions data, is needed.

To close the climate data gap we need to fully implement climate disclosure requirements across a wider range of countries, including scope 3 emissions data, and significantly ramp up the provision of open access core climate data through NZDPU. National authorities should ensure that domestic disclosure requirements support the submission of data into NZDPU.

National accreditation bodies should be trained and supported to fulfil their role of providing high-quality standards and assurance.

Reporting frequency by entity type

The considerably higher relative percentage of companies (compared with subnational governments) publishing annual progress reports is likely due to a combination of Forbes 2000 listed companies having more financial resources, being more influenced by reputational and market pressures, and having pre-established reporting processes in place (e.g. annual corporate sustainability reports).



Data: Net Zero Tracker

Recommendation 9

Investing in Just Transitions

Integrity Matters Main Recommendation

To achieve net zero globally, while also ensuring a just transition and sustainable development, there needs to be a new deal for development that includes financial institutions and multinational corporations working with governments, Multilateral Development Banks and Development Finance Institutions to consistently take more risk and set targets to greatly scale investments in the clean energy transition in developing countries.

The Good

There have been some innovative efforts from Multilateral Development Banks to scale the availability and quality of public climate finance and to mobilize private finance.

Since 2022, high-level attention to the persistent and enormous gap on climate finance, driven by the Bridgetown Initiative agendas, has led to some innovative efforts from MDBs both to scale the availability and quality of public climate finance (e.g. the IMF's Resilience and Sustainability Trust (RST) and to mobilize private finance (e.g. the World Bank's Private Sector Investment Lab).

Country platforms have also been created to coordinate across relevant financing and development partners to support investment in NDCs/transition plans, including JETPs.

International efforts to develop proposals for alternative sources of funding through international levies have also emerged, with The Global Solidarity Levies Task Force set to report on options at COP30 in Brazil.

The Gap

Incremental increases won't lead to an exponential surge of investment and green growth.

A major gap remains in international public and private finance to just transitions: emerging market and developing economies outside China accounting for only around 15% of global clean energy spending.

Estimates by the London School of Economics and the Grantham Research Institute on Climate Change and the Environment suggest that the transition to a low-carbon energy future for emerging economies (excluding China) will require total annual investments of $1 trillion by 2025 and $2.4 trillion by 2030.

Financing the just transition needs our urgent attention: EMDEs are pivotal to the global climate agenda: they are the most impacted by climate change and their growth and development trajectories will be key drivers toward reaching a global net-zero target by mid- century.

Major opportunities include:

- Countries must agree on a New Collective Quantified Goal (NCQG) for climate finance at COP29. This will be vital for enhancing financial support for climate action as well as inspiring ambitious NDCs. A thematically balanced, transparent, accessible and equitable goal must be negotiated that matches the needs of developing countries and is transparently administered.
- Stronger replenishment of funds for Multilateral Development Banks to unlock global climate finance is needed. And MDBs and DFIs should use all their capacities – operational, financial, and technical – to maximise the total amount of financing towards climate and development goals and mitigating the debt crisis.
- Increased MDB financing needs to be combined with measures to leverage significant multiples of private finance. The World Bank Private Sector Investment Lab has already concluded that crowding in private finance at the scale needed will require much greater and more effective use of guarantees, risk insurance, and blended finance.
- NDCs must be designed to attract the scale of investment needed: backed up by national transition plans that specify the scale and type of finance needed to deliver the emissions reductions required. For developing countries, they are also a means to set out their finance, technology and capacity building needs for an equitable transition.[76 77]
- Despite leading the way on key elements of the just transition, such as protecting informal workers and setting up innovative financing mechanisms to mobilise more investment, cities are still not being given the funding they need to enact a just transition. It will be important for the next round of NDCs to make specific reference to the unique roles that cities play and to incorporate urban-specific needs for finance.
- Financial sector standard setters should assess whether prudential frameworks are acting as an unjustified barrier to the private finance needed to finance the transition in EMDEs.

Reflections in the flooded Okavango Delta
Credit: Andy Robson/Unsplash

Recommendation 10

Accelerating the Road to Regulation

Integrity Matters Main Recommendation

In order to ensure rigour, consistency and competitiveness, regulators should develop regulation and standards in areas including net zero pledges, transition plans and disclosure, starting with high-impact corporate emitters, including private and state-owned enterprises and financial institutions.

The challenge of fragmented regulatory regimes should be tackled by launching a new Task Force on net zero Regulation that convenes a community of international regulators and experts to work together towards net zero.

All G20 countries have some form of policies that support the transition of non-state actors to net zero with the number of these policies tripling since 2020.

And mandatory disclosures in major jurisdictions are already affecting the market: the EU's Corporate Sustainability Reporting Directive (CSRD) mandates disclosure requirements for approximately 10,000 non-EU companies while California's recent disclosures from any business engaged in commercial activities in California – approximately 75% of Fortune 1000 companies.

The Taskforce on Net Zero Policy was launched at the UN Secretary-General's High-Level meeting for Non-State Actors (NSAs) at COP28 in December 2023.

The formation of the taskforce responds to the 10th recommendation of the HLEG Integrity Matters report and aims to support the integrity and accountability of 1.5°C-aligned net zero emissions commitments by non-state actors, through assessment and advancement of state-based policies and regulations that target or enable their net-zero commitments (NSA policies).

Their analysis of over 1000 policy instruments shows all G20 countries have some form of policies that support NSAs transition to net zero – and the number of NSA focused policies has tripled since 2020. Net zero policy reforms are developed across corporate, financial and real economy policy and exist in both developed and emerging economies.

The integrity of these policies varies greatly and few are explicitly tied to net zero. Highlights from the report include:

A lack of coherence is evident among national net zero policies aimed at non-state actor targets and transition plans:

- Among the G20 countries, only the European Union has a mandatory requirement for corporates to both adopt and disclose Paris Agreement compatible climate transition plans.
- In other countries, the dataset shows that climate target setting provisions diverge, e.g. some are voluntary, some don't require any disclosure and not all policies explicitly mention the 1.5°C limit.

Few jurisdictions recommend or require certification standards for the use of carbon credits through engineered or land-based removals, which would ensure transparency, credibility, and environmental integrity and help address the concerns about additionality and permanence in the voluntary carbon credit market.

Corporate and financial policy is not yet adequately integrating climate mitigation with related sustainability issues around nature, adaptation, just transition and fossil fuel phase out.

The data shows a lag between instruments targeting fossil fuels (either disclosure or duty-based) compared with renewable energy. Several G20 countries have adopted end dates for existing coal power (UK), new coal power (South Korea) or oil and gas exploration and production (France). Only some countries, such as Indonesia, have announced plans to reduce fossil fuel subsidies.

Overall, ensuring consistency between corporate transition plans and lobbying practices remains under-addressed in policy frameworks, with existing measures primarily focusing on transparency rather than alignment.

Recently adopted policies and regulations, such as the CSDDD in the EU, and an ESG disclosure guide in Malaysia, show a positive trend towards integrating justice elements in disclosure regimes and transition plans, due diligence directives and efforts to enshrine international standards in law but much more work is needed to mainstream and improve just transition elements in policy.

Countries need to regulate to support and enforce more action by non-state actors at a scale to reach 1.5-aligned 2030 targets. Coherence across policy measures and a better understanding of cross-border impacts in net zero policy are need to advance uptake as quickly and effectively as possible.

More ambitious NDCs are needed: non-state actors should urgently join calls from across sectors for more ambitious NDCs, including

- investors urging a whole-of-government approach to addressing the climate crisis,[78] and business calls coordinated call for G20 governments to lead ambition in NDCs[79 80]

Policy levers across all 10 of the Integrity Matters recommendations could significantly accelerate action by large companies and financial institutions at a scale to reach 1.5-aligned 2030 targets.

In 2025, the focus should be on increased mandating of high-integrity transition plans in standards and regulation and consistent implementation of transition plan disclosure requirements and guidance across countries.

Coherence in regulation is needed across levels of government and across borders: The involvement of International Organization for Standardization (ISO) can help bridge the gap between regulations and voluntary cooperative initiatives. The ISSB can create a global baseline on transition plan disclosure guidance. Deeper analysis and convening by the Taskforce on Net Zero Policy will allow NSAs to streamline their reporting and business conduct requirements and policymakers to design more holistic solutions that mitigate unjust cross-border effects.

Better integration of other sustainability priorities, including nature and a just transition: policies are best implemented in packages of complementary policies, all of which shape the socio-economic landscape of climate actions that can either support or hinder progress towards interconnected justice.

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