

Putting the ‘enhanced transparency framework’ into action: Priorities for a key pillar of the Paris Agreement

One of the main elements of the Paris Agreement on climate change is the “enhanced transparency framework”, set out in Article 13. Transparency is crucial to the success of the Agreement: both with regard to the actions undertaken by Parties, and to the financial, technological and capacity-building support provided and received by some Parties. Transparency can help build trust and confidence among Parties, by clarifying the level of implementation efforts made to achieve commitments in the Agreement.

Transparency can also help the Parties achieve a shared understanding of their collective and individual efforts. By gathering clear and comparable information about nationally determined contributions (NDCs), the transparency framework can help mobilize domestic support for stronger climate action and international cooperation, and identify opportunities to enhance Parties’ efforts. Finally, the transparency framework may help hold Parties accountable for meeting their commitments and continuing to increase their ambition.

The Paris Agreement and the accompanying Decision 1/CP.21 offer a fair amount of detail on the design and operation of the transparency framework, but they leave many important details to future negotiations. Article 13 also contains wording that will likely be heavily contested.

This policy brief outlines some of the key challenges in putting the enhanced transparency framework into practice, and offers recommendations for the way forward, starting with the Marrakech Climate Change Conference (COP22) in November 2016.

Flexibility

Reporting and review processes under the United Nations Framework Convention on Climate Change (UNFCCC) have historically differentiated between developed and developing



The cheer seen around the world: Monitors in the plenary hall show the moments after approval of the Paris Agreement last year.

Key messages

- Transparency of action and support is crucial to the effectiveness of the Paris Agreement. However, the Agreement leaves many key questions to further negotiations, including how to put “built-in flexibility” into practice, how to transition from existing reporting and review systems, and how the Agreement’s transparency framework relates to the global stocktake and the implementation and compliance mechanism.
- Further guidance on the features of nationally determined contributions (NDCs) is also needed to track progress in achieving countries’ commitments.
- The development of accounting modalities for climate finance provided and mobilized through public interventions represents a crucial opportunity to develop a common definition and tracking system for climate finance. However, information on climate support needed and received has never been systematically collected, and guidelines for its collection are needed quickly.
- The new Capacity Building Initiative for Transparency is a positive development, but Parties need to provide stable and adequate funding to ensure the effective functioning of the transparency framework.
- Not all uncertainties in the transparency framework can be addressed in Marrakech in November 2016, but Parties can agree on a work plan and road map to put the framework in place by 2018.

countries. The Paris Agreement establishes a single framework applicable to all Parties, but provides for “built-in flexibility”. It says the framework “shall provide flexibility (...) to those developing country Parties that need it in the light of their capacities”, but leaves important questions unanswered.

Most notably, the Agreement is silent about how “capacities” will be judged. Negotiating this will likely be very challenging, although Parties could take existing classifications, such as the criteria for the identification and graduation of Least Developed Countries (LDCs)¹ and the World Bank’s criteria for classifying countries by income level,² as a starting point.

The alternative to negotiations – self-determination by developing country Parties of their capacity – could lead to an unpredictable and problematic system in which some Parties can choose the most flexible requirements. The one exception where the Paris Agreement is already clear about differentiation is that of LDCs and Small Island Developing States (SIDS), which are mentioned specifically as Parties requiring flexibility.

¹ See <http://unohrrls.org/about-ldcs/criteria-for-ldcs/>

² See <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups>.

Another open question is how flexibility could be incorporated in the framework. There are several options:

- The scope of reporting could be linked to the type of mitigation goal included in the NDC. This would need to be carefully designed to avoid the possible perverse incentive that countries submit intentionally vague and short NDCs to avoid having to report in detail.
- The level of detail of reporting could vary along different tiers, depending on the type of NDC, data availability and/or capacity. Under a tiered system, developed country Parties would be subject to the highest level of reporting; LDCs and SIDS would be subject to the least stringent tier; one or several other tiers could be introduced for other developing countries, with voluntary reporting according to more stringent tiers always an option.
- Although all Parties have to report every two years, the frequency of reporting is more flexible for LDCs and SIDS, which are allowed to do so at their discretion. This flexibility could also be extended to the frequency of review, although reviewing each Party at least once during each five-year NDC cycle would seem to be a minimal prerequisite for an effective transparency framework.
- Flexibility can be applied to the scope of review by making in-country technical reviews optional for some Parties, differentiating the review according to the contents of a Party's NDC, or allowing for group reviews for some groups of developing countries. A key consideration in determining the scope of review is the available time, as well as the financial and human resources necessary to conduct the review.



Nellis Solar Power Plant at Nellis Air Force Base in the U.S. The panels track the sun in one axis.

Building on existing transparency arrangements

Although the approach to reporting and review under the Paris Agreement may differ from previous approaches under the UNFCCC, the design of the new transparency framework will build on that experience. Various reporting and review processes have yielded important insights about reporting on climate action – and more recently also support – and has led to changes to the systems over the years.

Two questions arise in this context: What parts of the existing review processes will be drawn upon, and what parts will be abandoned? And how will the transition from the existing to the new system take place?

It is clear from the Paris Agreement and Decision 1/CP.21 that the following elements will be transposed in some form: biennial reporting; technical reviews, including in-country reviews for some Parties; multilateral consideration; and flexibilities for LDCs and SIDS. But the future of other elements is less clear. For instance, will existing reporting and review guidelines be used or updated, or will new guidelines will be developed from scratch? This question is inherently related to the question of how to implement flexibility in the transparency framework, given that the existing system differentiates between developed and developing countries.

Concerning the second question, Decision 1/CP.21 further suggests that the new system would supersede the existing UNFCCC system “immediately” following the submission of the final biennial reports and biennial update reports. However, the timing of the submissions of these reports is still to be determined. The fact that the NDCs under the Paris Agreement cover the period from 2020 onwards suggests that the transition should take place in or around the year 2020.

Relationship with other review processes

The transparency framework can be linked to two other review processes under the Paris Agreement: the global stocktake (Article 14) and the implementation and compliance mechanism (Article 15).

According to the Paris Agreement, the transparency framework will serve as a source of input into the five-yearly global stocktake. Parties can consider several types of outputs from the transparency framework. This includes reports by individual Parties such as greenhouse gas inventories, reports on progress towards achieving NDCs and reports on support provided or received.

Inputs could also include reports from expert reviewers or summaries of the multilateral consideration for individual Parties. Or, if reports concerning individual Parties prove to be too sensitive, synthesis reports could be prepared by the Secretariat covering any of the above types of reports. As the first stocktake takes place in 2023, reports would need to be generated well before then.

The relationship between the transparency framework and the implementation and compliance mechanism is not made clear in the Agreement. Under the Kyoto Protocol, there was a direct relationship between the expert reviews of national reports and the compliance mechanism, but given the lack of clarity about the scope and functions of the mechanism under Article 15, it is uncertain whether outputs of Article 13 would inform the implementation and compliance mechanism.

Transparency of action

The transparency framework seeks to provide clarity on progress made by Parties towards achieving their NDCs. However, the intended NDCs submitted so far are very heterogeneous, and guidance on the features of NDCs is negotiated in parallel with the design of the transparency framework. Until more detailed guidance is agreed, reporting on and reviewing progress will remain challenging.

For instance, some Parties' NDCs include substances other than greenhouse gases (e.g. black carbon), for which there are no agreed reporting methods. Other Parties have put forward

qualitative NDCs or have made some or all of their commitments conditional on financial support, making it difficult to track progress. The heterogeneity of NDCs will also pose challenges for comparing and aggregating the effects of NDCs. It will therefore be important to develop further guidance for NDCs, and to ensure that this guidance is aligned with that for tracking progress.

In addition to reporting on progress made with NDCs, the Paris Agreement encourages countries to voluntarily report on adaptation actions through adaptation communications. Reporting adaptation-related information can help identify adaptation needs, attract adaptation finance, and clarify whether such finance is effective. However, to the extent the adaptation communication establishes a new reporting and planning process, it may be burdensome for developing country Parties with limited capacity.

It may be useful for developing country Parties, and in particular LDCs and SIDS, to start by reporting on climate impacts, costs and adaptation needs, rather than on adaptation policies and measures. Nevertheless, developing country Parties that wish to have their adaptation efforts recognized may still wish to highlight their adaptation actions.



Farmers in a field school programme in the Philippines designed to help smallholders adapt to a changing climate.

Transparency of support

Reports by developed country Parties on financial support provided to developing countries so far have been limited in quality and detail. This means they are inadequate to the task of understanding whether climate finance pledges have been met, and whether support has truly helped developing country Parties to green their economies or prepare for climate impacts.

Reporting has recently improved somewhat, with the introduction of common tabular formats as part of biennial reports. However, as project-level reporting is not required, users of this information are largely unable to understand what is included in the summaries reported in these tables. There is also a more fundamental problem: the lack of an agreed definition of climate finance and a lack of common accounting and reporting methodologies for financial support. This has resulted in a plethora of inconsistent practices between developed country Parties and over time for any given developed country Party.



A 'family photo' of world leaders at the Paris Climate Change Conference.

The Paris Agreement provisions on transparency (Article 13) and finance (Article 9) offer an opportunity for the global community to finally develop an adequate system to monitor, report and verify who is providing what to whom as they deal with climate change.

However, a number of critical gaps in the emerging transparency framework require attention. For example, given the lack of explicit provisions on this matter in the Paris Agreement or Decision 1/CP.21, information on support needed may not be considered at all in the global stocktake. In addition, while allowing LDCs and SIDS to report financial support needed and received "at their discretion" protects them from heavy reporting burdens, discretionary reporting might hinder understanding of redundancies and/or critical gaps in funding for the most vulnerable nations. It is also unclear what will happen if data about how much support was received and about how much was provided do not match.

Modalities are now being developed to account for financial resources provided and mobilized through public interventions. This is an opportunity for developing countries to offer input on these important questions. However, these accounting modalities will not apply to the financial support received, despite the fact that such modalities may be necessary for a comprehensive transparency framework to emerge.

In addition, it is unclear how Parties will have to report on non-financial support (i.e. technology transfer and capacity-building) needed, provided and received. Finally, there is no specific mandate for work on how developing countries can report on the use, impact and estimated results of the support received, which could inform future climate finance efforts and improve the likelihood of continuing and increasing funding levels.

Building capacity for transparency

Given that some developing country Parties need additional support to meet the Paris Agreement's transparency requirements, Parties established a Capacity-building Initiative for Transparency (CBIT). Parties asked the Global Environment Facility (GEF) to make arrangements to support the establishment and operation of the CBIT.

In June 2016, the GEF Council decided to prioritize project proposals based on demonstrated responsiveness to Paris Agreement transparency requirements, and for those countries that are most in need of capacity-building assistance, in par-

Policy recommendations

- Parties should task the UNFCCC Secretariat to prepare a technical report on lessons learned from existing transparency processes, so that Parties can identify what elements of existing processes could be maintained and what elements are no longer relevant. Parties should also develop a roadmap to clarify the timing of the transition from existing transparency systems.
- Parties should specify as soon as possible, but well before 2023, what types of reports under Article 13 could serve as inputs into the global stocktake. They should further clarify whether the transparency framework will serve as input into the implementation and compliance mechanism.
- Parties should as soon as possible develop further guidance for the features of NDCs, and align such guidance to the reporting and review of progress towards achieving NDCs.
- Parties should support LDCs and SIDS to help them report biennially on financial support needed and received, as is expected from other developing countries.
- Parties need to develop accounting modalities for financial support received and launch work on how to report on non-financial support needed, provided and received.
- Parties must develop a clear mandate for work on how developing countries can report on the use, impact and estimated results of the support received.
- Parties, with support from the UNFCCC Secretariat, should calculate possible (financial and human) resource requirements necessary for the functioning of the transparency framework, and guarantee sustainable funding.

ticular SIDS and LDCs. This is a positive development given the acute capacity-building needs of these Parties.

Significant time and financial resources will be needed to train national experts. Therefore, sustainable and adequate funding for the transparency framework is essential. Initial pledges for the CBIT totalled about US\$35 million, which may be quickly exhausted. Capacity-building for transparency is an ongoing need, so a stable and adequate source of funding needs to be identified.

Priorities for COP22

Negotiations on the specifics of the Paris Agreement's transparency framework have only just begun. It would therefore be unrealistic to expect all uncertainties to be addressed at COP22. Nonetheless, Parties need to lay a foundation in Marrakech by agreeing on a work plan and schedule, to meet or beat the COP24 (2018) deadline for developing a robust transparency framework.

This is crucial for providing consistent and complete data for the first biennial reporting cycle, which is to feed into the first global stocktake in 2023. Linkages with other mandates and processes need to be identified and addressed (e.g. through workshops), to avoid duplication of work and ensure coordination.

This policy brief is based on *Transparency of Action and Support under the Paris Agreement*, a paper for the European Capacity Building Initiative by Harro van Asselt, Romain Weikmans, Timmons Roberts and Achala Abeyasinghe, available at <https://www.sei-international.org/publications?pid=3033>.



Delegates at the Bonn Climate Change Conference in May, the first major UNFCCC gathering since the Paris Agreement was approved.

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