

Transparency and the Paris Agreement: driving ambitious action in the new climate regime

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A SOLID TRANSPARENCY SYSTEM IS KEY FOR ENABLING RISING COUNTRY AMBITION, AND IS THUS A CRITICAL COMPONENT OF A SUCCESSFUL PARIS AGREEMENT

By collecting, processing, and sharing information on country and collective mitigation implementation, a well-constructed transparency system is a key enabler for building trust in collective action among countries. In this way, it plays a critical role in allaying concerns countries may have on lack of collective action, concerns which currently limit their mitigation ambition. An indispensable role for the legal Paris Agreement is to institute processes such as the transparency system that help raise over time countries' ambition to an adequate level. This will be especially important if the Intended Nationally Determined Contributions (INDCs) countries submit this year in aggregate fall short of immediately placing the world on 2 degrees emissions pathway.

AT COP21, COUNTRIES MUST AGREE ON THE TRANSPARENCY SYSTEM'S OBJECTIVES AND PRINCIPLES AND INSCRIBE THESE IN THE LEGAL PARIS AGREEMENT

This paper identifies four essential principles that would enable the transparency system to build trust in collective action. Together, *universality* and *self-differentiation* set the basis for constructing a system in which all countries report on information, drawing from a menu of reporting options that allows them to do so in a way aligned with their Nationally Determined Contributions (NDCs) and national capacities. *No-backsliding* helps guard against any lessening of ambition with respect to the current reporting and review requirements. In turn, *continuous improvement* helps ensure that ambition in the system rises over time.

THE NEW TRANSPARENCY SYSTEM DOES NOT HAVE TO BE BUILT FROM SCRATCH

The biennial reporting and review processes established under the Cancun Agreements can serve as a solid basis. This paper analyses these processes' strengths and weaknesses, and proposes concrete modifications to align the transparency system with the above four principles. The paper notably advances a detailed proposal for how to bring about the necessary modification of merging the developed country and developing country reporting tracks and review tracks that make up the current transparency system. The paper also introduces several additions to the new transparency system, in particular an assessment of collective decarbonization progress, to act as an important complement to the current transparency system's purely country-level focus.

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1. INTRODUCTION

There is currently insufficient action on climate change to reach the global target of maintaining temperature rise below two degrees Celsius.¹ This is partly due to the collective action challenge posed by climate change: States are concerned that they will suffer a first mover disadvantage by acting on climate change if other States do not also take action. The sum of these actions therefore needs to be collectively sufficient to provide mitigation benefits and provide States with the justification to take individual action. The Kyoto Protocol aimed to overcome this inaction by facilitating the implementation of internationally legally binding targets for developed countries, and sanctioning non-compliance.

Under the new climate regime which will be established at COP21 in Paris,² countries' commitments to address climate change will now be nationally determined, and likely anchored in a hybrid legal agreement. A post-2020 international climate regime will therefore be based on trust, rather than sanction.

The type of trust needed in this new regime is primarily trust in *collective* action, i.e. trust that a critical mass of countries are making the necessary

changes to decarbonize their economies, and deliver their international contributions. Generating this trust in collective action is not only critical to spur strong domestic policies, but also to assure the private sector that a movement toward a low carbon economy is underway, thereby enabling it to shift its strategic orientations and investments in anticipation of credible and durable national policies. Such trust is also fundamental to maintaining the legitimacy of the United Nations Framework Convention on Climate Change (UNFCCC) in the eyes of the general public, by showing that governments are serious about tackling climate change.

This trust in climate action at the aggregate level necessarily builds upon States demonstrating that they are taking concrete action at the national level toward reaching their Nationally Determined Contributions (NDCs). Such trust in *individual* action will also assuage fears countries may have of free riding. Indeed, climate policies can affect economic competitiveness, so countries are concerned about having a level playing field, with their key partners taking action in line with their national circumstances.

A solid transparency of implementation system, composed of strong reporting and review processes, is a necessary precondition and enabler of this trust in individual and collective action. Laying the foundations of the transparency system in the new regime is of paramount importance for the success of the Paris Agreement, and should be a top negotiating priority in the coming months. At COP21, Parties will need to agree on the main principles of the new transparency system, and set a work-plan to develop the technical details such that the regime can be applied from 2020.

Countries do not have to start from scratch—there is much to draw from the recently established and launched biennial reporting and review

1. In 2010, countries committed under the United Nations Framework Convention on Climate Change (UNFCCC) to hold the increase in global average temperature below 2°C above pre-industrial levels. Informed by the findings of the Intergovernmental Panel on Climate Change (IPCC), countries agreed that such a goal would provide an accepted level of possibility to reach the UNFCCC's foundational goal of preventing levels of greenhouse gas emissions leading to dangerous anthropogenic interference with the climate system.

2. The 21st Conference of the Parties (COP21) of the UNFCCC will take place in December 2015 in Paris. Countries have agreed to sign at COP21 a universal and legally binding agreement to address climate change, to enter into force in 2020.

system under the Convention.³ However, the current system must also evolve to reflect and align with the principles of the new regime. Notably, this includes the universal participation of countries in advancing contributions to address climate change, the self-differentiation between countries in the creation of their Intended Nationally Determined Contributions (INDCs), and the resulting diversity of action.

This paper aims to stimulate the debate around the transparency system in the new climate regime. Section 2 clarifies the particular focus of our paper, namely on ‘transparency of implementation’. Section 3 proposes the roles and objectives we see for the transparency system under the new agreement. Section 4 provides an overview of the current transparency system under the Convention, identifying weaknesses and strengths based on the output generated so far by the system. Section 5 develops the main principles of the new transparency system and provides concrete proposals for how to ensure its effectiveness. In Section 6, we outline our proposal for a process on the transparency of collective decarbonization. We conclude in Section 7.

2. SCOPE OF PAPER: TRANSPARENCY OF IMPLEMENTATION

2.1. Defining transparency

The term ‘transparency’ is used to mean different things. Table 1 defines and distinguishes them, so as to avoid confusion.

This paper focuses on transparency of implementation (both individual, and collective). We thus henceforth use the term ‘transparency’ in this sense.

2.2. A note on transparency of adaptation and finance

Transparency of adaptation and finance is without a doubt critically important. However, this paper primarily focuses on transparency of mitigation, for several reasons. Firstly, because the primary issue we aim to address is that of increasing ambition in mitigation action. While it should be noted that for some developing countries, mitigation ambition will also be linked to the availability of means of implementation such as finance and technology, stimulating countries’ rising mitigation ambition is first and foremost enabled by

Table 1. Individual and collective types of transparency

Type of transparency	Translation in the climate regime	Current state of the debate
Concepts related to individual transparency for each Party		
Transparency of emissions	Inventories and MRV	Ongoing discussion to improve and broaden the provision of up-to-date and robust inventories by all Parties
Transparency of targets	Up-front information guidelines for INDCs Potential ex ante technical review/revision of INDCs before inscription to reflect accounting principles and rules	Much debate in recent negotiations (2014, 2015) on the guidelines for INDCs, and on their ex-ante transparency
Transparency of implementation	Accountability: reporting and review on Parties’ mitigation action and progress toward Nationally Determined Contributions (NDCs)	Some proposals advanced by Parties but little debate and convergence so far
Ex-post transparency	Transparency on achievement of NDCs at the end of a contribution period, linked to the discussion on potential consequences from non-achievement To be distinguished from transparency of implementation during a contributions period, i.e. progress towards an NDC (transparency of implementation above)	Some discussions on the principles and modalities of an eventual compliance regime.
Concepts related to collective transparency		
Assessment of collective decarbonization progress (collective transparency of implementation)	An assessment that could be undertaken at the end of each contribution period, to feed into the development of the following cycle of contributions. ¹ The aim of this assessment would be to create trust in collective action and propel countries to raise the ambition of their revised NDCs.	Currently no UNFCCC or external entity undertakes such a process. We outline our proposal for this process in Section 6.4
Ex-ante assessment of collective adequacy of proposed INDCs	An assessment that could be undertaken the year preceding the beginning of each cycle of contributions, and would be an important input into the negotiations of this new cycle. It would be an assessment of the adequacy, at the aggregate level, of the proposed INDCs for the following contribution period, versus the 2 degrees goal.	This could build on or be a combination of current existing processes such as the United Nations Environment Program (UNEP) Gap Report and the Intergovernmental Panel on Climate Change (IPCC)’s Assessment Reports. We return to this in Section 6.4

Source: Authors

3. In this paper, the term ‘Convention’ refers to the UNFCCC.

building countries' trust in collective mitigation action. In turn, the transparency system plays a critical role in generating such collective trust.

Secondly, such focus on mitigation also results from the fact that our proposal for the transparency system under the Paris Agreement builds on the current transparency system, which itself is mitigation centric. The current system does require countries to report on financial support provided and/or received, and this information undergoes a technical review. It is important this continue to be the case. At the request of Parties, a discussion on effective modalities for financial reporting under the UNFCCC is also currently underway. Although politically linked, it is substantively separate from the transparency of mitigation implementation discussion and is being addressed by the Standing Committee of Finance.⁴ Since our paper focuses on proposing a general framework of transparency of implementation in the new agreement, it is thus beyond the scope of this paper to address this separate discussion.

Likewise, addressing transparency of adaptation, and proposing specific modalities for how it could be treated under the Paris Agreement, is beyond the scope of this paper. Increasing the transparency of adaptation in the new agreement will be essential. However, at present this is far from being a mature topic. There is currently no agreement on how adaptation should be treated globally, or how to monitor and evaluate adaptation action. The Adaptation Committee could potentially play a role in developing and implementing mechanisms to increase the transparency of adaptation in the future regime.

2.3. A note on compliance

In some transparency systems, transparency of implementation and compliance are linked—this was the case, for example, with the Compliance Committee of the Kyoto Protocol, which drew heavily on the Protocol's reporting and review processes. Some Parties have expressed interest in developing a compliance regime under the Paris Agreement, while others do not see this as a core element of the new climate regime. If a compliance regime is agreed upon, it would likely be facilitative and not enforcement-based.

While parties may wish, at some stage in the future, to set up an *ex post* compliance regime, it is important that this be separated from the key role of the transparency system of generating

forward-looking, real time information on individual and collective progress towards decarbonization and the implementation of countries' NDC.

This is important for two reasons. First, because this separation would help reaffirm that the purpose of the information countries provide to the transparency system is not intended for use to sanction countries, but only to help build countries confidence in collective action, and in this way help raise their ambition. Having such a reassurance will likely help increase countries' willingness to provide information.

A second reason for separating transparency of implementation and compliance is their different timelines—the former needs to occur during the period of contributions, while the latter typically takes place *ex post*. In turn, there are two main reasons why transparency of implementation needs to occur during a period of contributions, and not at the end of it.

First, because the inertia of economic systems means that their large scale transformation takes time. Thus, it is important that countries' difficulties in implementing their contributions be identified early on in a specific contribution period, so as to allow sufficient time for significant corrective action to be undertaken. Identifying difficulties of implementation only at the end of a contribution period would not allow sufficient time to make changes that can substantively influence a country's emissions in the following contribution period (especially if these periods are short, i.e. 5 years).

Secondly, by instituting transparency of implementation during the contribution period, not afterwards, will help start creating early on confidence in a collective transition. This is important as confidence in collective action can be a key input into driving more ambition in the next cycle of contributions, negotiations for which should begin before the completion of the preceding contribution period (as is the case currently with the negotiation of the Paris Agreement and simultaneous implementation of the Cancun Agreements⁵).

4. For example, see 2014 Biennial Assessment and Overview of Climate Finance Flows Report, (UNFCCC Standing Committee on Finance, 2014).

5. The Cancun Agreements consist of a set of decisions taken by countries under the UNFCCC in 2010 which include emission reduction pledges, a reporting and review system to assess countries' progress toward these mitigation actions, as well as decisions on adaptation and financial, technology, and capacity-building support.

3. RAISING AMBITION, TRUST IN COLLECTIVE ACTION, AND THE NEW TRANSPARENCY SYSTEM

3.1. Ambition and transparency

It is likely that the contributions countries advance this year through their INDCs will in aggregate be insufficient to presently put the world on an emissions reduction pathway compatible with the 2 degrees objective. A key role of the Paris Agreement is thus to stimulate ambition and ensure that contributions increase over time to become compatible with this objective. A key mechanism for raising ambition are cycles of contributions, which can create dynamism and shared expectations of continued, stronger collective action.

The transparency system plays a fundamental role in enabling and underpinning ambition. Indeed, the ambition of countries is currently also limited by several concerns they face, each of which can be assuaged if they become confident that collective mitigation action is underway globally. By generating, reviewing, and disseminating information on countries' mitigation progress, the transparency of implementation system plays a critical role in building the foundations on which this trust in collective action can grow. Furthermore, the transparency systems could also be a key input into the cycle of contributions.

3.2. Overcoming the concerns that limit countries' ambition

The first factor that can limit ambition is the collective action challenge and the fear of free riding. The climate change consequences of a country's greenhouse gas emissions are felt globally, not nationally, and likewise, the climate benefits of any mitigation action accrues internationally, not nationally. Thus, the cost/benefit analysis of a country's specific action will be much less favorable if it undertakes this action alone. Countries may also fear being placed at a competitive disadvantage; since taking action entails up-front costs others that do not act will nonetheless reap the benefits of global mitigation action. Having confidence that a critical mass of countries are seriously undertaking mitigation actions and making progress toward their contributions directly addresses these concerns.

Countries may also be apprehensive of the technical, social, political, and economic feasibility of embarking upon a deep decarbonization journey. Indeed, the level decarbonization necessary for achieving the 2 degrees goal necessitates unprecedented rapid and deep structural transitions

across countries' economies. Trust in collective action can do much to assuage these concerns. Seeing that other countries are taking action can reassure a country that its decision to tackle climate change is not unilateral folly and that it can count on and learn from others. Collective action also increases the likelihood of greater positive climate action spillovers, and a greater success of international cooperation mechanisms, which in turn can help facilitate the technical and societal feasibility. Finally, the greater the level of collective action on climate change, the greater the signal that strength of the signal that the international climate community can send to the private sector—enabling it to start shifting its investments and strategic priorities in favor of a low carbon future, and thus helping to accelerate the transition's affordability and feasibility.

A third element that limits many countries' mitigation ambition is the lack of confidence in their ability to implement the contributions they presently take on. Their confidence will likely rise as they start working to implement their contributions, and learn by doing. Policy learning from other countries will be equally important. Consequently, the more countries act, the more each country will be able to learn about the successes and failures of specific policies. Thus, trust that collective action is underway can also contribute to helping countries' overcome their lack of confidence in their ability to implement their contributions.

3.3. Consequences for the new transparency system

It can be assumed that a country will gain confidence that collective action is underway if it is presented with information that ascertains that collective action is indeed occurring. The type of information that countries need to gain trust in collective action differs in each case. Namely, these are:

1. Broad information on emission reductions and on progress toward countries' contributions,
2. Information on sectoral decarbonization progress, and
3. Information on specific policies and measures countries are implementing to build toward their contributions.

Building confidence that countries are reducing their emissions and are making progress toward the contributions is important to help counter the collective action challenge and the fear of free riding. To this end, the relevant information is general data showing that countries are progressing toward their contributions.

In turn, to counter fears of embarking on the unprecedented, vast, and challenging long-term path of deep emission cuts, information of progress on a sectoral basis becomes critical. Not only is this because spillovers and international cooperation mechanisms are often largely sectoral in nature, but also because it is essential for ensuring that a strong signal reaches the private sector. Indeed, general indications of emissions reductions and progress toward contributions are too broad for the private sector to shift their practices. By contrast, indications showing how specific progress is occurring throughout various sectors may be significantly more legible to the private sector and represent a much more concrete case for action.

Finally, the peer-to-peer learning that can play a key role in building countries' confidence in their ability to reach their immediate contributions will likely be most effective when occurring at the level of specific policies. This thus points to the need to generate specific information on the implementation of policies countries are undertaking to achieve their contributions.

A country that wants to ascertain itself that collective action is underway will need these three types of information. It therefore follows that this country should also be willing to share this information with others. **The above three elements and their consequences thus provides an important roadmap for the information the new transparency system needs to collect from its members. It also raises questions for the functioning of this system more generally: How does it collect this data in a way that is equitable and differentiated among countries? How should it treat and process each of these different types of information? How should it share it?**

While views on the shape of transparency system under the new agreement vary widely across countries, there seems to be agreement that the recently established current transparency system under the Convention provides at least a starting point. Thus, understanding the current transparency system's strengths and weaknesses evidenced up to present is a fundamental basis for creating the new regime and building a convergence of views around it. Section 4 provides an overview of this system, while Section 5 builds to develop foundational principles for the new regime, addresses the important issue of differentiation, and provides a concrete example of how the current system can be adapted under the Paris Agreement.

4. THE EXISTING TRANSPARENCY SYSTEM

4.1. Overview of the reporting and review phases

The current transparency system is composed of separate but parallel reporting and review processes for developed and developing countries.⁶ It was established by Parties in Cancun in 2010, in the aftermath of the Copenhagen Accord. Its rules and modalities were negotiated in 2012 and 2013,⁷ and it was finally launched in 2014. This transparency system was added onto previous existing reporting requirements and review modalities under the Convention: for developed countries, National Communications and annual greenhouse gas (GHG) Inventories (which are reviewed by Expert Review Teams), and for developing countries National Communications (and National Adaptation Programmes of Action for least developed countries).

The three main phases the transparency system, further described in Table 2, are the following:

1. A reporting phase
2. A technical examination of the reports
3. A peer-to-peer exchange

Table 2. The current transparency system under the UNFCCC

Phase		Developed countries		Developing countries	
1. Reporting		Biennial Reports (First set due in January 2014)		Biennial Update Reports (First set due in December 2014)	
Review	2. Technical examination of reports	International Assessment and Review (IAR) (First process commenced in 2014, due to be completed by December 2015)	Technical Review	International Consultation and Analysis (ICA) (First process likely to commence in 2016)*	Technical Assessment
	3. Peer-to-peer exchange		Multilateral Assessment		Facilitative Sharing of Views

Source: Authors

* According to the ICA guidelines, the ICA process is due to commence within six months of the submission of the first round of Biennial Update Reports. However, it seems likely that its start will be delayed to 2016 due to the SBI's heavy workload in 2015.

6. In Section 4, we use 'developed countries' to mean Annex-I Parties, and 'developing countries' to mean non-Annex I Parties.

7. Guidelines for Biennial Reports and Biennial Update Reports, and for the IAR and ICA processes are elaborated in Decision 2/CP.17, (UNFCCC, 2011). The guidelines for the Technical Review/Multilateral Assessment are further detailed in Decision 23/CP.19, (UNFCCC, 2013); no comparable in-depth guidelines have yet been developed for the Technical Analysis. Unless noted otherwise, the information on the current Biennial Report, Biennial Update Report, IAR and ICA processes described in Sections 4.2-4.5 proceeds from these two decisions.

4.2. Similarities between developed and developing country transparency processes

While separate and distinct processes, the current reporting and review processes for developed and developing countries present many parallels.

A first parallel between the two reporting phases exists on their objectives. Four of the five objectives that the Biennial Report and Biennial Update Reports each set out for themselves for preparing the reports are common across the two sets of guidelines.⁸ Several parallels also exist on the content that countries are asked to submit in Biennial Reports and in Biennial Update Reports. Indeed, both call for information on:

- **GHG emissions and trends**
- **Mitigation actions and their effects⁹**
- **Financial, technological and capacity-building support**

One parallel between the technical examination phases is that they primarily focus on the mitigation information present in Biennial Reports and Biennial Update Reports, and more precisely, on the following elements:

- **Emissions and removals** related to economy wide targets¹⁰ (for Biennial Reports), and national GHG inventories (for Biennial Update Reports)
- **Assumptions and methodologies** related to the attainment of economy wide targets (for Biennial Reports) or to the definition of mitigation actions (for Biennial Update Reports)
- **Progress** toward achievement of the economy wide mitigation targets (for Biennial Reports) and on implementation of mitigation actions and their estimated effects (for Biennial Update Reports)¹¹

8. These objectives are: (1) to assist in meeting reporting requirements under the Convention, (2) to improve the provision of information by parties, (3) to facilitate reporting on information on economic or social consequences of mitigation measures, and (4) to facilitate other processes (the international assessment of emissions and removals in the case of Biennial Reports, and in the case of Biennial Update Reports the timely provision of financial support needed, by offering policy guidance to the financial mechanism's operating entity) (Decision 2/CP.17, (UNFCCC, 2011)).

9. Developing parties provide this as the main focus of their transparency process, and developed parties provide it to indicate their progress toward achieving their emissions reduction goal.

10. More precisely, the quantified economy-wide emission reduction target (QEWER) developed countries took under the Cancun Accord.

11. The Technical Analysis also looks at the state of domestic MRV in developing countries.

A second parallel between the Technical Review and Technical Assessment is that they each produce a final report—a Technical Review Report and the Summary Report, respectively.

A major parallel between the Multilateral Assessment and the Facilitative Sharing of Views is their structure—they are each composed of the following three stages:

- **A preparation phase** consisting of an online Question & Answer period
- **A working session** organized as a brief presentation by the concerned Party(ies) in an open plenary, followed by an oral Question & Answer exchange
- **The creation of a Party summary record** briefly summarizing what was said during the working session (for developed Parties, this record also regroups the Technical Review Report and a record of the online Questions & Answers)

4.3. Differences between developed and developing country transparency processes

Three types of differences exist between developed and developing countries' current transparency systems: structural differences on purpose, more subtle differences on degrees of stringency and depth of information requested, and a difference regarding timing.

First of all there is a structural difference regarding the core mitigation focus of the reporting. The Biennial Report guidelines indeed state that one of these objectives is to “ensure inclusion of information” on developed countries' progress toward their quantified economy-wide emission reduction target (QEWER) they took under the Cancun Agreements, and projected emissions, while Biennial Update Report guidelines state that these reports are to “enable enhanced reporting” of developing countries on mitigation actions and effects.

Consequently, the content outlined for inclusion in the Biennial Reports and Biennial Update Reports differs. Developed countries are requested to provide a description of their QEWER using a common tabular format,¹² as well as a projection scenario of expected future emissions to 2020 and 2030 with current mitigation measures.¹³

By contrast, developing countries are not asked to provide a description of emission reduction pledges they may have taken under the Cancun

12. Decision 19/CP.18, (UNFCCC, 2012)

13. Developed countries can also choose to include in their Biennial Report projection scenarios of expected future emissions without additional measures, and with additional measures.

Agreements. Consequently, the Biennial Update Report guidelines lack a forward looking focus, and do not ask developing countries to include emission projections in their reports. Thus, the over 50 developing countries that voluntarily took on emission pledges in the Cancun Agreements¹⁴ are not asked to report on these nor provided with any guidelines of how to do so.¹⁵

These structural differences in the reporting phase logically result in the Technical Review of Biennial Reports and the Technical Assessment of Biennial Update Reports having different foci.

The stringency and level of depth of the reporting and review processes also differs. In the reporting phase, developed countries are requested to provide more in depth and up to date information than developing countries. For example, while developed countries are required to submit GHG inventories up to present (i.e. year x-2) developing countries are asked to submit updates of national GHG inventories for at least the calendar year no more than four years prior to the date of submission (i.e. year x - 4). The use of 'shall' in Biennial Report guidelines, versus 'should' in Biennial Update Report guidelines also connotes a different stringency of requirement between the two sets of countries.

Differences in stringency also percolate into the technical examination phase. Under the Technical Review, developed countries undergo a "thorough and detailed technical examination" of the information on mitigation and financial support provided. The Technical Review Team leading it can identify issues related to transparency, completeness, timeliness, and adherence to the guidelines, as well as make suggestions to solve the problems identified. It also records, in the Technical Review Report, efforts made by the Party at hand to address such issues. In turn, developing countries are subject to an 'assessment' of information in Biennial Update Reports. The Teams of Technical Experts conducting the Technical Assessment do not have the mandate to identify any issues that

may arise on transparency, completeness, timeliness, and adherence to the Biennial Update Report guidelines.

Regarding the technical examination phases' output reports, there is a difference in the degrees of input that developed and developing countries can provide. Developed countries cannot provide input into the Technical Review Report, but can advance a written comment to accompany the report when it is shared with the COP. By contrast, developing countries can provide comments to be integrated into the final draft of the Summary Report, which is finalized in consultation with them. In other words, Expert Review Teams have a greater degree of independence in drafting Technical Review Reports than do Teams of Technical Experts in drafting Summary Reports. In addition, the former is shared with the COP, while the latter is presented to the SBI.

It is not yet clear what differences will exist between the Multilateral Assessment and the Facilitative Sharing of Views, as detailed guidelines describing the focus and process of the latter have not yet been released.

A third difference between developed and developing countries' transparency processes is one of timing. In terms of reporting, Biennial Reports were due in January 2014 and Biennial Update Reports in December 2014. According to the review guidelines, the IAR and ICA processes are to start within six months of the submission of their respective reports. While this has been the case for the IAR, the ICA (or at least the FSV) is likely to start in 2016, due to the SBI's heavy workload in 2015. It should be noted that this would be one to two years after the submission of Biennial Update Reports at the end of 2014, and on the basis of emissions inventory information that will be 5 to 6 years old by the start of the ICA process.

4.4. Strengths of the current transparency system

The guidelines and outputs generated so far by the transparency allows us to identify several major strengths of the reporting and review phases. All in all, the current transparency system under the convention has many positive elements, and represents a significant advance from previous reporting and review requirements under the UNFCCC.

By increasing the periodicity and regularity of reporting, an impressive amount of information is being gathered and made available to all Parties, as well as to international organizations and civil society. This level of information is particularly significant as compared to other international environmental regimes.

14. Under the Cancun Agreements, 10 developing countries took on economy wide mitigation pledges, 13 took on quantitative sectoral targets, and 33 took on qualitative sectoral targets. FCCC/SBSTA/2014/INF.6, (UNFCCC, 2014) and FCCC/SBI/2013/INF.12/Rev.2, (UNFCCC, 2014), in Spencer, T. et al (2014). "The Mitigation Framework in the 2015 Climate Change Agreement: from Targets to Pathways," IDDRI, Working Paper, N° 07/14.

15. Another structural difference between developed and developing party reporting also exists on support (financial, technological and capacity building)—developed countries are to report on its provision, and developing countries only on support received and needed. In other words, developing countries are not asked to report on the financial support that they might provide.

On the review side, countries now undergo a more thorough technical examination than previously in the climate regime. The Technical Review Reports that have been released so far by the UNFCCC reveal how the Expert Review Teams leading the Technical Review of Biennial Reports are putting in practice their mandate to highlight inconsistencies in the presentation of data in these reports (for example on inventories or on the description of quantified economy-wide targets), and to issue recommendations to countries to resolve such inconsistencies in subsequent submissions. For example, the technical team reviewing the United States' Biennial Report encouraged the country to “clarify the status of the target and conditions provided in the previous submissions when reporting thereon in its next Biennial Report.”¹⁶

Perhaps more importantly, Technical Review Reports also demonstrate how technical teams are assessing and providing their opinion on the likelihood that each developed country in question will reach its target. These reports indeed describe whether the different policies and measures detailed in the Biennial Report may enable the country under review to reach its target, or whether the expert teams consider them as insufficient. Three different examples can illustrate this:

- In the case of Spain, “the Expert Review Team noted that none of the projections under the three projection scenarios [with measures, with additional measures and without measures] reported in the BR1 indicates that Spain could reach the target described under the European Union effort-sharing decision.”¹⁷ Spain indicated that in order to close this emissions gap it was increasing its domestic action, and if this proved insufficient, it would acquire carbon credits through the Kyoto Protocol's Clean Development Mechanism.
- For the United States, the Expert Review Team acknowledged the country's progress reflected in the 6.5 per cent emissions reduction achieved by 2011 compared with the 2005 emissions level. But it also assessed that reaching the country's 2020 mitigation target “is likely to be very difficult” with just existing measures up to 2012. The report highlights that the additional measures put in place under President Obama's Climate Action Plan (CAP) could allow the country to reach its goal, but could also be insufficient. The expert team commended the transparency with which the United States presented the uncertainties in the exact emission reductions

the CAP may bring about, and highlighted that the country foresaw the uncertainties would be reduced once measures start to be implemented.¹⁸

- For New Zealand, the Expert Review Team highlighted that the projections in the Biennial Report estimate the country's total GHG emissions (excluding LULUCF) will rise to 29 per cent above 1990 levels by 2020,¹⁹ even as its unconditional target is a 5 per cent reduction below 1990 levels by 2020.²⁰ In response, New Zealand explained it plans to close this emissions gap by using international carbon credits.

Furthermore, together with the Biennial Report, the Technical Review Reports released so far do include a wealth of information on policies implemented, which can be important for learning between Parties and giving clarity to the private sector on the global policy landscape.

For the peer-to-peer exchange, we can draw a few positive elements from the recently launched Multilateral Assessment. First of all, this type of peer-to-peer review, which has started to be used in various multilateral agreements, has been received with enthusiasm by developed and developing countries. The Multilateral Assessment's preparation phase—an online process in which developed countries have two months to answer other Parties' questions—has seen much participation, with over 250 questions asked and responded in the months preceding working session at COP20. This exchange provides a wealth of information that can help to understand countries' progress toward implementing mitigation targets, contribute to policy exchange and learning between countries, and push them to clarify methodological issues in their reporting.

The International Consultation and Analysis process not having yet commenced, it is not currently possible to identify the specific strengths and positive lessons of this review process for developing countries.

4.5. Weaknesses and areas for improvement of the current transparency system

While the current transparency system has several strengths, the guidelines and outputs generated so far also present various weaknesses and elements for improvement under the Paris Agreement.

16. FCCC/TRR.1/USA, (UNFCCC, 2014), p. 6.

17. FCCC/TRR.1/ESP, (UNFCCC, 2014), p. 6.

18. FCCC/TRR.1/USA, (UNFCCC, 2014), p. 7.

19. FCCC/TRR.1/NZL (UNFCCC, 2014), p. 6.

20. FCCC/SBSTA/2014/INF.6 (UNFCCC, 2014)

For the reporting phase, we have identified the following three weaknesses, further detailed below:

1. A lack of clarity on the purpose of the reports
2. A lack of guidelines to help developing countries that took relative-economy wide targets or sectoral pledges under the Cancun Agreements report on their progress toward them
3. A very low rate of Biennial Update Reports submissions (less than 10 percent)—in other words, a very low level of participation of developing countries in the overall transparency system

The review phases also have several weaknesses:

1. Inability of the technical teams to track progress of developing countries toward their voluntary targets
2. Unclear value added so far of the Multilateral Assessment's oral Q&A
3. No mandate to produce at the conclusion of the transparency process a final formal, independent determination of a country's progress to its target
4. Lack of political visibility

4.5.1. Reporting phase weaknesses and elements for improvement

A fundamental weakness in the reporting process is indeed the lack of clarity in the purpose of these reports. Although two objectives of the Biennial Reporting *guidelines* are to ensure that Biennial Reports (1) “include information” on developed countries' progress in achieving their economy-wide target, and (2) “facilitate the international assessment of emissions and removals related to progress toward the achievement” of this target,²¹ **nowhere do the Biennial Report nor Biennial Update Report guidelines explicitly state the central purpose of the reports.**

It is important to note that several countries themselves have identified that such a lack of clarity in the reporting system is an important point for improvement. For example, the European Union (EU) has insisted on the importance that Biennial Reports provide a concise and clear indication of progress toward the targets countries voluntarily took under the Cancun Agreements.²²

This lack of clarity is reflected in the vast heterogeneity of the first set of Biennial Report and Biennial Update Reports. These vary not only

in terms of their length,²³ but also on which reporting elements they place most attention on or omit.

Such a lack of clarity also results in a varying quality of the information provided by countries across reports, notably on the progress toward their targets. For example, Canada's Biennial Report clearly describes the country's quantified economy wide target, and presents some of the mitigation measures the country is undertaking. Yet it lacks precision on the likelihood of meeting it, merely stating: “in light of strong economic growth, [reaching the target] could be challenging: Canada's economy is projected to be approximately 31% larger (in real terms) in 2020 compared to 2005 levels. The Government's approach is to encourage strong economic growth and job creation while achieving its environmental objectives.”²⁴ Furthermore, the projections included in the report indicate that Canada is likely to overshoot its 2020 pledge by 17%.²⁵ However, nowhere does Canada explicitly state in its Biennial Report that it will likely not achieve its target.

A second weakness is the lack of guidelines to help developing countries that took relative-economy wide targets or sectoral pledges under the Cancun Agreements report on their progress toward them. This results in Biennial Update Reports in which there is no mention made of these targets, and thus no connection between the mitigation actions taken by the country and their mitigation target. This can be illustrated by South Africa's First Biennial Update Reports. It contains a long (30 pages) Section on ‘mitigation actions and its effects,’ in which it describes major types of actions that the country is taking to address climate change (e.g. a price on carbon), and details in tabular format 52 policies it is implementing across a variety of sectors. Yet nowhere does it mention that under the Cancun Agreements, the country took on an economy-wide pledge of a 34 per cent deviation below the ‘business as usual’ emissions growth trajectory by 2020, and a 42 per cent deviation below the ‘business as usual’ emissions growth trajectory by 2025.²⁶

A third weakness is the extremely low submission rate by developing countries of their First Biennial Update Reports. Only 10 countries submitted

21. Decision 2/CP.17 (UNFCCC, 2011), p. 31.

22. “Views from Annex I Parties on their experience with reporting the first biennial reports,” (Greece and the European Commission, 2014)

23. For example, the United States' report was 31 pages long, the EU's 150 pages long, South Africa's 150 and Brazil 48 pages long.

24. Canada's First Biennial Report, Annex 1 in Canada's Sixth National Report on Climate Change (Canada, 2014), p 209.

25. Ibid.

26. FCCC/SBI/2013/INF.12/Rev.3 (UNFCCC, 2015), p. 53.

their reports by the deadline of the December 31st, 2014 deadline,²⁷ and as of April 2015, only three additional submissions had been made.²⁸ **In other words, less than 10 percent of all developing countries are so far participating in the current transparency system.** This is in contrast with an almost universal participation by developed countries to the process.²⁹

It is true that in the reporting guidelines, the January 2014 submission deadline for Biennial Reports is presented as strict, while that for Biennial Update Report is worded in a more flexible manner: “non-Annex I Parties, consistent with their capabilities and the level of support provided for reporting, should submit their first Biennial Update Report by December 2014.”³⁰

Nevertheless, this raises several questions: is it the hectic nature of the years leading up to 2015, with the preparation of INDCs and negotiations up to Paris, that has led Biennial Update Report submissions to fall from the wayside? Or does it denote a deeper lack of capacity from developing countries that has not been met by the capacity building and financial support called for in the Biennial Update Reporting guidelines?³¹

While it is beyond the scope of this paper to analyze the causes of this present lack of developing countries participation in the transparency system, countries should take up this central issue of capacity building in the process of instituting the transparency system under the Paris Agreement. **It is essential that the new transparency system successfully enable and promote broad participation in the reporting and review processes.**

4.5.2. Review phase weaknesses and elements for improvement

Regarding the technical examination phases, there is an inability on the part of the technical

teams to track progress of developing countries toward their voluntary targets. We also identified room for improvement in the Multilateral Assessment’s working session, in which each country is assigned a two hour slot in during which it provides a presentation and answers any questions from the floor. While these working sessions sounds in theory useful for genuine exchange and policy learning between countries, in practice, the value added of the COP20 working session, with regards to the online Q&A phase, was not very clear. Indeed, countries’ presentations were short (about 15 minutes, 30 minutes for the EU), and mostly offered only a general overview of information contained in their biennial reports: their emissions, targets, and a more or less detailed description of the policies taken to achieve them.

It is also unclear whether the oral question-and-answer exchange produced a relevant understanding of progress on the achievement of targets by those countries being assessed. Nor did it seem to provide an opportunity for detailed exchange and policy learning, given the constraints of operating in plenary under time restrictions. Finally, although at times countries under assessment appeared to be uncomfortable after being asked sensitive questions, it is not clear that the working session contributed to mobilizing positive reputational incentives to implement targets, beyond those already created by Biennial Reports, Technical Reviews and the Multilateral Assessment’s online Q&A session.

Two weaknesses can also be identified regarding the outputs of the technical examination and peer-to-peer exchange. Firstly, **the transparency system does not currently have the mandate nor the modalities to end in a formal, independent determination of a country’s progress to its target, nor to raise a concern of implementation if it is clear that the country risks not meeting its target** (even if such a determination were to have no consequences, or result in any sanctions). Secondly, these outputs lack political visibility.

It is important to note that dynamism is already embedded in the current transparency system, providing room for the above weaknesses to be improved upon in the next few years. Indeed, the IAR modalities will be reviewed in 2016, and those of ICA in 2017, based on the experience gained through the first IAR and ICA processes. Reporting guidelines are also set to be reviewed and revised; a revision of the biennial report guidelines was on the agenda of the SBI40, in June 2014.³²

32. However, it seems like this revision did not end up taking place at the SBI40 session.

27. Andorra, Brazil, Chile, Namibia, Peru, Korea, Singapore, South Africa, Tunisia, Vietnam.

28. Azerbaijan, Bosnia and Herzegovina, Macedonia

29. The First Biennial Reports were due on January 1st, 2014. The vast majority of developed countries submitted their reports by the deadline, and by April 2014, all countries—with the exception of Turkey, whose report is still pending—had submitted their reports.

30. Decision 2/CP.17 (UNFCCC, 2011), p. 10.

31. Regarding support for preparing Biennial Update Reports, the guidelines: “urge non-Annex I Parties to submit their requests to the Global Environment Facility for support, in a timely manner;” and note that the “enhanced support for the preparation of biennial update reports should be ensured by developed country Parties.” The decision also calls for “new and additional financial resources” from developed countries to support the ICA process. Decision 2/CP.17 (UNFCCC, 2011), p. 10; 14.

5. ADEQUACY AND PRINCIPLES OF THE TRANSPARENCY SYSTEM UNDER THE NEW CLIMATE REGIME

5.1. Adequacy of the transparency system under the new climate regime

While addressing the weaknesses listed above in Section 4 would be a positive step forward for improving transparency, such modifications do not in themselves render the current transparency system adequate under the new climate regime. In order to be adequate, this transparency system needs to:

1. Fulfill its ultimate role of helping to build countries’ trust in collective action, so as to help spur greater mitigation ambition
2. Be aligned with and coherent with the principles of the new agreement

Regarding the first element, it is useful to revisit what was said in Section 3. Table 3 summarizes this discussion and the consequences for the type of information that the transparency system needs to generate.

Table 3. Trust in collective action, rising ambition, and implications for transparency system

Concerns that limit countries’ ambition	Trust in collective action assuages a country’s concerns by:	Type of information the transparency system needs to collect
1. Collective action challenge and fear of free riding	<ul style="list-style-type: none"> ■ Rendering the cost-benefit analysis of acting more attractive than that of acting alone, and reduces the likelihood/extent of free riding 	<ul style="list-style-type: none"> ■ General emissions inventory data ■ Other information on countries’ progress toward achievement of contributions
2. Fear of plunging into the unknown, long-term journey of deep decarbonization	<ul style="list-style-type: none"> ■ Helping it legitimize its decision to act on climate change ■ Sending a more powerful signal to the private sector (in turn facilitating greater mitigation action) ■ Increasing the positive spillovers of climate action and the potential for success of international cooperation mechanisms 	<ul style="list-style-type: none"> ■ Information on countries’ progress at a sectoral level ■ This level of information is much more legible to the private sector than general emissions and economy-wide emissions reduction data
3. Lack of confidence in ability to achieve contributions	<ul style="list-style-type: none"> ■ Increasing its possibility to learn from other countries on their implementation of mitigation policies 	<ul style="list-style-type: none"> ■ Information on specific policy measures ■ This can be useful as a collective learning among countries will mostly occur at this level)

Source: Authors

The transparency system thus ideally needs to collect data and information from countries at national, sectoral, and policy levels. This in turn raises three questions: how will this information be collected? How will it be processed? How will it be disseminated and given political visibility? We will return to these questions in Section 6, in which we advance a proposal for how to operationalize the functioning of the transparency system under the new climate regime.

5.2. Universality and self-differentiation in the new transparency system

To fulfill the two conditions listed in Section 5.1 for adequacy under the Paris Agreement, the new transparency system will need to adopt four main principles: universality, self-differentiation, no-backsliding, and continuous improvement.

There are several reasons why the transparency system should adopt the principle of universality (universality of reporting on progress, and universality of a reporting and review track). First, out of reciprocity—if countries want to have information from other countries as a way to gain confidence that collective action is taking place, they should also be willing to provide the same type of information in return. Secondly, adopting such a principle of universality would reflect the principle that the new agreement should be “applicable to all.” More specifically, it would lead to coherence with NDCs—a central component of the new climate regime—that have also adopted the principle of universality.

Thirdly, universality is important since countries’ reporting will focus on the progress they are making toward their NDCs. NDCs will likely vary widely across countries, in line with the diverse national circumstances of each. The lack of guidance the current system gives to developing Parties on how to report on the pledges they took under the Cancun Agreements demonstrates that a static, bifurcated system is not effective in accounting well for a diversity of targets. A transparency system with as many different tracks as different types of NDCs, and specific guidelines and firm set of requirements for each type of NDCs does not offer a solution either—not only is it impractical in light of the vast and yet unknown diversity of NDCs, but it also clashes with the principle of self-differentiation that countries have agreed upon in building their NDCs. Universal reporting and review processes thus appear to be the simplest and most logical way to account for this wide spectrum of contributions.

One way in which to create these universal reporting and review processes in the new climate

regime is by merging the currently bifurcated processes. To ensure that this merging leads to an equitable result, it is critical that the new transparency system also adopt the principle of self-differentiation. This principle indeed ensures that the unification of the transparency system result not in an unfair or excessive strengthening of requirements for some countries or across a specific element.

More concretely, the principles of universality and self-differentiation can be transposed into the transparency system through the creation of a universal reporting process in which all countries participate, and in which they choose, from a menu of reporting options, those they consider to be most in line with their NDC (and consequently also in line with their national circumstances). These principles could be transposed in the technical examination phase by providing the expert teams leading it with the discretion to choose, from a menu of review options, those they consider most appropriate to the country they are reviewing. The peer-to-peer exchange could consist of a straightforward merging of the current Multilateral Assessment and Facilitative Sharing of Views processes, with few additional changes.

5.3. No-backsliding and continuous improvement in the new transparency system

To ensure the fairness and ambition of the transition toward universal reporting and review processes, it is critical that the new transparency system enshrine two additional principles: no-backsliding, and continuous improvement. As applied here, the principle of no-backsliding plays a fundamental role in ensuring that the shift toward a universal and self-differentiated transparency system does not result in a weakening of reporting and review requirements for some countries or on a specific element. Notably, it helps ensure that the degrees of stringency with which developing countries report on progress to their NDCs is not lesser than that which they face under the current transparency system. To enforce this, the team of experts leading the review process could highlight and share with the COP instances of backsliding (this is further developed in Annex 1).

The principle of continuous improvement aims to promote the progression over time of countries in their reporting and review, in line with the evolution of their NDCs. At the start of the new climate regime, this principle could be reflected in several instances, including: (1) improved and harmonized financial support reporting and review for developed countries, (2) reporting on progress

toward relative economy-wide targets by those developing countries that take them on, and (3) improved inventory reporting by all countries with the exception of LDCs. Developed countries should also report further in their Biennial Reports on the policies underpinning their transition toward their NDC, as well as other indicators on decarbonization progress. See Annex 1 for additional details.

Furthermore, it is important that the new transparency system strongly acknowledge and take into account the diverse national circumstances countries from which countries are starting for their reporting, e.g. differences in statistical and national inventory capacities. This underscores the importance of funding the development of national MRV systems, and more broadly capacity building related to developing countries' participation in the reporting and review processes.

In a transparency system that enshrines the principles of universality, self-differentiation, no-backsliding, and continuous improvement, developing countries with NDCs that do not include absolute economy-wide emissions reductions targets would be *de facto* faced with less stringent reporting and review requirements than developed countries.

5.4. Paris and beyond

Countries must lay at COP21 the groundwork of the transparency system under the new agreement. To do so, they must come to a political agreement on the main objectives of this system and the broad principles that will underpin it, especially the four principles described above. These principles should be translated into the core provisions of the Paris legal agreement.

Building the technical details of the transparency system can wait until after COP21, yet in order to achieve political convergence around the major principles of the transparency system under the new agreement, it remains necessary for countries to have a relatively detailed understanding of what the transparency system will look like. They will be reluctant to sign a blank check, so to speak.

To this end, Section 6 sketches out how the new transparency system could improve upon the current system, and how to operationalize the merging of the current bifurcated system into a universal reporting process, and a universal review process, both which would allow for self-differentiation between countries.

6. DESIGNING THE NEW TRANSPARENCY SYSTEM: A PROPOSAL

6.1. A framework for operationalizing the new transparency system

We propose that the shift from the current bifurcated system to a unified universal system be brought about by a merging and improving of the current Biennial Report guidelines and the Biennial Update Report guidelines, and likewise for the current IAR and ICA guidelines. Some elements of the new transparency system that are currently lacking in the current system and thus will have to be built from scratch. We propose that the new reports be called ‘Biennial Reports,’ yet for the sake of clarity, we henceforth refer to them here as ‘Revised Biennial Reports.’

To frame our proposals for operationalizing the new transparency system, it is useful to remember the three types of information—general, sectoral, and policy level—developed in Section 3 as being critical for building of trust in collective action. Table 4 summarizes how this information can be collected, processed, and disseminated, as well as which elements can draw from the merging of the current transparency system’s two sets of reporting and reviews tracks, and which will have to be built anew. This is further elaborated throughout the rest of Section 6.

6.2. How to collect transparency information: proposals for the new reporting phase

Our key proposals for the reporting phase of the new transparency system are the following (each of these elements is further developed in Table 5 (located in Annex 1)):

General elements:

- **Clarification of purpose:** The purpose of the Revised Biennial Reports should be to provide a comprehensive yet concise self-assessment of countries’ progress toward their NDC.
- **Timeline:** All Parties to submit Revised Biennial Reports every two years (Small Island Developing States (SIDS) and Least Developed Countries (LDCs) to submit every 4 years)
- **Capacity building and financial support:** Modalities should be developed to better understand and adequately respond to capacity and financial support needs of developing countries, so as to ensure broad participation in the reporting process.

Table 4. Information in the new transparency system

Type of information in the new transparency system	How is this information ...		
	collected?	processed?	disseminated?
Emissions and other information on progress toward NDCs	In Revised Biennial Reports	Technical Examination	UNFCCC emission database
Sectoral information	<i>Parties should provide greater sectoral information in Revised Biennial Reports, yet this will remain voluntary and ad-hoc</i> <i>Collect regional and international sectoral trends from external sources (i.e. IEA, OECD)</i>	<i>Assessment of Collective Decarbonization Progress</i>	<i>Assessment of Collective Decarbonization Progress as an ex-ante input into a cycle of contributions</i>
Policy level information	In Revised Biennial Reports <i>Make policy learning a more explicit role of the transparency system</i>	Technical Examination Peer-to-Peer Exchange	Peer-to-Peer Exchange

Source: Authors

Note: Normal text = element resulting from a merging and improvement of current transparency processes / *Italic text* = new proposed transparency process or element

Reporting elements in Revised Biennial Reports:

1. Inventories: The sharing of up-to-date inventories is critical for transparency. Thus, it is important that all developed countries continue to provide x-2 inventories, and all developing countries in a position to do so should provide x-2 inventories by 2020.

2. Description of NDCs: All Parties to describe their NDC based on the elements agreed to in the Lima Climate Call for Action on upfront information.³³

3. Progress toward NDC: All Parties to describe progress toward their NDC, in the unit of their NDC. Countries should report on two major types

33. It will notably be important to develop guidelines for reporting on relative economy-wide contributions, as a growing number of developing countries are likely to over time chose to take on such targets rather than sectoral targets. Indeed, developing countries with rapidly growing economies may follow the lead of China, South Africa, Brazil and other developing countries who have adopted these contributions because it allows them to take into account the uncertainties they face in their economic development better than sectoral targets do. Spencer, T. et al (2014). “The Mitigation Framework in the 2015 Climate Change Agreement: from Targets to Pathways,” IDDRI, Working Paper, N° 07/14.

of information (as appropriate with their NDC): (a) emission reduction estimates, and/or other general information on progress toward NDCs (as appropriate with regards to the type of NDC at hand), and (b) information on major relevant mitigation policies and actions underpinning the NDC, estimated effects, and implementation progress to date. The new transparency system should notably reiterate the importance of mitigation policy information, for policy learning among countries.

4. Sectoral information: Providing information on major sectoral policies and estimated effects would be mandatory for countries taking on sectoral targets (as it would be equivalent with element 3. above, on reporting on progress toward their NDC). While providing such information, as well as other sectoral indicators of decarbonization would be voluntary for countries taking on economy-wide NDCs (either absolute or relative), these countries should strongly consider providing it as a critical component for rendering credible and understandable the Party's strategy for reaching its aggregate NDC.

5. Emission projections: All Parties to provide emission projections, except those unable to do so.

6. Support provided and received: Developed Parties to provide information on support provided, based on improved and harmonized guidelines. Developing Parties in a position to do so to report on support provided.

7. Self-explanation of choices: All Parties to explain their choice of reporting options used in their Revised Biennial Report, notably in light of their national capacity and responsibility.

Elements 1-3, 6, and 7 above result from a merging across reporting elements in the current Biennial Report and Biennial Update Report guidelines, which, as described in Section 4, present much overlap between them. Reporting elements 4 and 5 are also drawn from the current reporting guidelines, without currently being standalone Sections. Element 8 draws inspiration from the Lima Call for Climate Action, which asked countries to explain their INDCs.

The principle of continuous improvement is integrated throughout the eight reporting elements. To safeguard against backsliding, we introduce a 'self-explanation of choices' component (element 7 above), and propose that the reporting phase of the new transparency system make clear which options developed countries are to take on.

Table 5 lists a set of options from which countries can select the most appropriate in light of the nature of their NDC and national circumstances.

6.3. How to process transparency information: proposals for the new review phases

As described in Section 4, in analyzing the IAR and ICA guidelines, as well as the first IAR process launched in 2014, we found that the current review process works reasonably well, and can fulfill well the goals of the new transparency system. Thus, the only major modification we propose is a merging of the IAR and ICA processes into one universal review system for all Parties.

Our key proposals for the new reporting system, developed in further detail in Table 6 (see Annex 2), are the following:

General elements:

- **Clarification of purpose:** The purpose of the new technical review phase should be to undertake a review of countries' self-assessment of progress toward their NDC, ensure that sufficient information is provided to conduct this assessment, and identify instances of backsliding in Revised Biennial Reports. The technical review process also plays a critical role in promoting the continuous improvement of countries' Revised Biennial Reports over time, and of safeguarding against potential instances of backsliding. The purpose of the peer-to-peer phase is to provide an important arena for policy-exchange and learning between countries.
- **Timeline:** The review process to be completed in a timely manner, ideally within one year of submission of the Revised Biennial Report.
- **Capacity building and financial support:** Modalities should be developed to better understand and adequately respond to capacity and financial support needs of developing countries, so as to ensure broad participation in the review process.

Technical Examination

- **Technical Examination Teams:** It is essential that these teams have a fair and balanced composition, and be trained to be aware of the difficulties developing countries may face in preparing their Revised Biennial Reports.
- **Inputs:** To draw primarily from Revised Biennial Reports, and other reporting requirements and technical information provided by countries as deemed relevant.
- **Focus:** To undertake a substantive examination of the components in the Revised Biennial Reports, and to identify issues related to (a) progress of countries towards their NDCs, (b) transparency, completeness, timeliness and adherence to reporting guidelines, (c) instances

of backsliding in the reports, and (d) capacity needs of developing countries regarding the reporting and review processes.

- **Process:** To be decided whether a desk or in country review.
- **Output:** A Technical Examination Report for each country, which summarizes findings by the Technical Examination Team and includes an explanation of the technical team's choices of review options used for said country.

Peer-to-Peer Exchange

- **Inputs:** Revised Biennial Reports, Technical Examination Reports and other relevant reporting requirements under the UNFCCC.
- **Process and focus:** To be composed of two phases, akin to those under the current Multilateral Assessment and Facilitative Sharing of Views: (a) an online Q&A session, (b) a working session held in a plenary setting.
- **Output:** A compilation record.

The above proposed elements for the review phase results from a merging of the guidelines for the IAR and ICA across each review element, across which there already exists much overlap, as discussed in Section 4. The element of continuous improvement is notably applied in our proposal to extend the ability of the Expert Examination Teams to identify issues of completeness, timeliness, and adherence to the Biennial Reporting guidelines from only developed Parties (as is currently the case) to all Parties.

To safeguard against backsliding in the reporting process, we propose that Expert Examination Teams be given the mandate to identify any such instances. To safeguard against backsliding in the review process, we propose that each Technical Expert Team discuss in the Technical Examination Report the capacity of the Party at hand and how the team took it into account in the review it chose to apply to the country.

6.4. How to process transparency information: proposal for an Assessment of Collective Decarbonization Progress

Several organizations already undertake part of the analysis needed to build confidence among countries and the private sector on the nascent decarbonization shift in markets and technologies. For example, the International Energy Agency (IEA) conducts an annual assessment of progress in clean energy technologies, and the Global Legislators Organization (GLOBE) undertakes a comprehensive annual audit of climate legislation

across 66 countries, together responsible for over 85 percent of greenhouse gas emissions. **However, so far there is no entity or process, neither within the UNFCCC nor outside, which provides a global landscape scan on aggregate progress to date toward decarbonization.**

To fill this gap, we propose that the UNFCCC undertake under the new climate regime an **Assessment of Collective Decarbonization Progress**. This would be a key input into the process of instituting the following cycle of contributions, and would help build trust among countries that some collective action is indeed underway. This assessment could be undertaken by a new independent institution, the **Standing Committee on Collective Implementation**, in the last year of each cycle of contributions. A model for this institution could be the Standing Committee on Finance, which currently has the mandate to produce a landscape scan on the current state of climate finance, and is composed of several independent experts.

An important input into this assessment would be information and data on country-level progress generated throughout the biennial reporting and review processes during the contribution period at hand. The new Standing Committee on Collective Implementation leading this assessment of collective decarbonization progress could also draw from external organizations producing information at the aggregate or international level on general trends or aspects of decarbonization. In concrete terms, this could mean that the Committee might interview experts at IEA and at other organizations that undertake complementary work on interesting aggregate trends related to decarbonization that they may have identified. It is important to underscore that this assessment of collective mitigation action would not single out any specific countries, except to highlight positive national mitigation trends present in Biennial Reports. The opportunity to have this information highlighted in this assessment report could provide a positive incentive for countries to report on policy detail and progress in their Biennial Reports, as well as to implement these actions.

It is also important to distinguish such an assessment of countries' aggregate decarbonization action from the type of analysis currently undertaken for example in the IPCC Assessment Reports (ARs) or UNEP Gap Report. These two processes provide critical warnings and reality checks to the international climate community. Nevertheless, the past years have shown that by themselves, they have been insufficient for stimulating significantly greater ambition by countries. This is because they do not contribute to the role of

building trust that collective action is occurring. Indeed, rather than tracking progress on decarbonization action, they focus, respectively, on the level of action the science tells us is needed, and on the *gap* existing between the action countries have pledged to reach the 2 degrees goal and the action they have taken.

In the new regime, we propose that the IPCC ARs, UNEP Gap Reports, and similar processes feed into an ‘**ex-ante assessment of collective adequacy of proposed INDCs**,’ to be undertaken the year preceding the beginning of each cycle of contributions, and which would be an important input into the negotiations of this new cycle. It would assess the adequacy, *at the aggregate level*, of the proposed INDCs for the following contribution period, versus the 2 degrees goal.

Together, the two collective transparency processes proposed above would be fundamental and complementary inputs at the start of a cycle of contributions, in helping to influence countries to raise the ambition of their proposed INDCs.

To summarize, at COP21 Parties should set the foundations of these collective transparency processes, notably mandating the creation of an independent Standing Committee on Collective Implementation, with the mandate of creating the continuous assessment of collective decarbonization progress. Countries could decide on guidelines for these processes in subsequent years up to 2020, with one focus notably on how to aggregate the diverse information contained across biennial reports and outputs from biennial reviews.

6.5. How to disseminate transparency information: on political visibility

The outputs of the current transparency system lack political visibility. Political visibility in the new transparency system is important, in so far as it helps to construct trust in collective action, on the basis of information that is reported and reviewed. In the transparency system under the Paris Agreement, it is particularly important that progress on decarbonization gain political visibility. Thus, it will be important to think through the exact modalities for feeding the Assessment of Collective Decarbonization Progress into the beginning of each cycle of contributions, which will itself be a moment of heightened political attention every 5 years (if this is the length of the cycle). To heighten the political visibility of policy level information, it is important to further emphasize in the review guidelines (as highlighted in Section 6.4) the policy-learning role of the Peer-to-Peer Exchange process.

Another way that could be envisioned in the future to disseminate the information from the transparency system could be the creation of a database with information on the implementation of decarbonization. An accurate, up to date, and objective UNFCCC database with decarbonization implementation information across sectors and countries could prove extremely useful to all of those international institutions and all types of arenas in which questions of implementation of decarbonization have already started arising, and which will keep accelerating. In time, it could even become an international reference as is currently the UNFCCC’s emission inventory database. However, building such a database would only be possible if at some point Parties decide to evolve the requirements of the transparency system in such a way that makes the reporting of some sectoral information mandatory.

7. CONCLUSION

To ensure the success of the Paris Agreement, at COP21 countries must come to consensus on and inscribe the objectives and general principles of the transparency system under the new climate regime. By collecting, processing, and disseminating general, sectoral, and policy level information on countries’ individual and collective implementation progress, this system will enable countries to build trust in collective action, in this way allaying concerns that currently limit their mitigation ambition, and ultimately enabling rising action.

This transparency system does not have to be built from scratch, but can rather draw upon the current biennial reporting and review processes established under the Cancun Agreements. However, this paper identifies that to be adequate under the Paris Agreement, the new transparency system must go beyond simply improving the current system’s weaknesses. Rather, the new transparency system must be a composed of single-track, universal reporting and review processes, in which self-differentiation is ensured by a menu of reporting options from which countries can choose based on their NDC, and a menu of review options which technical teams have the discretion of selecting as appropriate to the type of NDC at hand.

Such a system would reflect the principles of universality and self-differentiation elaborated in the Lima INDC decision, and could concretely be brought about through the merging of the current transparency system’s developed and developing country reporting tracks, and review

tracks. The principles of continuous improvement and no-backsliding should also be enshrined. An important addition to the transparency system would be an assessment of collective decarbonisation progress, which would be a key input into the cycle of contributions, a key mechanism for raising ambition.

Examples of how this new transparency system could concretely work (as that developed in this paper) can be useful inputs into the negotiation process.

All in all, it is important to reiterate that in light of the importance a robust transparency system have for the success of the Paris Agreement, and the modifications it entails from the current transparency system, countries that want an ambitious agreement must place heightened political and negotiating attention to this topic up to COP21. ■

APPENDIX

Annex I

Table 5. Revised reporting requirements under the new agreement

Reporting elements	Description and reporting options	Remarks
General elements		
Clarification of purpose	<p>Reporting guidelines should explicitly state that the core purpose of Revised Biennial Reports is to provide a comprehensive, yet concise self-assessment of countries' progress toward their NDCs (be these targets absolute economy-wide, relative economy-wide, sectoral, or of another type).</p> <p>This includes not only general information such as emission inventories and reduction estimates, but also information on policies that underpin the achievement of the NDC. Countries should also provide sectoral information on decarbonization.</p>	<p>Such a clarification aims to redress the lack of a clear purpose of the current Biennial and Biennial Update Reports, which is a clear weakness of the current system. This lack of purpose is visible notably in the heterogeneity of the reports, and has been identified by several Parties having submitted Biennial Reports as being a main area for improvement.</p> <p>Clarifying the purpose of Revised Biennial Reports would also help to harmonize the reports. This would facilitate the input of these reports' information into the assessment of collective decarbonization progress, which itself would be an important input into the new cycles of contributions. It would also facilitate the use of data in Revised Biennial Reports by external actors who might want to compare countries' actions.</p>
Timeline	All Parties to submit Revised Biennial Reports every two years.	Special discretion given to SIDS and LDCs to submit Biennial Reports every four years.
Capacity building and financial support for participation in reporting process	Modalities to be developed to better understand and adequately respond to capacity and financial support needs of developing countries.	It is critical that the new transparency system ensure participation of all countries in the reporting process.
Reporting elements in Revised Biennial Reports		
1. Inventories	<p>Parties to submit inventories as follows (using IPCC tiered methodology):</p> <ul style="list-style-type: none"> • x-2 years for developed countries • x-2 years for developing countries in a position to do so • x-4 years for other developing countries 	<p>Having more up to date inventories is critically important for improving transparency, and for being able to get a sense of current global emissions. Thus, developing countries that have the capacity should evolve to provide x-2 inventories by 2020.</p> <p>During the review phase, expert review teams should recommend adjustments to inventories to progressively ensure their improved quality over time.</p>
2. Description of NDC	<p>Parties to describe their NDC based on, inter alia, the following elements:</p> <ul style="list-style-type: none"> • Reference points: base year or projected reference level if a BAU target • Time frame for the contribution • Sectoral scope and coverage • Accounting approaches, including for GHG emission removals from the land use sector, markets, and non-GHG metrics as appropriate • Assumptions and methodological approaches used to determine the NDC • A description on how the contribution is fair and ambitious, including in the light of the ultimate objective of the convention in its Article 2 • Planning and policy processes to implement the NDC processes 	<p>The elements presented here are the core elements on which countries should base their description of their NDCs. They take up those elements Parties agreed to in the Lima Call for Climate Action for drafting their INDCs.</p> <p>In addition, the guidelines for the Revised Biennial Reports can build on the current Biennial Report guidelines for describing quantitative economy wide emission reduction targets.</p> <p>New flexible guidelines should be developed for describing relative economy wide targets emissions targets (e.g. against GDP or BAU) and non-GHG targets (e.g. renewable energy, transport policies, etc.). Developing such guidelines is critically important in light of the reporting and accountability challenges these types of targets present. These guidelines could be developed by 2017, to be applied by 2020.</p>

<p>3. Progress in achieving NDC and implementation of relevant mitigation actions</p>	<p>All Parties are to provide information related to progress toward their NDC, based on the appropriate metrics defined in the NDC.</p> <p>Information provided by all countries in this reporting element would be of two types: here would fall in two categories:</p> <ol style="list-style-type: none"> 1. Emission reduction and removal estimates, and/or other information providing a general sense of a country's progress toward its NDC 2. Information on major relevant mitigation policies underpinning the NDC, their estimated effect, and implementation progress to date. <p>Reporting options within these two categories could be loosely organized around three types of NDCs:</p> <ul style="list-style-type: none"> ■ Aggregate emissions NDCs ■ Relative emissions NDCs ■ Sectoral policies NDCs 	<p>This reporting element merges the requirement for developed countries to report on progress toward their quantified economy wide emissions reduction targets (in the current Biennial Report guidelines), and for developing countries to report on implementation of individual mitigation actions and the estimated effects of each of these mitigation actions (in the current Biennial Update Report guidelines).</p> <p>In this new transparency system, all Parties would be required to report on general progress toward their NDCs, in the relevant metric of their NDC. In other words, a country would deliver data on renewables growth, if it has taken a renewables NDC; progress in carbon intensity improvements, if it has taken a carbon intensity NDC.</p> <p>Having countries report on the implementation of relevant mitigation actions and their effects provides important supporting information to render credible and understandable the Party's strategy for reaching its aggregate NDC.</p>
<p>4. Sectoral information on decarbonization progress</p>	<p>For countries taking on sectoral NDCs, providing information on major sectoral policies and estimated effects would be mandatory.</p> <p>For countries with economy-wide NDCs (either absolute or relative), reporting on this information and sectoral indicators of decarbonization would be voluntary (and would not undergo review under the Technical Examination phase).</p>	<p>For countries that take on non-GHG policy level NDCs, or qualitative NDCs, this is equivalent with element 3.</p> <p>While voluntary, developed countries should provide information under this category, as this would be a critical component for building trust that a shift toward decarbonization is occurring in these countries.</p>
<p>5. Emissions projections</p>	<p>All Parties should report aggregate emissions projections, based on a menu of options:</p> <ul style="list-style-type: none"> ■ x + 20, years aggregate and sectoral ■ x + 10, years aggregate emissions projections ■ no projections for those Parties unable to do so 	<p>All Parties would be expected to provide emissions projections, except those unable to do so.</p> <p>Under current Biennial Report guidelines, developed countries are required to provide aggregate and sectoral projections to 2030. The Biennial Update Report guidelines do not require developing countries to include projections.</p>
<p>6. Finance, technology and capacity-building support provided and received</p>	<p>All Parties should report on support provided and/or received:</p> <ul style="list-style-type: none"> ■ Support provided by developed countries, based on improved and harmonized guidelines compared to those used in current Biennial Reports ■ Support provided and received by developing countries in a position to do so ■ Support received by developing countries 	<p>The Standing Committee on Finance has identified that the guidelines on reporting financial support has been inconsistently used in the first round of Biennial Reports.³ These guidelines should improved, made more stringent, and harmonized, and their use made obligatory for developed countries.</p> <p>In addition, developing Parties should report on support provided and received, if in a position to do so. This is an addition to the current guidelines.</p>
<p>7. Self-explanation of choices</p>	<p>All Parties to explain their choice of reporting options used in their Revised Biennial Report, notably in light of their national capacity and responsibility.</p>	<p>This new reporting element follows from the Lima Call for Climate Action, which requests all Parties include an explanation on how their INDC is fair and ambitious. It also aims to ensure against instances of backsliding.</p>

Source: Authors

Annex 2

Table 6. Revised review requirements under the new agreement

Review elements	Description and review options	Remarks
General elements		
Clarification of purpose	<p>The purpose of the new technical review phase is to:</p> <ul style="list-style-type: none"> ■ Undertake a review of countries' self-assessment of progress toward their NDC, and ensure that the Revised Biennial Reports have adhere to the guidelines. ■ Promote the continuous improvement of countries' Revised Biennial Reports over time. ■ Safeguard against instances of backsliding. <p>The purpose of the peer-to-peer phase is to provide an important arena for policy-exchange and learning between countries.</p>	Clarifying the purpose of the review process ensures that the review process is focused and contributes to the implementation the new transparency system's objectives, described in Section 5.1.
Timeline	The review process for (technical examination and peer-to-peer phases) should be completed within one year of submission of the Revised Biennial Report of the Party at hand.	A one-year delay for completion would be ideal for remediating the current situation in which Biennial Update Reports start to go through the ICA process two years after submission. However, it remains an open question whether such a timeline is logistically feasible for the secretariat and whether there are sufficient experts to form the amount of Expert Examination Teams needed to concurrently conduct the Technical Examination for all countries.
Capacity building and financial support for participation in review process	Modalities to be developed to better understand and adequately respond to capacity and financial support needs of developing countries.	It is critical that the new transparency system ensure participation of all countries in the review process.
Technical Examination		
Expert Examination Teams	<p>Expert Examination Teams would be composed of experts selected from the UNFCCC roster of experts.</p> <p>The teams would have a geographic balance as well as a balance between developed and developing countries. Developing countries may request that the team examining them be composed of a majority of experts from developing countries.</p> <p>The experts will have completed a Consultative Group of Experts training program that should notably emphasize difficulties developing countries may have had in preparing their Revised Biennial Reports.</p>	The fair and balanced composition of the expert examination teams is of paramount importance. The guidelines for choosing experts should be revised and harmonized under the new agreement. New guidelines detailing the composition, competences, and institutional arrangements regarding the Expert Examination Teams can build off from Decision 23/CP.19's detailed guidelines on Expert Review Teams.
Inputs	The Technical Examination would center primarily on information contained in Biennial Reports, but could also consult, as relevant, other reporting documents required under the UNFCCC (e.g. annual GHG inventories and National Communications).	All Parties, except those not with the capacity to do so (e.g. SIDS and LDCs), should provide the Technical Examination Team with additional or clarifying information as requested.

Focus	<p>The Technical Examination would:</p> <ol style="list-style-type: none"> Undertake an examination of the following elements of the Revised Biennial Report, in concordance with the characteristics of the Party and the NDC at hand. <ul style="list-style-type: none"> Inventories Assumptions and methodologies Progress made toward achievement of NDC. This element should be prioritized in the examination. <ul style="list-style-type: none"> Provision of financial, technological and capacity building support (mandatory for developed countries, voluntary for developing countries in a position to do so) Identify issues related to the following aspects of the Revised Biennial Report, (it would be at the discretion of the technical examination team what issues are appropriate to identify, based on the characteristics of the Party and the NDC at hand): <ul style="list-style-type: none"> Transparency, completeness, timeliness, adherence to the Revised Biennial Report guidelines Instances of backsliding in Revised Biennial Reports For developing countries, identify, in consultation with the Party, capacity needs regarding Revised Biennial Reporting and participation in the review process. The Technical Examination Team would also provide suggestions to resolve any issues at hand. The Party being reviewed has the opportunity to provide a response to any issues brought up by the expert team. 	<p>It is critical that the Expert Examination Teams be given the independence and flexibility to apply the review elements described here in a manner they consider appropriate with regards to the type of information in the Revised Biennial Report at hand (itself following from the type of NDC the country has inscribed in the Paris Agreement).</p> <p>We propose two main new elements, with regards to the current guidelines:</p> <ol style="list-style-type: none"> Extend the ability of the Expert Examination Teams to: (a) identify issues of completeness, timeliness, and adherence to the Biennial Reporting guidelines to all Parties (not just to developed Parties as is currently the case), and (b) provide recommendations on improvements in following Revised Biennial Reports to all Parties (again, not just to developed Parties as is currently the case). This would be in line with the principle of continuous improvement. Allow the Expert Examination Teams to identify instances of backsliding in Revised Biennial Reports. This would be an important safeguard against instances of backsliding. Parties could decide whether this should be forwarded to the COP or simply included in the Technical Examination Report drafted at the conclusion of the Technical Examination process.
Process	A desk or in-country review.	Parties would have to decide which of these two types of review the Technical Examination would consist of.
Output	<p>At the completion of the Technical Examination, the technical team will draft a Technical Examination Report for each country, summarizing the findings and conclusions of the review process.</p> <p>The report would include a Section in which the technical team discusses the capacity of the Party at hand, and how it took it into account in the formulation of the review (e.g. why it used specific elements in its review).</p> <p>The Party at hand would have the opportunity to provide comments on the report; these would be annexed to the report. When finalized, the report would be shared with the COP.</p>	<p>Having the technical team discuss the capacity of the Party at hand and how it took into account the formulation of the review is a safeguard against backsliding in the review process.</p> <p>Our proposal on the interaction of the Parties with the Report results from a merging of the current guidelines, under which Technical Review Reports are formulated taking into account developed countries' comments, while the Summary Reports incorporates developing countries' comments.</p>
Peer-to-peer Exchange		
Inputs	<p>For the peer-to-peer exchange Parties will be able to draw on the Revised Biennial Reports, Technical Examination Reports, and other reporting requirements under the UNFCCC as deemed relevant.</p>	

Process and focus	<p>The peer-to-peer exchange would be composed of:</p> <p>(a) An online Question and Answer phase: During this phase countries can ask each other questions on their Revised Biennial Reports. Developed Parties and developing Parties with the capacity to do so should respond to all questions within two months.</p> <p>(b) A working sessions held in a plenary setting: In these sessions, each country could provide a presentation, followed by an in-person question and answer exchange. Developing Parties could choose to go individually or in groups of up to five. LDCs and SIDS can go through this process at their discretion.</p>	<p>This takes up the already parallel structure existing in the Multilateral Assessment and the Facilitative Sharing of Views: current guidelines indeed outline that they are each composed of an online Q&A phase and a working session held in a plenary setting.</p>
Output	<p>The output of the peer-to-peer exchange will be a record that compiles for each Party a record including the Technical Examination Report, the online Q&A exchange, and the summary report of the working session.</p>	

Source: Authors

Transparency and the Paris Agreement: driving ambitious action in the new climate regime

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