Working together to build a system for accountability

How can we leverage the tools we have for greater and faster impact?

5 January 2024

climate arc

climate arc

Contents

Introduction

Understanding the reality of corporate transitions underway is the cornerstone for accountability. It's the first step in instilling integrity in existing commitments, pushing for necessary policies and regulations, unlocking financing, and creating incentives for true leaders to emerge.

As a community we have funded and invested in many innovative tools that are helping us to better understand corporate transitions. But time is running out. How can we leverage these tools for greater – and faster – impact?

At Climate Week New York 2023, Arc and [ClimateWorks Foundation](#) brought together over 70 practitioners and rolled up our sleeves to answer this question. We organized our thinking through six different lenses, each a powerful lever for change: policy and regulation, corporate action and accountability, private finance, momentum building, campaigning, and strategic communications.

What came through very powerfully were the many opportunities we have as a community to find efficiencies and accelerate our collective impact by working together more intelligently:

- Addressing the duplication of effort, particularly with regard to data collection and analysis;
- Standardizing data and methodologies and making data machine-readable so that it can be more easily transferable across the ecosystem;
- Investing in shared datasets such as capex, cost of capital, scope 3, litigation and reputational risks, and the cost of climate impacts;
- Understanding the needs of end users more deeply – including financial decision makers and regulators – to ensure tools will be used at scale;
- And doing much, much better at finding and disseminating the killer stats, influential voices and case studies that prove climate really matters to the bottom line.

We have in front of us many opportunities to rapidly scale our impact. To do so, at Arc we are committed to enabling and supporting the systemic collaboration required to collectively 'build a system that works for all'.

Needs identified through practitioner table discussions

BUILDING MOMENTUM
- Demonstrate and communicate growth in clean economy and identify gaps in investments
- Track company actions and their lobbying activities
- Link data on the economic impacts of climate events quickly
- Develop a mechanism to link corporate actions to NDCs
- Ensure data is transferrable so we are speaking the 'same language' across the ecosystem

POLICY AND REGULATION
- Find a way to collate, maintain and link ever-growing volumes of data back to decisions
- Establish compliance and enforcement mechanisms for disclosure
- Support policymakers/regulators in implementation of guidance
- Align our approach and invest in the analytics and meta infrastructure that make data useful
- Engage with corporates to pilot regulations around disclosure and transition planning

CAMPAIGNING
- Consolidate efforts in-house to collect and analyze data amongst NGOs
- Overcome high access fees to raw data
- Incorporate end user needs and link strategy for data use to data collection
- Build a collaborative data sharing platform amongst campaigners to meet individual needs

CORPORATE ACTIONS
- Ensure interoperability between data standards and accounting
- Create incentives for better reporting
- Develop flexible and adaptive climate scenarios and modelling
- Increase real-time benchmarking to encourage competition
- Help to build the business case for transition planning by fostering internal champions
- Engage more with suppliers and extend current tools to cover Scope 3

UNLOCKING PRIVATE FINANCE
- Make data comparable and transparent with built-in quality assurances
- Design a robust data architecture to allow dynamic sharing, and overcome technical hurdles and roles amongst providers
- Build flexibility into data solutions to cater to different audiences
- Tackle the variability in quality, structure and coverage of analysis
- Enable assessment of financial system risks and opportunities across sectors, business divisions and portfolios
- Invest in more transition datasets including capex, opex, performance over time, and litigation risks
- Link financial decisions to broader ecosystem to monitor impact

CORPORATE ACTIONS

UNLOCKING PRIVATE FINANCE

BUILDING MOMENTUM

COMMON NEEDS

POLICY AND REGULATION

CAMPAIGNING

Summaries of the roundtable discussions

Building momentum

Building momentum for corporate action is critical to getting the emissions reductions at the scale we need to keep Paris aims in sight. To achieve this, we need to demonstrate – with the use of data and analysis – how exponential growth is happening in areas of the clean economy, while also highlighting gaps and investment opportunities (including on funding nature).

We are making progress here, but there are some urgent challenges – for example, tracking what companies are doing (in addition to what they're pledging), and knowing how they're lobbying for progressive policies (including through trade associations). We also need data more quickly – for example, when a climate event happens, can we link this right away (rather than weeks later) to financial and human impacts? Further, how can we link the increasing data from companies to Nationally Determined Contributions (NDCs), especially as NDCs will soon be put forwards for 2040? Corporate data – made transparent and public – can be very useful for governments to plan for their NDCs and government-wide net zero targets.

To do this, we also need data to be 'transferable', speaking the 'same language' across actors so that it can be utilized for building ambition and sending market signals. We also need incentives that drive transparency of corporate climate action.

Current activities

Work is already happening to track company actions and their lobbying activities with plans to work on ensuring data is transferable, so we are speaking the 'same language' across the ecosystem and to develop a mechanism to link corporate actions to NDCs.

Corporate action and accountability

We identified four priority areas in which the corporate accountability ecosystem needs data and tools for fostering impact.

1. **Data standards and accounting**. There are existing tools and initiatives such as the GHG Protocol, Carbon Call, and E-liability, however participants stressed that there's a need to update the carbon accounting standards and to work on data interoperability and portability between systems. It will be critical to ensure that there is alignment between civil society actors and that businesses have the right incentives for transparent reporting.
2. **Climate scenarios and modelling exercises**. There was agreement that the technical basis is already present between efforts such as the NGFS scenarios and SBTi sector modeling. What might be missing are the stories coming out of these analyses (including extending the modelling to how we can ensure a just transition for workers). And a major opportunity may be more real-time benchmarking to facilitate a race to the top amongst competitors.
3. **Making the business case for transition planning**. We need to be able to support internal climate action champions in convincing executives and their boards to change

their business practices and to advocate for supportive public policies. However, there was less consensus on how to do this and what tools would be required.

4. **Supplier engagement**. While there are existing tools (including the SME Climate Hub, CDP's Supply Chain initiative and Guidehouse's Supplier LOCT) they only reach a few companies, especially amongst SMEs. Instead of more tools, we need to extend the existing initiatives to reach more companies and to do so while normalizing the acceptance of Scope 3 emissions as a corporate responsibility.

Current activities

Flexible and adaptive climate scenarios and modelling are being developed with work planned to ensure interoperability between data standards and accounting, creating incentives for better reporting, increasing real-time benchmarking to encourage competition and engaging more with suppliers to extend tools to cover Scope 3.

Campaigning

The campaigning table focused on the challenges faced by non-profits in this area who are often both generators of data and toolsets as well as end users in their public-facing campaigns. This results in situations where organizations have a disproportionate amount of in-house data experts/researchers who, in some cases, are gathering and analyzing the same kinds of data as other organizations.

Other organizations have to pay high access fees for information, duplicating costs that other groups doing similar campaigning work are paying. Other discussions included the need for an interplay between strategy and data, where end-users should have input in what kind of and how data is collected to inform their strategies to avoid a disconnect. We don't need more tools or to emphasize how to tinker with existing tools, but rather a tactical mindset informed by strategy.

In terms of possible solutions in the near term, we discussed ways to build better efficiencies in data collection and analysis for campaigners. This could look like, for example, a user-informed low or no-cost coordination platform that creates and disseminates a block of data on corporate accountability to meet a wide range of campaigning needs. Campaigning organizations could then gather data and analysis on top of that according to their own specific needs. This coordination platform could also have the central data reviewed and cleared for publication, removing the need for individual organizations to perform that function.

Current activities

Existing workstreams focus on consolidating efforts in-house to collect and analyse data amongst NGOs; incorporate end user needs and link strategy for data use to data collection; and medium-term plans to work on overcoming the high access fees to raw data and building a collaborative data sharing platform.

Unlocking private financing

To make net zero-aligned decisions, financial institutions (FIs)need science-aligned data and analysis on corporate transition plans. Some specific needs were identified here.

Data needs to be comparable and transparent, and to have been verified by third parties or have built-in quality assurances, and have the option for beneficiary preferences to be built in. We also discussed some key pain points to a comprehensive transition picture – such as Scope 3, facilitated emissions and avoided emissions.

Whilst maintaining a high-integrity approach to science-aligned analysis, a trusted mechanism is needed to integrate and share data and analysis on corporate transitions. This will mean overcoming hurdles from technical issues around how data is shared to clarifying the respective roles of non-profit and commercial data providers.

A key challenge is that there are different needs and use cases – even across different functions in the same organization – which are increasingly moving from voluntary to regulatory requirements. Some users want less granularity and complexity, others want more.

Large FIs will use whatever analysis on specific companies is available in the market, much of which today comes from non-profits represented in this workshop. But there is limited guidance on how to apply this in financial decision making (or transparency around this) and it's difficult to track the usage. The quality, structure and coverage of the data and analysis also vary widely.

It may well be the case that key tools are yet to be invented. We discussed the risks of exposure to litigation in portfolio holdings. Current approaches tend to look at business units separately – banking divisions tend to approach this differently to asset management, for example. But investors benchmark across indexes – what are the tools which show how different sectors connect with one another in transition? Both risks and opportunities are potentially being missed.

Specific solutions identified to help overcome these challenges include machine-readable data with metadata, better information on capex and opex, and reliable ways of tracking performance over time.

To meet these needs, the climate community will need to collaborate to careful alignment on relevance, definition, and applicability of data and analysis, ensure interoperability of data sets and tools (with regular calibration of approaches and taxonomies), create common single methodologies out of a set of various frameworks and methodologies (smallest common denominator), and work to align databases on certain topics.

The ultimate impact is financial decisions at scale on the ground, so we need to work with the broader ecosystem to coordinate feedback loops. And we must maintain a clear link back to high-integrity, science-based transition analysis.

Current activities

Tools are being developed to make data comparable and transparent with built-in quality assurances, while a robust data architecture to allow for dynamic sharing and to overcome technical hurdles amongst providers is being designed. Through these tools, the variability in quality, structure and coverage of analysis is being tackled with more investment going into transition datasets including capex, opex, performance over time and litigation risks. In the medium term this work will extend to building flexibility into solutions to cater to different audiences and to enable the assessment of financial system risks and opportunities across sectors, business divisions and portfolios.

Policy and regulation

Two streams of issues emerged from our discussion, one that is highly relevant to this group, and one that is a question of political will: data discoverability, and compliance and enforcement infrastructure. Both are about what happens next as we began to expand the baseline disclosure and transition planning principal requirements.

First, we take for granted that all this data and analysis is coming online, and we can house it, but the housing and the discoverability of all of this is quite expensive. Further, do regulators know what to do with this data and analysis and how do we provide them with resources to actually make it sing?

Second, we need more compliance and enforcement mechanisms. One participant highlighted that France already has emission disclosure requirements, which are poorly enforced and where most reporters would rather pay a fine than face the litigation risk of disclosure.

The implications of both highlighted the need for more support in implementation of guidance, for regulators and users alike. Participants highlighted a need for more aligned investments in all the analytics and meta infrastructure that make data useful. Finally, there were points about regulators doing more engagement with corporates to sandbox uptake of regulations around disclosure and transition planning.

Current activities

All of the needs identified for this lever of change have been identified by partners as key areas of interest to work on.

Next steps

We have identified the priority needs across the various levers for climate action that Arc is committed to drive forward. They are:

- **Invest in datasets: more coverage and sharper transition metrics**

- **Map and recommend how data collection and analysis could be streamlined between organizations**

- **Develop systems and processes for interoperability of data**

- **Build and provide open access to a new transition analysis platform**

While we have substantive tools that can be deployed today to support the accountability ecosystem, we are looking to build a picture of where the remaining gaps are being worked on. We need your input on this – what are you working on to help close these gaps? Will you join us to share your insights on progress?

To keep the momentum, Arc will be convening interested parties in early 2024 to explore how we take this work forward together. If you would like to join this effort, we want to hear from you. Get in touch with one of the team or contact us via the details on the next page.

And we ask you to hold a date in the diary – Climate Week New York 2024 – when we would love to reconnect on progress and achievement.

We look forward to your collaboration.

Contact us

climatearc.org

info@climatearc.org

Second Home,
68-80 Hanbury Street
London, E1 5JL

climate arc