

## HLEG: The UN's New Net-Zero Group Creating Standards for Climate Pledges

HLEG is the new, primary UN net-zero group tasked with ensuring that non-state actors are sincere about their climate pledges. It was officially launched on March 31, with Canada's Catherine McKenna leading the newly formed climate group.

McKenna previously served as Canada's Minister of Environment and Climate Change from 2015-2019 before leaving Canadian politics in 2021, eventually stepping into the role of chair of the [High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities \(HLEG\)](#).

The remaining 15 members of the group are made up of climate experts, CEOs, economists, and politicians from all corners of the globe. The group's main objective is to bring transparency, accountability, and measurable progress to the climate pledges made by businesses, investors, cities, and regions.

Countries are held accountable to their climate pledges by the UN and other multilateral organizations and agreements. Non-state actors, however, [have not had a governing body](#) by which their climate pledges and net-zero claims are held accountable.

The HLEG will be the governing body that can adjudicate, track, and penalize, if necessary, [net-zero claims](#). The body will provide its first report to the UN with findings and recommendations in early 2023.

## Current Landscape of Net-Zero Emissions Pledges

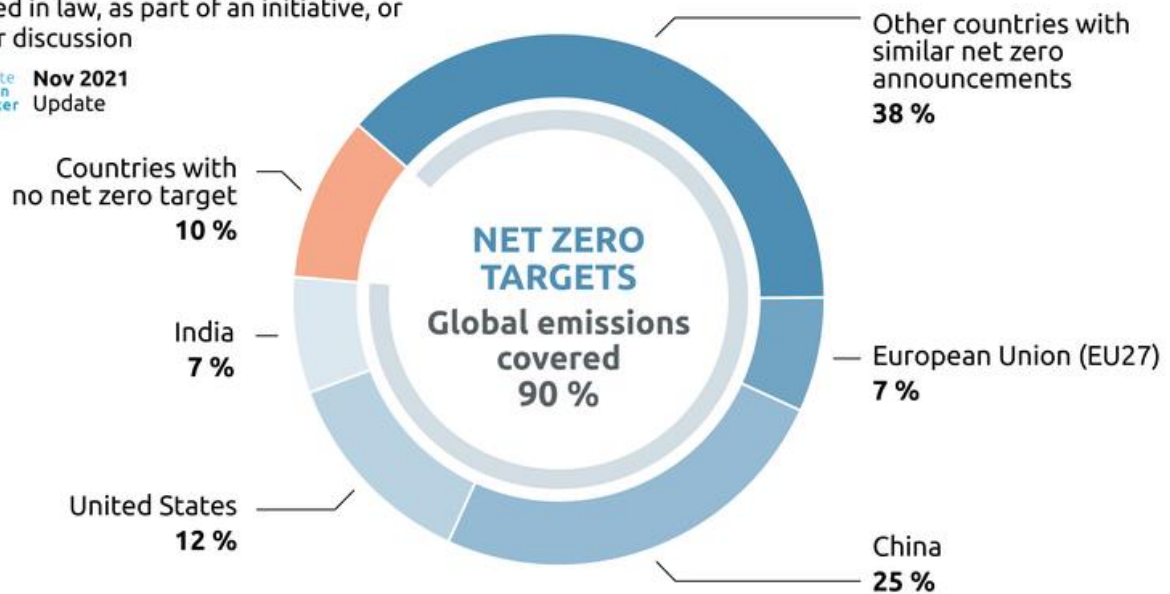
Significant reductions in emissions need to happen fast. [The Paris Agreement](#), signed by 194 nations, binds countries to net-zero carbon emissions by 2050 to keep global warming lower than 1.5 degrees Celsius.

## Net zero emissions target announcements

Agreed in law, as part of an initiative, or under discussion



Nov 2021 Update



Source: [Climate Action Tracker](#)

Herein lies part of the problem. With the 2050 date set far off in the future, many companies have taken a *laissez-faire* approach to climate change. It's almost like, "we'll worry about it when that time comes." Obviously, they can't do nothing, but as long as they say the right things, they can continue with business as usual.

Research shows that [consumers and investors want to be supporting a business that cares about climate change](#). Many businesses make their climate pledges or inflate their climate stewardship to present a good image. Meanwhile, they continue polluting and emitting GHGs in the same manner as before.

By the end of 2021, [622 of the world's 2,000 largest public companies](#) had announced net-zero strategies. The majority of these pledges fall short, however. [A report by Capital Monitor](#) found that only 20% of climate pledges align with science-based targets.

There has been no legal mechanism in place for a company to face consequences if they are found to be inflating or flat-out lying about their climate stewardship – also known as [greenwashing](#). And the unfortunate part is that almost every company is doing this. Only [5% of global companies haven't been caught greenwashing](#).



Source: [Sustainable Brands](#)

This is why the HLEG was established. The scale and urgency of climate change, coupled with the lack of action by big business despite plenty of climate proclamations, has created a need for an oversight body.

## How Will the HLEG Ensure Global Emissions are Reduced?

The HLEG has stated four key areas of focus:

- Current standards and definitions for setting net-zero targets;
- Credibility criteria used to assess the objectives, measurement and reporting of net-zero pledges;
- Processes for verification and accounting of progress toward net-zero commitments and reported decarbonization plans; and
- A road map to translate standards and criteria into international and national-level regulations.

One of the issues with previous iterations of an overseeing body for climate targets is that there was no universal target-setting, tracking, and measuring standard. There are minor nuances and large differences between the terms net-zero emissions, net-zero carbon emissions, carbon neutral, climate neutral, and climate positive. The difficulty in tracking and measuring the progress of different companies against each other when they are all using different methodologies is near impossible.

The HLEG will seek to form a universally accepted standard for climate targets. Fewer acceptable terms and more straightforward definitions will remove a lot of the confusion and, frankly, a lot of the room for [greenwashing](#).

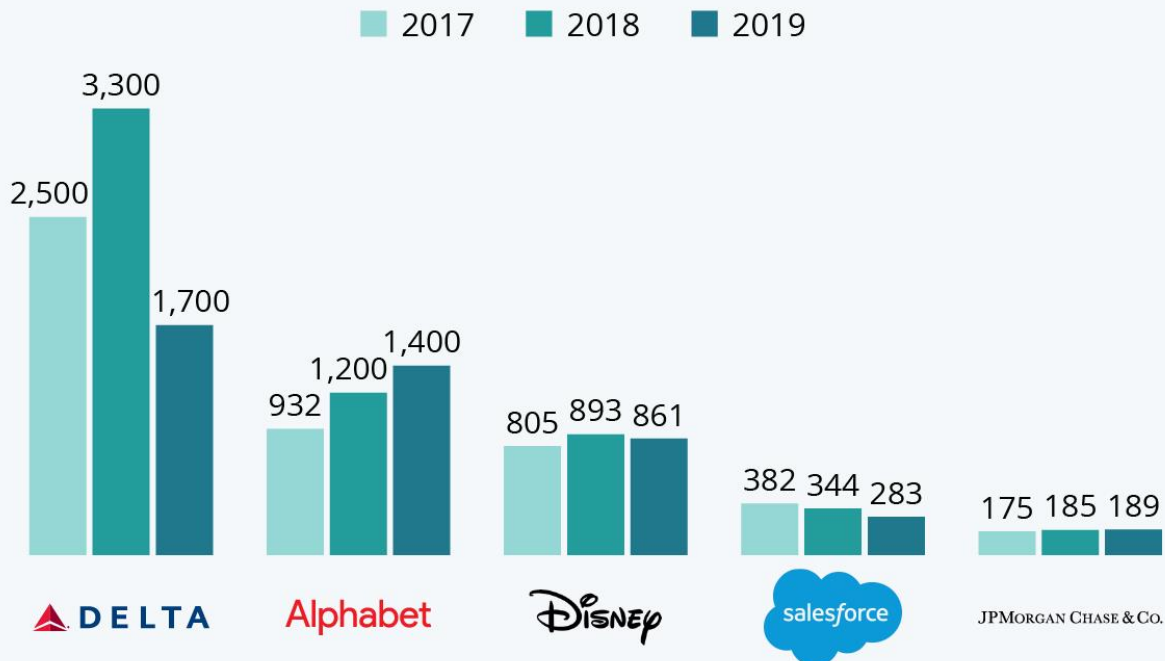
Another issue with prior oversight, or lack thereof, has to do with carbon offsets. Businesses that are heavy polluters can buy carbon credits, plant trees, or contribute to a variety of other climate friendly activities to 'offset' the emissions they generate.

There are two major issues with carbon offsets. Firstly, there is no universal standard. While one ton of carbon emissions might equate to  $x$  trees planted through one offset program, one ton of emissions might equate to  $2x$  trees planted via a different program. There is no continuity.

Second, and most importantly, [carbon offsets tend to give businesses a free license to pollute](#). Companies don't have to reduce emissions to hit net-zero if they buy enough carbon offset credits. They can even increase their emissions but still hit net-zero if they buy more credits.

# Trend in Carbon Offset Purchases

Carbon offsets purchased by select companies, 2017-2019  
(in thousand metric tons of CO<sub>2</sub> equivalent)



Sources: Company filings, Bloomberg



Source: [Statista](#)

The idea behind carbon offsets was to give businesses in sectors like cement production, where it is next to impossible to operate without creating emissions, a chance to reach net-zero. The idea was not to give a free pollution license to the world.

The HLEG will look to bring change to the carbon offset industry.

While the exact method remains unclear, the HLEG will have the power to punish wrongdoers or greenwashers. Previous climate oversight groups were hesitant to criticize bad actors. The HLEG will hopefully not suffer from the same intimidation effect.

## The Time to Act is Now

The HLEG will finally provide oversight and consequences for the private sector, hopefully steering them in the right direction.

For decades we have been talking and hearing about the importance of climate change and global warming. The time for talking is over, and the time for action is upon us. We need to make this the decade of delivery, not the decade of promise.

Countries, businesses, investors, regions, cities, and individuals all need to find a way to contribute to lowering emissions. We don't want the HLEG to come knocking on our doors.