

October 14, 2015

Ms. C. Figueres  
United Nations Framework Convention on Climate Change  
Platz der Vereinten Nationen 1  
53113 Bonn  
Germany

By email: [secretariat@unfccc.int](mailto:secretariat@unfccc.int)

### **International Federation of Accountants and Climate Action**

Dear Ms. Figueres,

I am writing to communicate IFAC's commitment to climate action and our support of the United Nations Framework Convention on Climate Change (UNFCCC) in its facilitation of the forthcoming international climate negotiations at the 21st session of the Conference of the Parties.

As the global organization for the accountancy profession, we are advocating for a universal agreement and effective international dialogue that encourages the transition toward resilient, low-carbon societies and economies.

In addition to providing our commitment to climate action on long-term global emissions, we are raising awareness of the important role played by the accountancy profession and professional accountants in facilitating governments, capital markets, and organizations to implement plans for climate change mitigation and adaptation. Our three key messages related to climate action are set out below.

IFAC is dedicated to serving the public interest by strengthening the accountancy profession and contributing to the development of strong international economies. IFAC is comprised of more than 175 members and associates in 130 countries and jurisdictions, representing over 2.8 million accountants in public practice, education, government service, industry, and commerce.

Please do not hesitate to contact me if you have any questions, or if there are ways in which you envision that IFAC might work further with the global accountancy profession to bring about action and commitments on climate change.

Yours sincerely,



Faye Choudhury  
Chief Executive Officer

## THREE KEY MESSAGES ON CLIMATE ACTION

### 1. IFAC's commitment to climate action

**Key Message:** A global climate agreement at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Paris in December needs to deliver a clear framework for international action that provides the policy environment to facilitate investment and innovation.

- 1.1 In line with the UN Post-2015 Sustainable Development Goals, IFAC supports the need to put the world on a path to a low-carbon, sustainable future. Achieving such a future requires governments to commit to necessary long-term global emissions reduction goals. A global climate agreement at the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Paris in December needs to move the world away from business as usual, particularly given the International Energy Agency's prediction that the current Intended Nationally Determined Contributions to cut greenhouse gases are likely to be insufficient to keep the world below 2°C of warming above preindustrial levels.<sup>1</sup>
- 1.2 Within the parameters of an international agreement on a long-term global emissions reduction, governments, capital markets, and private and public sector organizations—and the professional accountants who serve them—can more confidently select the actions needed to achieve necessary climate change mitigation. A strong and clear agreement is also more likely to unleash government and business ingenuity and innovation toward dealing with climate change challenges. The imperative is to act decisively—now—so that economies can seize opportunities and investments that support a low-carbon path, many of which take time to gather momentum, and often need significant investment and planning.
- 1.3 An international agreement needs to be reinforced by a supporting framework of incentives and regulations. Appropriate and coordinated regulatory arrangements for explicit carbon instruments, such as emissions trading systems or carbon taxes, can encourage high-impact organizations—especially those in energy-intensive sectors—to undertake significant measures to decarbonize as well as invest in innovative low-carbon technologies to reduce emissions.
- 1.4 Explicit carbon pricing is a key policy lever to encourage necessary efficiency gains and investment in new technology and cleaner energy, as well as to ensure a level competitive playing field. Explicit carbon pricing can help lower overall emissions while giving businesses the flexibility to find their own most effective and cost-efficient solutions.<sup>2</sup> However, to work successfully carbon pricing requires global support and coordination in terms of how it is implemented. Without a global approach, many countries may be unwilling to introduce the necessary measures for fear of making their economies internationally uncompetitive.
- 1.5 Organizations need clear and workable methodologies to set targets that align with achieving international and national emissions goals. It is important that emissions are not set arbitrarily. [Science Based Targets](#)—a joint initiative by the Carbon Disclosure Project, UN Global Compact,

---

<sup>1</sup> International Energy Agency's [Energy and Climate Change](#), which also includes an analysis of Intended Nationally Determined Contributions

<sup>2</sup> The [Carbon Price Communique](#) remains relevant in this regard.

World Resources Institute, and World Wildlife Fund—presents one approach deal with this problem and ensure that greenhouse gas reduction targets are set at the rate consistent with the pace recommended by climate scientists to limit the impacts of climate change.

## 2. Achieving global consistency in relevant climate change regulation and reporting

**Key Message:** IFAC recognizes that there is a range of different frameworks and regulations in existence, and considers it important to examine the relationship between these frameworks and promote global consistency.

- 2.1 Organizations operating across national borders currently experience a fragmented and inconsistent landscape of government policy and regulation to support climate change action. Inconsistent policies and regulatory approaches to reducing emissions across jurisdictions adds to the cost of business, and prevents governments from ensuring the most effective and efficient paths to achieving climate change objectives. To increase the probability that climate goals are met, national governments need to consider regulatory policy within the context of a climate change strategy so that regulatory actions are mutually reinforcing and act consistently to support objectives and targets. Jurisdictions with advanced economies should also consider how their regulatory actions might motivate other countries to engage in climate change regulation.
- 2.2 To effectively deal with climate change as a global issue, there is an urgent need for a consistent approach to:
  - Climate change regulation in terms of the various approaches to regulation and types of provisions used to encourage organizations to reduce emissions by mitigation, pollution control, and improved environmental performance; and
  - Climate change reporting, which varies enormously and, therefore, impacts the credibility of the reporting in this field. Variations exist for the types of reporting provisions included in regulations as well as for who is “doing” the regulating, such as securities, financial, environment, energy, and other regulators, as well as private sector standard setters, stock exchanges, and others.<sup>3</sup>
- 2.3 Addressing the above should help to ensure businesses are given a clear and consistent message on reporting best practice. Going forward, it will be important to examine the relationship between reporting frameworks and disclosure arrangements, and to promote global consistency.<sup>4</sup>
- 2.4 Improved reporting of climate change factors can be facilitated by:

---

<sup>3</sup> The Climate Disclosure Standards Board's [The Case for Consistency in Corporate Climate Change-Related Reporting](#) suggests that more evidence is needed on how the lack of consistency between reporting schemes and reporting practices manifests itself and the way it affects preparers and users of information.

<sup>4</sup> IFAC's Policy Position Paper 8, [Enhancing Organizational Reporting](#), recognizes that the accountancy profession has a significant contribution to make in developing and implementing enhanced organizational reporting. IFAC supports organizational reporting of broad-based information that is important to stakeholders for managing and directing operations, decision making, promoting transparency, and the discharge of accountability. IFAC strongly supports the International Integrated Reporting Council and the development and adoption of the International Integrated Reporting (<IR>) Framework as a means to enhance organizational reporting and, importantly, change the way businesses think about creating and sustaining value.

- A model reporting convention along the lines [set out by the Climate Disclosure Standards Board](#). A model convention would reflect shared objectives between parties seeking to support sustainable outcomes and enshrine agreed-upon standard reporting requirements, measurement methodologies, and terminology that reflect the highest common denominator of practice to create policy coherence; and
- The adoption of the [International Integrated Reporting <IR> Framework](#) as a means for enabling organizations to incorporate climate change into business thinking and reporting.

### 3. The role of the accountancy profession and professional accountants

**Key Message:**

Professional accountants in their various roles have a significant contribution to make in helping governments, capital markets, and organizations implement plans for climate change mitigation. IFAC will continue working with its member organizations and others, such as the [Accounting for Sustainability](#) initiative established by His Royal Highness The Prince of Wales, to facilitate the involvement of professional accountants in climate change mitigation and adaptation.

- 3.1 Professional accountants, in their various roles in public practice for accounting firms of all sizes—including providing audit and advisory services—and working in commerce, industry, financial services, education, and the public and not-for-profit sectors in leadership, management, and operations, have a significant contribution to make in helping governments, capital markets, and organizations implement plans for climate change mitigation and adaptation.
- 3.2 Professional accountants can help establish appropriate targets and goals supported by robust approaches to emissions management and abatement that help organizations and societies thrive over the long term. In certain roles, professional accountants could have specific responsibilities in relation to delivering accountability against climate change targets.
- 3.3 Supreme audit institutions (SAIs) in particular play a major role in auditing government accounts and operations. Being independent, non-political, and providing a fact-based perspective, SAIs provide legislatures and their citizens with the information they need to hold governments accountable. Specifically in relation to climate change, the role of SAIs is addressed in [Auditing the Government Response to Climate Change: Guidance for Supreme Audit Institutions](#) by the International Organization for Supreme Audit Institutions. It provides guidance for performance audits of national governments' implementation of commitments and programs related to the mitigation of and adaptation to climate change.
- 3.4 The assurance of greenhouse gas emissions disclosures at a national or entity level is supported by the International Standard on Assurance Engagements™ 3410<sup>5</sup> covering greenhouse gas statements—a standard that is widely used by the accountancy profession to provide assurance for public disclosures of such statements.

---

<sup>5</sup> Issued by the [International Auditing and Assurance Standards Board®](#)

- 3.5 As financial experts working within organizations in management and operational roles, professional accountants also have a critical role in the provision of objective data and insights to help organizations set appropriate goals and achieve them. IFAC encourages professional accountants to use their professional status and skills to contribute to organizational efforts to integrate climate change risk into organizational strategy, finance, operations, and communications.<sup>6</sup> Organizations that take the lead in responding proactively to climate change are typically more transparent and effective in their corporate reporting, as well as more prepared to continue creating value for stakeholders across their value chain and for society more broadly over the short, medium, and long term.

---

<sup>6</sup> [Accounting for Sustainability. From Sustainability to Business Resilience.](#) highlights the roles accountants perform in embracing sustainability to ensure that the organizations they serve are resilient and sustainable. It also provides information on the many resources available to help accountants and others to meet the challenge.