

Vertical integration between levels of government to effectively address climate and energy

Vertical integration between different levels of government – from national to local – is essential to coordinate and mutually reinforce necessary approaches. It should provide a platform for fruitful exchange, joint planning and coordination. This is key in addressing climate change as well as sustainable energy planning, implementation and reporting.

Key Messages / Abstract

- Vertical integration, also known as multi-level governance approaches, means that different levels of government – from national/federal to state/provincial, other subnational and local government – regularly exchange, plan and coordinate activities that relate to planning, implementation and reporting.
- Vertical integration between levels of government to effectively address climate and energy issues improves policy coherence and implementation. It allows the goals of global and national climate policies to be effectively implemented at the community level by local government through aligning and accelerating strategic actions, mobilizing appropriate resources and engaging key stakeholders. Likewise, successful local policies can be mainstreamed and scaled up by integrating their experiences into national policies.
- **National governments** can take a number of concrete actions to engage, enable and empower local governments in their climate activities such as engaging them in the preparation and implementation of low emissions development strategies and action plans, INDCs, and NAMAs. Further, they can recognize, support and empower local governments as governmental stakeholders in global processes as a means of bolstering their national contributions.
- **Local and sub-national governments** can/should take advantage of national programs, policy frameworks, and V-NAMA elaborations as well as influence and inspire national-level policymaking. They can increase their visibility and accelerate their climate responses by following through on commitments to the Compact of Mayors, the Compact of States and Regions, and by reporting measurable, reportable and verifiable (MRV) climate actions to the carbonn® Climate Registry. To garner further support and resourcing they should seize international opportunities such as engaging in the Lima-Paris-Action-Agenda (LPAA), and the Transformative Actions Program (TAP) towards the COP21 in Paris.

Understanding vertical integration

What is effective vertical integration? Also referred to as sub-national integration or multi-level governance approaches, it means that different levels of government – from national/federal to state/provincial, other subnational and local government – regularly exchange, plan and coordinate

activities that relate to planning, implementation and reporting. The value lies in a frank, regular and structured exchange between peers that is well-coordinated. This implies not using a top-down approach, but rather considering the specific mandates and responsibilities of each level of government, and structuring a coherent approach.

Effective vertical integration between different levels of government is increasingly important, especially in the context of addressing climate change (both mitigation and adaptation), sustainable development and energy security in an increasingly urban world. Local and subnational actors – e.g. cities and provinces, regions, states – typically have the mandate to deal with urban planning, the built environment, transport sector, waste and water management – currently all important greenhouse gas emitting sectors. Business-as-usual scenarios envisage that emissions in these sectors will continue to rise due to poorly managed energy and resource consumption, aggravated by urban growth. To effectively address this challenge, a change in approach is needed – aimed at maximizing the impacts of national climate strategies, by creating closer synergies in planning, implementation and monitoring, between all levels of government through vertical integration approaches.

Areas that should be addressed through vertical integration include:

- **Greenhouse gas (GHG) emissions:** Aligning and integration of accounting and reporting processes, systems and standards, to avoid double-counting in reporting, with a clear allocation of responsibility to address and account for GHGs.
- **Climate commitments / contributions:** Jointly mapping targets and options to raise the level of ambition, with fair burden sharing, and avoiding duplication of contributions (i.e. resource efficiency in terms of staff and available funds). This includes the joint preparation and implementation of Intended Nationally Determined Contributions (INDCs).
- **Actions / Plans / Strategies:** Inclusion of local and regional planning input at immediate next level of government, feeding into appropriate processes. Recognition of roles and engagement in scaling-up with a focus on National Climate Plans, Low Emission Development Strategies (LEDS), Nationally Appropriate Mitigation Actions (NAMAs), and National Adaptation Plans (NAPs) with an integrated perspective. Integrated multi-level risk analysis (external risks) and SWOT analysis (strengths, weaknesses, opportunities and threats - internalities) as input into integrated planning approaches.
- **Financing:** An integrated and coordinated of leveraging national, regional and local funding (funding policy mechanisms, and access to funders), i.e. with each next level of government providing guarantees for funds (thereby enabling access to finance for the local level).

The above activities are relevant to policy, technology, energy sources, financing and a wide range of actors involved in implementation. New multilevel governance models are needed to align these aspects, ensure the timely engagement of all levels involved in low emission development strategy (LEDS) development, and mutually reinforce each other's roles and activities. Vertical integration also directly relates to improved Measurable, Reportable, and Verifiable (MRV) actions and results (see also the ICLEI Briefing Sheet on MRV). The MRV aspect aims to increase confidence in data, the process and the results - and can help ensure transparency.

Coordinated devolution of authority and responsibility to all levels, will enable an effective coordinated planning and implementation approach. This is highly relevant when addressing e.g. energy. Vertical integration includes cascading goals, objectives and actions: within a city it refers to the strategic and operational focus, and for national and provincial/state government it refers to plans and policies. Multiple cities in a province should thus engage with the provincial government, which outlines policy and plans that should in turn seamlessly link up with national policy and plans. This approach can help to ensure the integration of goals, objectives and actions across existing plans, policies, and systems at all levels of governance. This also includes the organizational dimension of said policies and systems for implementation.

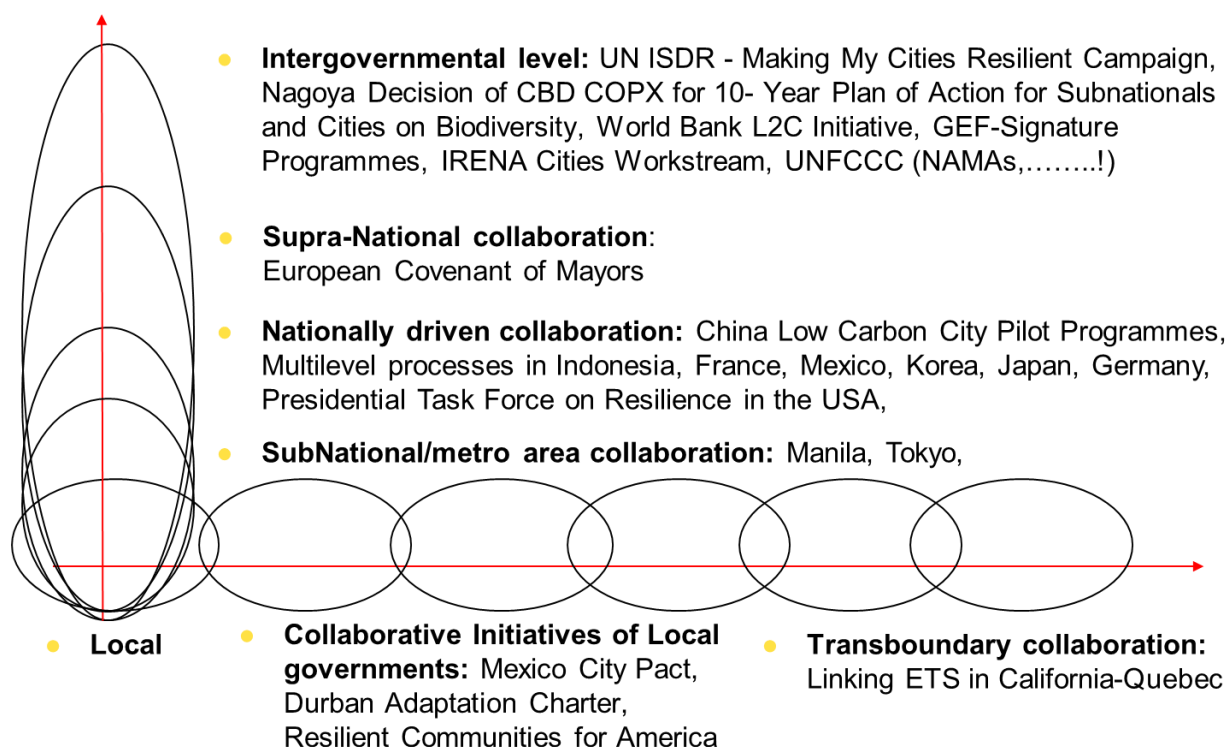


Fig.1 A schematic presentation of selected examples for vertically and horizontally linked local climate action (ICLEI presentation at ADP2.3 Workshop on urbanization and role of governments, December 2013)

The importance of local action in a national framework

Local climate and energy action requires a range of actors to be involved through multiple actions in many different areas. While the international community and nation states struggle to agree on common objectives and targets on tackling climate change, local governments (also referred to as municipalities or local authorities in some countries) are uniquely well placed to help deliver climate protection actions and reduce GHG emissions.

As action is implemented in a geographical location, often at city-level, this level of government can and should lead, drive and shape low emission development in its geo-political area of influence, addressing energy conservation, energy efficiency and renewable energy in the local community. Local governments thus have an increasingly important role in each stage of the public policy process regarding climate change, from agenda setting, policy formulation and implementation to monitoring and evaluation. Although national governments have a sound institutional foundation and knowledge base, city-level authorities have the capacity and mandate to engage communities and other stakeholders in order to design solutions that are adapted to the needs of local beneficiaries and that are consistent with local priorities. Through a better understanding of climate change drivers and impacts in the local context, the opportunities for mitigation and adaptation can be maximized in a cost-effective and timely manner.

At the international level, local and subnational governments have been formally recognized as “governmental stakeholders” in the international climate negotiations. This is captured in the decisions of Conference of Parties to the UNFCCC (i.e. para.7 of Dec.1/CP16, 2010 and para.5b of Dec.1/CP19, 2013). This recognition in the global arena is directly linked to improving vertical integration in climate and energy.

An example of exploring vertical integration addressing district energy

District energy offers an effective level of engagement, with a wide range of action instruments available to local governments to lead, guide and drive developments, including:

- Strategy: outline vision and direction of community
- Legal: laws, bylaws, permissions, regulations
- Policy and planning: frameworks, Master Plan for spatial development and urban planning
- Financial: taxes, levies, fees, subsidies, incentives and disincentives
- Market: procurement, stimulating innovation, creating market demand, investment
- Direct: operate and/or manage infrastructure, offer services to local community
- Persuasive: offer information, raise awareness, encourage behavior change
- Leadership: act as a role model in own government operations
- Coordinate: plan and stimulate green urban economy, engage stakeholders, facilitate collaboration, relationship and trust building

An example of a multi-level governance approach that can facilitate finance for local district energy projects is the development of V-NAMAs – Vertically Integrated Nationally Appropriate Mitigation Actions. V-NAMAs support national governments of developing countries in their efforts to mobilize sub-national actors for achieving national CO₂ mitigation targets through cost-effective incentive packages and monitoring, reporting and verification systems. ICLEI supported GIZ in developing V-NAMA policy recommendations, case studies and tools for the integration of sub-national actors in national mitigation actions (GIZ, 2014).

Recommendations to support V-NAMAs

Drawing on recent research and practitioner insights, a range of recommendations may enhance the design and implementation of Nationally Appropriate Mitigation Actions (NAMAs) through improving vertical integration. The recommendations to national authorities include:

ENGAGE

1. Engage local governments in the design of NAMAs
2. Strengthen dialogue between national and local governments
3. Align NAMAs with existing national and local processes and priorities

ENCOURAGE

4. Link mitigation actions with benefits valued by local governments
5. Provide mandates and powers to motivate local governments to act
6. Use targets and regulation to prompt local government implementation
7. Create financial incentives to stimulate local government engagement

ENABLE

8. Create the conditions to ensure local governments have sufficient funding
9. Support local governments in accessing data and information
10. Help local governments in developing or accessing skills and knowledge
11. Enable knowledge sharing and learning among local governments

Source: GIZ, 2014

Vertically integrated reporting

An integral part of vertical integration is the harmonization and integration of monitoring and evaluation, i.e. reporting mechanisms for **measurable, reportable and verifiable** (MRV) action at local, subnational and national levels. It is imperative that regular data can be provided to the climate negotiators in the international climate negotiations¹, and for use outside the negotiations, to show what cities and regions are doing and reporting on. Therefore, the carbonn® Climate Registry (cCR) was designed as a global reporting platform for local and subnational climate action.

Operated by the Bonn Center for Local Climate Action and Reporting (carbonn® Center), the concept of Vertical Integration was introduced in the reporting and data analysis processes. It maps the relationship of the reporting entity (e.g. city, region or province) to other levels of government. This will identify and make intelligent connections between the entries from different governing entities that are reporting to the cCR: peer levels of government; higher levels of government; and lower levels of government.

¹ Example – http://carbonn.org/fileadmin/user_upload/cCCR/cCCR_2014/cCCR-2013-annual-report.pdf

This can e.g. ensure that horizontal reporting by several cities in the same region will flow to the appropriate regional or national government, and is important in order to allow aggregation of data while avoiding double counting, e.g. of GHG emissions. It enables reporting entities to contextualize their reports within their regional context as well as benchmark themselves in relation to “peer reporting entities” within their region. This in turn will support and encourage peer-to-peer learning and knowledge exchange, as well as raising the ambition of local climate action within states, regions, cities and towns.

Building partnerships to accelerate local and subnational climate action

Local climate action has been instrumental in driving global efforts, long before the establishment of the UNFCCC, even in the absence of their appropriate recognition in the global framework thus far. It is clear that regardless of the outcomes of the COP21 /CMP11 in Paris 2015, this movement of local and subnational government and citizen action will continue to grow. This is particularly important considering that any agreement reached in Paris in December 2015 will only come into force in 2020.

Since the COP20 in Lima 2014, developments indicate that the global climate regime has turned into a bottom-up system with each country (Party) announcing its own INDC rather than a top-down process setting and tracking universal targets and commitments. It is therefore a timely moment for national governments to demonstrate how they are taking into account the ambitions and actions

of local and subnational governments for their national contributions, plans and actions. The proportion of submitted INDCs referring to vertical integration remains small, there will be differences between nations, and of course not every local commitment will be integrated in the same fashion, but the INDCs submitted thus far by e.g. Colombia, Canada and Mexico set a precedent that can inspire future submissions (see the box above).

Examples of vertically integrated INDCs: Colombia, Mexico, Canada and China

In September 2015, Colombia submitted their INDC to the UNFCCC Secretariat. With strong reference to the role of local and regional governments, it provides a good example of how vertical integration can deliver results towards national climate action objectives, as a result of locally tailored and implemented actions plans. The INDC e.g. commits the Colombian government to “give greater participation to the territories and sectors at the local level” (Gobierno de Colombia, 2015), especially in the design phase of climate change strategies.

Previous INDCs submitted by China, Canada and Mexico also show encouraging approaches to the vertical integration of subnational governments. Mexico mentions the role of subnational and local governments in the adaptation component of its INDC, where it states that local communities should receive capacity building and be ensured to participate in national and subnational climate change planning (Gobierno de la República de México, 2015). The Canadian INDC introduces the concept of shared responsibility between levels of governments and therefore requires action from all levels of governments within their own legal frameworks and policies (Canada, 2015). Finally, the INDC submitted by China also extensively refers to subnational governments and describes how the national government intends to integrate them in the implementation of its actions in a variety of sectors including GHG emission inventory, carbon intensity control, green and low-carbon transition strategies, spatial planning regulations, the definition of protected ecological zones and industry regulations (Department of Climate Change, 2015).

In particular, ICLEI recommends national governments to mandate their bodies responsible for climate policy to:

1. Engage local and subnational governments in the preparation and implementation of Intended Nationally Determined Contributions (INDCs), Nationally Appropriate Mitigation Actions (NAMAs), Low Emission Development Strategies (LEDS) and National Adaptation Plans (NAPs);
2. Continue to explore innovative formulations, beyond their submission of INDCs, to raise and complement pre-2020 ambitions at the national and global level, through the ambitious voluntary commitments of local and regional governments. This should take advantage of the progress achieved by the Compact of Mayors and the Compact of States and Regions, as well as the information reported to the carbonn® Climate Registry.
3. Support local governments develop and secure access to various sources and mechanisms of funding and financing of their local climate actions, including solid frameworks for collaboration with the private sector, with Public-Private Partnerships (PPPs), the Clean Development Mechanism (CDM), Green Climate Funds, green bonds etc.

We have an opportune moment with cities and regions around the world increasingly making ambitious and transparent commitments towards climate change, as well as delivering credible results through initiatives such as the Compact of Mayors, the Compact of States and Regions and by reporting their climate commitments, performance and actions to platforms such as the carbonn® Climate Registry.

In order to accelerate local climate action as well as strengthen partnerships, ICLEI invites local and subnational governments together with their networks and partners to:

1. Increase the number of cities, towns and regions expressing their intent and ensuring their compliance respectively with the Compact of Mayors and Compact of States and Regions;
2. Actively engage in the consultations on the Lima-Paris-Action-Agenda ([LPAA](#));
3. Increase the number of entries and diversify the information visible at the Non-State Actors Zone for Climate Action Platform ([NAZCA](#)) through the carbonn® Climate Registry and other reporting platforms as appropriate; and,
4. Engage in the Transformative Actions Program ([TAP](#)) and Transformative Actions Pavilion at the COP21 in Paris and post-2015.

References and Further Reading

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