

BINGO Statement at AWG-KP CMP7 Wednesday 07 December 2011

My name is XX from the International Emissions Trading Association (IETA), and I would like to thank you for this opportunity to share the following statement on behalf of the international business community.

The private sector and business community support the view of the Chair of the AWG KP, in the Scenario Note of 18 November, that Durban should aim for a conclusion to the work of the AWG, and that this is only likely to be achieved if, as a minimum the cross-cutting issues with the AWG LCA are satisfactorily addressed.

Among the issues identified by the Chair as of particular importance are clarifying the level of ambition for mitigation targets, ensuring the continuity of the rules-based system, the possible carry-over of Assigned Amount Units unused in the first Kyoto Commitment period, and ensuring continuation of the market-based mechanisms. There are also important issues relating to land-use change and forestry, and to the establishment and design of new market mechanisms, which are covered elsewhere in the AWG documentation.

Resolving issues related to Annex 1 targets or pledge based alternatives is essential if the expectations of private-sector participation in the mitigation agenda are to be fulfilled. The Cancun agreement on limiting climate change cannot be achieved without the engagement of the business community and substantial levels of private sector funding. The private sector needs long term predictability and stability to engage. It also needs an economic motive for involvement. The Kyoto mechanisms have succeeded in demonstrating that economic motives to reduce carbon can be constructed successfully, and they lead to investment in renewable energy and other low-carbon action that would not have occurred otherwise. But these are mechanisms of supply and demand. They can only work when investors are convinced that there is demand, that it will not be overwhelmed by excessive supply, and the mechanisms which apply these economic motives are robust and durable. In this context, priority for the continuation of existing mechanisms is critical.

As we look beyond 2012 none of these preconditions currently exist, so confidence is draining. It has to be understood that investment market confidence, once shaken, takes a long time to be restored so delays in defining the way forward need to be avoided.

There are of course alternatives to a market approach to engaging the private sector. However, in general, they are less efficient and, consequently, far more costly to society. Using public money to commission or subsidise low-carbon activity and or direct regulation to prohibit activity and investment other than low-carbon version are options but given the scale required and potential economic impacts it is unlikely they would have the same impact as market based approaches. Of course

some may prefer to adopt voluntary approaches, but effectiveness and acceptability of these approaches would differ widely across regions.

At the very least, a market approach should be kept open to create incentives to achieve part of the contribution required. Governments can act to do so on their own, but some degree of consistency and guidance, such as that provided under the Kyoto mechanisms, helps confirm demand and reduce costs.

The decisions the CMP could take with regard to the issues being addressed by the AWGKP are vital to establish the conditions necessary for this market contribution and they should not be decided by default. Business and industry stands ready to work together with governments individually or collectively to achieve progress.