



International Chamber of Commerce

The world business organization

Policy statement

Business perspectives on a long-term international framework to address global climate change

Prepared by the Commission on Environment and Energy

COP-13 in Bali is an opportunity to further develop a process that will lead to the development of cooperative, long-term approaches involving all nations and regions to address climate change under the auspices of the UNFCCC and which will provide business with the clarity that it needs to plan and undertake long-term investments. The International Chamber of Commerce and its members will continue to work with governments and stakeholders to identify and deploy effective solutions to the challenge of climate change. We welcome all opportunities to continue our active dialogue in these important international discussions in particular, the platform of the Bali Global Business Day.

As COP-13 will focus on developing a process to create a global approach to tackle climate change, this paper will highlight process-related issues. After COP-13 and as the process further develops, ICC will continue to provide further business views on the specific content of a global long-term approach, including the methodologies, instruments, conditions and driving forces needed for business and industry to take meaningful steps to reduce emissions of greenhouse gasses while supporting economic prosperity and growth.

The Way Forward: Recommendations

Objectives for an effective, inclusive, long term global framework, reinforced by other international initiatives and partnerships, should be resolved among all Parties to the UNFCCC. The on-going process needs to address the pressing questions of 1) inclusiveness of the framework, 2) taking meaningful steps now to mitigate emissions, 3) taking meaningful steps to progress on adaptation, and 4) increasing the pace of technological innovation, cooperation and dissemination. It is vital that the above issues are resolved in a way that supports economic prosperity and growth.

Given the global, long-term nature of climate change, and taking into account the common but differentiated responsibilities of developed and developing countries, the ICC urges UNFCCC Parties to pursue the development of a long term framework that:

- Addresses climate change risks in the context of advancing cleaner development and access to energy alongside other priorities such as economic development, poverty and disease eradication;
- Promotes global participation by all nations and key stakeholders;
- Focuses on objectives to limit climate change risks and encourages mitigation and adaptation through a combination of incentives and other market-orientated initiatives;
- Considers adaptation approaches that could also provide resilience and adaptive capacity;
- Encourages and rewards early and voluntary actions by industry to reduce, avoid or sequester GHG emissions;
- Stimulates development of an international carbon market and carbon value - among nations and regions that choose to utilize that approach to encourage mitigation, through integration of, and transferability between, carbon markets;
- Supports the evolution of the flexible mechanisms post-2012, such as the Clean Development Mechanism and Joint Implementation, to stimulate global emissions reductions in a cost-efficient and environmentally effective manner;
- Encourages the continuing development of an international sector approach, where appropriate, for those sectors in internationally competitive markets;
- A meaningful and predictable compliance system for Parties.
- Deals with the issues of deforestation;
- Provides incentives for efficient energy use, sustainable energy generation and emissions reduction;
- Stimulates research and development to more rapidly create innovative, affordable and reliable, low greenhouse gas emitting technologies, and eliminates or reduces regulatory and trade barriers to the development, utilisation and dispersion of new technology;
- Responds to scientific assessment of the risks and impacts of climate change through IPCC and other appropriate bodies, and uses these evolving assessments to inform policy responses to climate change.

Overview

Climate change risks are a significant long-term concern. ICC believes that an international climate policy framework under the UNFCCC must be developed that reflects a full international consensus to address these risks effectively. Such a framework should pay due regard to national priorities and circumstances while promoting maximum cooperation among nations. It must take into account other important and growing concerns, such as economic development, access to reliable, affordable and secure energy supply, energy use while minimizing the associated local and regional environmental impacts, and the challenges of adapting in developed and developing countries to the impacts of climate change. Furthermore, it should encourage investments in and

access to sustainable energy and advanced technology that promote economic growth and development.

Nations will need to seek to optimise cooperation within the mosaic of national, regional and international bottom up and top down approaches. Climate change is a global issue and actions need to be stimulated in all countries and with societal partners urgently. A global approach/framework must set appropriate conditions for the cost-effective reduction of greenhouse gas emissions on a global scale, and outline key steps on adaptation. For business and industry, climate change is a priority, ICC members have actively addressed climate change by: investing in and promoting energy efficiency and conservation; developing and deploying new technologies, products, services and processes; reducing, measuring and reporting greenhouse gas emissions from facilities and products; developing and implementing voluntary commitments and; introducing customer and employee programmes. Business and industry also continue to support scientific research to improve the understanding of the possible long-term effects of economic growth and other human activities on the climate system, and are actively engaged in research to develop advanced, innovative technologies with reduced greenhouse gas emissions.

ICC recognizes these actions as important first steps and believes that business must be included in the discussions of the longer-term challenges as business will be a key factor for implementation of policies chosen. Investment decisions are being made now for equipment and infrastructure that will have long operating lifetimes. Such informed and integrated discussions will help policymakers reach agreement on an effective, long-term, global and pragmatic approach to address the concerns about, and adaptation, to the impacts of climate change.

ICC is encouraged that recent discussions and proposals such as the EU longer term commitment, the G8, the G8 + 5, the Asia Pacific Partnership for Clean Development, the UN General Assembly and the White House Meeting of Major Economies on Energy Security and Climate Change are introducing new options into the international debate that offer promise to complement the UNFCCC in dealing effectively with long-term climate risks. Many voluntary business sectoral programmes at local and national levels have delivered real progress in reducing GHG emissions.

Meeting the basic challenges of energy and climate change

Across the globe, business and industry have made significant contributions to understanding and addressing climate change risks and are engaged at national and international levels to do their part in the context of the United Nations Framework Convention on Climate Change (UNFCCC), as well as in numerous public-private partnerships and regional initiatives. In Kyoto Protocol nations, business plays a major role in meeting the commitments for 2008-12. The UNFCCC's crucial task now should be to build an effective, long-term framework to address climate change that can work in synergy with other international initiatives and will encourage and support the myriad of actions by business, consumers and other important stakeholders.

Such a framework must reduce greenhouse gas emissions, including those from the use of fossil fuels—the dominant sources of energy today and for decades to come— efforts to address climate change will inevitably affect economies, competitiveness, development pathways and lifestyles as well as the environment. With such potential for far-reaching, broad and fundamental consequences, all countries and regions must find effective ways to proceed and make use of all energy options.

The basic challenge is to meet the world's growing demand for energy that is essential to sustain economic growth and improve living standards, while also addressing long-term concerns by mitigating greenhouse gas emissions. Added to this challenge is the challenge of addressing adaptation needs. ICC believes the development and global utilisation of both existing and new, cost-effective, efficient energy technologies with low greenhouse gas emissions in all sectors is the most effective way to improve access to energy, to promote energy efficiency and to reduce greenhouse gas emissions. This can best be facilitated through a variety of approaches including, for example, research and development incentives, voluntary initiatives, market-oriented measures, and steps to promote technology transfer and eliminate existing barriers that inhibit more widespread use and transfer of existing efficient technologies.

The scale of effort and investment required to meet growing global energy needs is enormous. For example, the IEA World Energy Outlook series highlights the need for nearly \$20 trillion of investment in energy supply and distribution systems through 2030. These investments, or their deferral, have important economic, social, environmental and political implications today and even more so for the future. Energy investments will affect the viability of all businesses and, indeed, of national economies. They have important consequences for associated infrastructure in energy, power, road, rail, air transport, pipeline and shipping.

Decisions on the substantial investments necessary to secure energy supply and distribution are taken every day. Current uncertainty already affects investment plans, costs and outcomes. Choices made by governments, businesses and policymakers now and in the future hold the potential to alter national competitiveness and future investment and employment trends as well as the ability to respond to future environmental concerns. However, many businesses have already adopted practices to set a foundation for a low carbon future.

Building a global response at national and international levels

Countries and regions everywhere are taking action to address climate change as they implement their commitments under the UNFCCC, the Kyoto Protocol as well as their own national and regional programs. For some, this entails efforts to reduce greenhouse gas emissions, while for others it entails reporting obligations. Some countries and regions that have ratified the Kyoto Protocol are going beyond their commitments under the Kyoto Protocol. Others are pursuing different approaches based on promoting energy efficiency, technology transfer and innovation. Even among countries with obligations, differentiated commitments and approaches that go beyond the Kyoto requirements are giving rise to competitiveness concerns.

An effective sustained global response to climate change needs to build on what has been

achieved to date and broaden successful policies and approaches. Other approaches, including incentives and broader enabling frameworks should therefore also be considered to stimulate markets to respond to risks as well as to develop and promote criteria for non-financial returns.

In ICC's view, effective market-based solutions that account for national priorities and circumstances should be expanded. These should facilitate investment in effective technology research, development and deployment and capacity building, and seek to establish maximum cooperation among nations. Under the Kyoto Protocol and the EU ETS a value for CO₂ has been established to stimulate emissions reductions. In this regard, open trade and investment protection are critical elements in encouraging the widest possible dissemination of more climate friendly technologies. In general, trade barriers can impair the development of co-operative long-term solutions that stimulate the deployment of technologies and investments.

International carbon markets, where adopted, should permit maximum fungibility for trading of verifiable emission reduction credits across geographical boundaries (local, national and international) and time, including innovative approaches to crediting and offsets.

In particular, robust frameworks that promote energy efficiency now, as well as research, development and dissemination of advanced, low emissions technologies for energy supply and end use will be critical. Much can be done to reduce emissions through more widespread use of existing technology, but advances will be essential to meet growing energy demand and respond to climate risks. In meeting these challenges business, including ICC members, will play a leading role in the global deployment of the existing efficient technologies and practices, and in research, development and widespread dissemination of advanced technologies that must be created in coming decades. International sectoral approaches may offer additional benefits. In some sectors, collaboration is already taking place to define and disseminate best practice.

Future policy frameworks need to also take into account many other aspects such as transportation, industrial processes, land use, land use change and forestry, in particular deforestation and agriculture. Opportunities both for mitigation and for adaptation need to be addressed, especially as capital stock and infrastructure are renewed or replaced at the end of their economic lifetime. Only through the development of a comprehensive portfolio of measures can the risks and opportunities of climate change be fully addressed.

Certainty in Policy and Markets

Business accepts that absolute policy certainty can never be guaranteed and that sequential decision making and adjustment, accounting for learning and new insight, is not only inevitable but desirable in such a multi-decade, global venture. Evolving scientific knowledge in coming decades, through IPCC and other bodies, may require a change in policy response just as experience with global dissemination of advanced technologies may present new opportunities or raise new concerns that require a different approach. Real world experience with implemented policies will provide insights requiring evolution. Business will be a key element in this cycle of innovation and experience, and appropriate mechanisms will be required to harness key learning to accelerate the process.

To be able to reach these goals, deployment and utilization of many technologies will depend on development of timely procedures for permitting and creation of infrastructure including human capital that may not now exist. Progress in these areas will depend on public-private partnerships, not just on market-based policies that can be assessed in economic models.

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The International Chamber of Commerce is the largest, most representative business organization in the world. Its thousands of member companies in over 130 countries have interests spanning every sector of private enterprise. A world network of national committees keeps the ICC International Secretariat in Paris informed about national and regional business priorities. More than 2000 experts drawn from ICC's member companies feed their knowledge and experience into crafting the ICC stance on specific business issues. The United Nations, the World Trade Organization, and many other intergovernmental bodies, both international and regional, are kept in touch with the views of international business through ICC.