



International Chamber of Commerce

The world business organization



INTERNATIONAL CHAMBER OF COMMERCE

Policy Statement



Prepared by ICC Commission on
Environment and Energy

Business views on a UNFCCC post-2012 framework to address climate change

for the 15th session of the United Nations Framework Convention on
Climate Change Conference of the Parties meeting, 7-18 December in
Copenhagen, Denmark

Highlights

- Copenhagen is a key moment
- Business supports a post-2012 Framework Agreement
- The importance of consultation and partnership with Business

Copenhagen is a key moment

The United Nations Framework Convention on Climate Change (UNFCCC) 15th session of the Conference of the Parties (COP) meeting in Copenhagen is an important moment. Governments have the opportunity to build a more inclusive and effective framework to respond to the challenges of climate change by creating an agreement that will enable long-term cooperation by all nations in the transition towards an economy with far lower greenhouse gas emissions while promoting global sustainable development. The agreement delivered in Copenhagen should allow countries and stakeholders to broaden their efforts and get to work on practical approaches.

Since the UNFCCC 13th COP meeting in 2007 in Bali, government negotiators have worked intensively to develop a post-2012 framework based on the Bali Action Plan (BAP). Recognizing the complexity of the last two years of negotiations and deliberations, the International Chamber of Commerce (ICC) congratulates governments on the progress that has been made and recognizes the remaining challenges.

Business supports a post-2012 Framework Agreement

ICC wishes to underscore the fundamental importance of the Copenhagen outcome for business, as it will play a key role as actor, employer, financier, investor and innovator. A new agreement will have consequences for business operations and investments, as well as for the role of business in society.

ICC strongly supports a post-2012 framework agreement which will provide business a clear and predictable framework to contribute solutions, especially by stimulating investment and deployment of existing and advanced technology on the necessary scale to enable a transition towards a low-carbon economy.

The importance of consultation and partnership with Business

We also believe that the post-Copenhagen elaboration and implementation process should engage business as much as possible. Going forward, ICC hopes to see the creation of more effective ways for governments to benefit from business expertise and actions through opportunities to collaboratively define mitigation and adaptation to climate change, and effective policies to promote them. As a global multi-sectoral business organisation ICC stands ready to further engage with policy-makers to ensure a successful outcome in Copenhagen as well as facilitate and implement a transition to a future low-carbon economy.

Overarching key messages

ICC believes a post 2012 framework agreement should:

- Ensure global participation and collective actions and commitments by all major greenhouse gas (GHG) emitting countries, towards achieving transition to a low-carbon economy;
- Continue to promote economic recovery and employment as essential steps to respond to climate challenges; the future agreement should work to nurture and promote ongoing economic recovery that will be essential to building and implementing solutions;
- Encourage governments to develop simple, workable, efficient and cost-effective institutional arrangements, using existing bodies to the utmost, that support international cooperative actions;

- Allow efficient interaction with other inter-governmental initiatives and partnerships such as the Major Economies Forum (MEF), the Asia-Pacific Partnership (APP), G8 and G20, etc;
- Strengthen multilateral trade and investment vital to the economic and technological flows required to implement solutions as well as avoid potential competitive distortions in international trade;
- Keep all energy options open, recognizing that innovation can overcome existing limitations and avoid placing restrictions on technologies critical to ensuring a transition to a low-carbon economy;
- Ensure that adaptation to climate change action is promoted and facilitated, particularly for vulnerable developing countries;
- Pursue public-private partnerships and other collaborative arrangements and mechanisms involving business, such as sectoral approaches, for mitigation, adaptation, technology and financing.

Business is part of the solution

Business is part of the solution and strongly engaged on many fronts. Throughout the world, businesses large and small are addressing climate change at local, national, and international levels, both as enterprises and through public-private partnerships. Many companies have already reduced emissions by making major changes in how they operate, and many have seized opportunities for new processes, products, and services that help reduce GHG emissions.

ICC, as business and industry focal point for the UNFCCC negotiations, has actively contributed insights and expertise relating to the “building blocks” of the BAP on mitigation, adaptation, finance and technology in the process leading to COP 15.

ICC and its members are encouraged by the hard work that has been done to date which has paved the way for a fresh focus on tackling climate change as well as generating the resources needed, and highlighting the roles of different parties including governments, business and civil society.

Throughout the two-week meeting in Copenhagen, ICC will continue to bring together a wide range of business voices that will provide concrete examples of business actions and activities underway to help solve the climate challenge. This will be highlighted on 11 December when ICC along with the World Business Council for Sustainable Development and the Confederation of Danish Industry will host the Copenhagen Business Day, which will focus on how business will continue to lead in the action on climate change post-Copenhagen.

The Road Ahead - A shared vision for the long term

Making progress towards solving the linked challenges of climate change, energy for development and economic recovery requires long-term commitment, shared vision and actions between governments and the private sector. Climate change is one of the most pressing challenges of our times, linked as it is with real needs for energy, development and economic growth. It is a global long-term problem that requires collaborative global solutions. The engagement of all countries in a cooperative spirit will be crucial to success.

Carrying forward this shared vision should encompass and integrate all aspects of the BAP in a balanced manner. We encourage policy makers to continue to strive to develop a single consistent and cohesive framework on climate change. While the centrepiece of action on climate change is an effective, inclusive, long-term global framework governing post-2012 activities under the UNFCCC, there are other international initiatives and partnerships that can continue to help reinforce UNFCCC goals. ICC is encouraged by active climate change initiatives arising from the G8, G20, Major Economies Forum (MEM), and the Asia-Pacific Partnership (APP) as well as a variety of public-private and voluntary initiatives.

The private sector responds to policy and market signals. Such signals must be given to mobilize both financial and technological resources in developed countries and extend resources to developing countries. A post-2012 framework should be integrated and multi-disciplinary as well as responsive to the evolving scientific understanding, and economic, political and technological circumstances. It should be flexible and dynamic, seeking to implement solutions and catalyze innovative approaches.

The sections below contain specific elements of a post-2012 framework which ICC believes will maximize and enable the further contribution of business. Clearly, there is more work to do to provide the operational details of these decisions.

With specific regard to the BAP, the following priorities need to be pursued:

Mitigation

1. Agree on shared medium and long-term vision and agreed global aim, to provide business the predictability needed to make investments in the research, development and deployment of more efficient and low-emitting technologies, taking into account the principle of common but differentiated responsibilities, national priorities and circumstances;
2. Make and record clear proposals for mitigation objectives and efforts by all major-emitting countries, and the means to achieve them, including the role that technology transfer, offsets, land use and forestry might play;
3. Respond to the challenges of deforestation and forest degradation by supporting sustainable land use practices including sustainable forest management and technology as major strategies to reduce greenhouse gas emissions and increasing the productivity of existing agricultural lands to prevent additional deforestation;
4. Continue to develop and improve existing flexible market mechanisms and develop practical and simple new mechanisms to widen the scope for effective offset allowances with environmental integrity and other means to work with carbon and greenhouse gas markets, and that leverage and work with existing markets to stimulate increased private sector investments;
5. Keep all energy options open, recognizing that innovation in coming decades may overcome current barriers and promote the deployment of the full range of mitigation technologies to reduce emissions in the most cost effective manner;
6. Establish a strong compliance regime, including timely and transparent reporting, and practical and effective approaches to Measure, Report and Verify (MRV) actions undertaken through national commitments;

Adaptation

7. Address adaptation needs, particularly in vulnerable developing countries, and create frameworks and governance structures to efficiently attract the necessary resources;
8. Optimise resources, build capacity and strengthen national data collection, modelling expertise and early warning systems;

Technology

9. Recognize technology development and deployment, and the enabling environments needed that promote them, as crucial prerequisites to achieving emissions reduction;
10. Build global support for accelerated research and development by governments and the private sector to increase the pace of change for more efficient, low-emitting and adaptation related technologies;
11. Avoid any international technology restrictions, in particular in relation to Nationally Appropriate Mitigation Actions (NAMA) as well as the Clean Development Mechanism (CDM) and Joint Implementation (JI); recognizing that host nations should take decisions on appropriate technologies;
12. Avoid any measures that would weaken intellectual property rights and create burdens and legal uncertainty for intellectual property owners, as such measures would compromise the essential role of patents in promoting innovation, disclosure of technological developments, and deployment of advanced technologies;
13. Build national capacity in all nations to innovate and deploy existing efficient and low emissions technologies, for example through creation of appropriate regulatory frameworks, development of public infrastructure, and education of a new generation of scientists and engineers;

Finance

14. Ensure that carbon markets are designed in such a way as to facilitate timely and efficient decisions to invest in low-emitting technology consistent with greenhouse gas control and offset policies ;
15. Seek to catalyse private sector finance and use existing public financial mechanisms more effectively or create new ones to leverage private finance; and
16. Focus public financing mechanisms that work with greenhouse gas control and offset policy to:
 - build capacity to identify, assess and deploy effective technologies to limit climate risks;
 - finance high risk technologies through their development and demonstration phases; and
 - close the financial gap between business-as-usual projects and higher cost more efficient and low emitting options.

The International Chamber of Commerce (ICC)

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote trade and investment across frontiers and help business corporations meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the last century. The small group of far-sighted business leaders who founded ICC called themselves "the merchants of peace".

ICC has three main activities: rules-setting, dispute resolution and policy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy as well as on vital technical and sectoral subjects. These include financial services, information technologies, telecommunications, marketing ethics, the environment, transportation, competition law and intellectual property, among others.

ICC enjoys a close working relationship with the United Nations and other intergovernmental organizations, including the World Trade Organization and the G8.

ICC was founded in 1919. Today it groups hundreds of thousands of member companies and associations from over 130 countries. National committees work with their members to address the concerns of business in their countries and convey to their governments the business views formulated by ICC.



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Policy and Business Practices

38 Cours Albert 1er, 75008 Paris, France
Tel +33 (0)1 49 53 28 28 Fax +33 (0)1 49 53 28 59
E-mail icc@iccwbo.org Website www.iccwbo.org

APPENDIX

I. CONTEXT AND ENABLING FRAMEWORKS FOR SUCCESSFUL ELABORATION AND IMPLEMENTATION OF POST-2012 FRAMEWORK

Climate policy is intrinsically linked to trade, energy, economic and employment policies. Successful implementation of post-2012 actions will depend on enabling frameworks that work with and leverage activities in the broader context of policies and markets. Further development of mitigation and adaptation policies should be integrated with energy access and security needs, and should be aligned with other multilateral processes to best marshal limited resources.

Economic growth and sustainable development

Sustainable development depends on economic growth and recovery. A post-2012 framework should support economic growth that creates jobs and promotes technological innovation and good environmental practices in all sectors.

The recent global economic crisis has highlighted the need to work efficiently and cooperatively to develop the policy and financial drivers needed to delink environmental impacts from economic growth, and to provide energy access and security. Markets continue to be most effective way to create wealth and spread prosperity.

We call on policy-makers to recognize the need to address climate change in a cost-effective manner that advances the restoration of economic growth and jobs that will be essential to responding to global challenges. Policies and their implementation should not unbalance or undercut competitiveness. We also strongly emphasize the need to work in harmony with open multilateral trade.

Energy access and security

Access to reliable, affordable, economically viable, socially acceptable and environmentally sound energy is fundamental to economic growth and sustainable development. Energy poverty induces poor living conditions in many developing countries and global poverty. Energy contributes to meeting basic needs, such as clean water, food preservation, transportation, healthcare, sanitation, education and communications. In light of expected growth in world population and energy demand, long-term energy access and security are critical priorities. Energy security must be considered as part of an overall international agenda that promotes sustainable development and addresses climate change.

Open trade

While the global response to climate change can be strengthened by the right international trade policies, the wrong ones can also weaken it. The international climate negotiations should not be used to erect barriers to open trade and investment. Moreover, eliminating tariff and non-tariff barriers to environmental goods and services should be pursued to lower costs and increase global access to clean energy technologies.

We encourage governments to:

- reject and avoid unilateral trade measures as a way to achieve environmental or other aims;
- ensure alignment and mutual compatibility between climate change and trade policies by developing climate change policies that do not distort competition and that promote sustainable development, while safeguarding an open and non-discriminatory multilateral trading system and guaranteeing the integrity of World Trade Organization (WTO) disciplines;
- eliminate trade barriers to environmental goods and services;
- ensure strong protection of intellectual property rights to facilitate diffusion of clean technologies and provide an incentive for innovation; and
- work cooperatively, including with business and civil society, to further elaborate agreement on the post-2012 global framework that functions harmoniously with WTO rules and the multilateral trading system as an example of how the international discussion on climate change¹ can catalyze action in other areas.

II. MARKETS AND FINANCE

The availability of private sector financing will depend in large part on investment environments and the effectiveness of institutional arrangements. It is broadly recognized that business has been responsible for the vast majority of investments and financial flows; the majority of these investments occur through established channels outside of the UNFCCC, via private sector commercial transactions, the functioning of markets, trade and investment.

Private sector innovation and investment will continue to provide most of the financing for cleaner technology² and, to support these efforts, governments have recognized the need for targeted public financing mechanisms to encourage this investment³. Despite the proliferation of specialized climate related financing programmes, with over fifty now in existence, more needs to be done to effectively leverage private capital.

A combination of flexible financing and market mechanisms will be required to cover the broad and growing range of new investments that are needed. For markets to work efficiently and effectively, prices should give business and customers a clear basis for their decisions while ensuring optimal resource allocation.

Many funding mechanisms, including carbon and greenhouse gas markets, exist and could be improved and leveraged if governments increased their transparency, efficiency, and functionality and made their funding more predictable.

Carbon Markets and Market Mechanisms

The CDM and other Kyoto mechanisms will need to evolve to contribute to necessary actions in developed and developing countries. In order for the CDM to fully live up to its potential in bringing investment and technology to developing countries, it should be further improved, expanded in scope and streamlined.

¹ While recognizing that the WTO is the main forum for multilateral trade issues

² The UNFCCC found that the private sector undertakes most investment in cleaner technology. UNFCCC, *Advance Report on Recommendations on Future Financing* . . . at ¶101, p. 26 (“all available evidence suggests that [business financing] dominates the total.”).

³ See, e.g., OECD *Arrangement on Officially Supported Export Credit* Annex IV; see also <http://www.exim.gov/products/policies/environment/index.cfm>

Specifically the CDM and Kyoto Mechanisms should:

- continue to recognize national circumstances and priorities as important, while fostering maximum cooperation, for instance, through sectoral approaches that promote clean development, while addressing host country local needs and priorities;
- further refine and streamline procedures and processes to ensure efficiency and fairness; and
- keep all energy and technology options open, and allow the host country to render definitive decisions on the projects that are to be sited in their jurisdictions, avoiding internationally established positive or negative technology lists.

It is essential to maintain the environmental and economic integrity of all allowances in a carbon market. Because sectors interact in national and global business markets, all sectors of business and society have a direct interest in the integrity of allowances generated by actions in any single sector.

New mechanisms, especially sector-based mechanisms, to generate mitigation credits should be complementary to national actions, assure environmental integrity, and work harmoniously with economy-wide programmes.

Regarding sectoral crediting and trading, it is not clear that every government has the same interpretation of what these mean or entail.

ICC believes further clarity is needed to understand:

- consequences for environmental integrity - this will require a close look at qualification, crediting baselines and measuring, reporting and verification (MRV) requirements to ensure credible and robust markets;
- implications of an extended source of credits for supply and demand in carbon markets;
- interactions with other mechanisms, especially CDM and their potential use by the private sector in developed and developing countries;
- interactions between sectors within economies and between nations, and their implications; and
- incentives for individual firms to participate.

Individual companies should be able to understand the direct incentives and benefits that would be provided by proposed sectoral crediting for investment in projects or activities that improve the performance of a particular sector. A situation where issuance is made only to governments would have significant ramifications for carbon markets and international competitiveness. ICC recommends that procedures to qualify any sectoral mechanisms should be rigorous, uniform, transparent and efficient. We are concerned about the magnitude, timing and consistency of efforts that would be required to establish (potentially) hundreds of sectoral agreements that may be required to include even a handful of sectors in all nations.

III. TECHNOLOGY DEVELOPMENT AND DEPLOYMENT**Technology innovation**

How rapidly advanced energy technologies develop and are adopted commercially will be the most important factor in determining how quickly and at what cost GHG emissions can be reduced. ICC believes that the availability of cost-effective options to address the challenges of climate change will depend on the development, commercialization and widespread dissemination of both effective existing low-emitting technologies and new, currently non-commercial technologies and the infrastructure to support them. Innovation will substantially improve the future performance and reduce the cost of current and new, in some cases revolutionary, technologies.

To develop and implement the post-2012 framework and provide investment and technological resources, business requires proper enabling frameworks that include; rule of law and good governance, transparent, uniformly enforced regulations, protection of intellectual property, honoring of contracts, open markets, safe and stable communities, vibrant society including education, communication, transportation, along with opportunities for partnership and multilateral cooperation.

Intellectual property rights

The protection of intellectual property rights (IPR) is critical. The international intellectual property system⁴ brings benefits to society as a whole, striking a balance to ensure that the needs of both the creator and the user are satisfied. Without intellectual property protection, there is no incentive for companies to invest in advanced technologies.

When governments consider potential mechanisms to foster transfer of technology in further development of a post-2012 framework on climate change, they should avoid measures that would create additional burdens and legal uncertainty for intellectual property owners thereby compromising the essential role of patents and discouraging innovation and disclosure of technological developments. Existing international institutions provide appropriate means to regulate IPR.

Capacity-building

Building capacity in all nations will be essential to innovate and deploy advanced technologies, for example through education, creation of appropriate regulatory frameworks, development of public infrastructure, and education of a new generation of scientists and engineers.

IV. SECTORAL APPROACHES

International sectoral approaches are being considered as tools to deliver progress in their own right and complement other climate change policy options in the post-2012 climate framework. Business sectors have voluntarily developed sectoral approaches in an array of areas, such as monitoring, reporting and verification, as well as sharing best practices for increasing efficiency and greenhouse gas emissions reductions. In addition, public-private partnerships, such as the Asia Pacific Partnership (APP), and national approaches – whether regulatory or voluntary – have been organized on sectoral lines with good results.

ICC believes that sectoral approaches can provide diverse options for action in the post-2012 framework, provided they are designed and utilized in a way that ensures their environmental integrity and cost-effectiveness.

Furthermore, a post-2012 framework should:

- explore the possibility of using sectoral approaches as complementary tools to governmental actions in mitigation, adaptation, technology and financing; and
- accommodate and recognize voluntary commitments of specific sectors at regional and global levels.

ICC does not support the creation of global sectoral emissions caps or targets. For ICC, a comprehensive set of economy-wide public policies to address GHG emissions would be more cost effective for society as a whole.

⁴ Please see ICC Discussion paper on Climate Change and Intellectual Property
<http://www.iccwbo.org/uploadedFiles/ICC/policy/Environment/213%2071%20Discussion%20Paper%20Climate%20Change%20and%20IP.pdf>