

UNFCCC Bangkok on Climate Change talks - Final Draft AWGK plenary intervention

2 October 2009

Delivered by Andrei Marcu, Head of Regulatory Affairs, Mercuria Energy Trading

Business is watching with concern the KP discussions leading to Copenhagen, as they focus on two key issues: post 2012 commitments and the mechanisms that will be available to help meet those obligations. In this intervention I will refer myself to mechanisms only.

Three negotiating weeks before Copenhagen we are very concerned about the slow pace of progress. This lack of clarity impacts business decisions as we are asked to make investments in low carbon solutions. As business, we will continue to operate and will be expected to continue address climate change, regardless of whether negotiators reach and agreement in Copenhagen or not.

We believe that there is the need for more efficient and effective mechanisms to meet more demanding post 2012 obligations, and we applaud the attention being given to improving the existing market mechanisms and building new ones, which can deliver offsets at the scale required, while encouraging technology diffusion.

However, we note with concern that little progress has been made in the discussions on reforming and improving CDM and urge parties to give this issue more attention and recognize its urgency. The current level of progress gives business very little direction on how to invest, leading to a slowdown in carbon markets and putting at risk what has been built in this area over the last 6-7 years.

The business community believes that going beyond the CDM through the development of new crediting mechanisms can provide an avenue that takes us closer to our shared climate change goals.

We see a need for new mechanisms, but they must be designed to:

- Unleash the entrepreneurial spirit of the business community,
- Provide a clear market signal that will change behavior and influence economic low carbon choices that will include all technologies
- Ensure that private funds, which are essential to finance the transformation to a low carbon economy, can participate.
- Ensure that they are appropriately articulated with national policies and measures.

We are concerned that if the private sector is shut out from participating in the new mechanisms, then one of the important criteria for success will not have been met. If we are not careful, and the options currently on the table give us concern, we will end up with a government to government mechanism as an outcome.

While definitions and other aspects of cooperative sectoral approaches need further clarification, we believe that they can play an important role.

Sectoral crediting and sectoral trading represent a step in the evolution of the global architecture but they can only become truly successful through the participation of the private sector, which wants to ensure:

1. Environmental integrity - which will require a close look at qualification, crediting baselines and MRV requirements;

2. The need to understand the relationship between what the new mechanisms can deliver and the emission targets and goals that are imposed on society and business. Markets were created to ensure that we minimize the cost of compliance to society and free resources for other important goals.
3. Coherence within the overall framework of mechanisms and their engagement with the private sector in developed and developing countries; and
4. Interaction between sectors within the economy and between nations is understood and reflected
5. The need for any mechanism to be combined with a strong protection for IP

Sectoral crediting and sectoral trading are options that we would like to see both available to be used and tested in the marketplace of ideas. We feel that sectoral trading is promising since it eliminates many of the issues associated with additionality, baseline definition, etc. as well as clarifies the role of the private sector.

Finally, given the timelines we also remind Parties of the need to ensure coordination between the launch and operationalization of any new mechanisms and the functionality of the existing ones. Let us not throw out the existing mechanisms before what the new ones are out of the lab and fully functional.

It remains unclear how the private sector will be engaged in these new sectoral approaches. We are certain that without private sector participation these new approaches will not be successful. We therefore urge strong consultation with, and participation by, the private sector in the debates leading to an agreement on these important matters in Copenhagen.

As business we have learned much from the existing mechanisms, we want to make sure that the new ones will improve on current limitations.

Thank you very much

Key contact:

Carlos Busquets, Policy Manager
International Chamber of Commerce
carlos.busquets@iccwbo.org
el: +33 (0) 1 49 53 29 75