

UNFCCC June Bonn Climate Change talks - Final Draft AWGKP closing plenary intervention on specific agenda items (sectoral crediting and CDM reform)

FINAL DRAFT 12 JUNE 2009

We applaud the attention being given to building offset and crediting mechanisms that go beyond the previous confines of the CDM. However we believe that the CDM reform process begun in Poznan is far from complete and must not fall through the cracks amongst discussions of new and scaled-up mechanisms. Only an improved governance structure and streamlined modalities and procedures will allow the business community to build on the momentum achieved in investing in low carbon infrastructure to date.

The business community is aware that going beyond the CDM through the development of new crediting mechanisms to deploy a full range of mitigation approaches can provide an avenue that takes us closer to our shared climate change goals.

Regarding sectoral crediting, it is not clear that every party has the same interpretation of what it means. Specifically the business community is concerned about:

1. how environmental integrity will be ensured - which will require a close look at qualification, crediting baselines and MRV requirements to ensure that hot air is not let into the international carbon market;
2. the need to understand the implications; a) of an extended source of credits for supply and demand, and b) the costs and benefits to society of achieving medium and long-term targets and goals;
3. coherence within the overall framework of mechanisms and their engagement with the private sector in developed and developing countries; and
4. the interaction between sectors within the economy and nations.

It remains unclear today whether incentives will exist for individual companies to invest in projects or activities that improve the performance of a particular sector in a particular country. A situation where issuance is made only to governments would be a marked departure from the past and one with significant ramifications for the global carbon market. Much work has been done by business on sectoral approaches, but there are still difficult data issues to address, as well as insufficient understanding of how such a mechanism could function in practice.

Finally, there is a need to focus on the role of the private sector in this process. If the private sector is to be deeply engaged in efforts to address climate change - and we want to be, Parties must provide us an avenue to contribute, including but not limited to direct, enduring consultation on the design of new mechanisms going forward. The business community believes that the work that we have done so far should demonstrate to Parties the value that we can add to these deliberations and should be enabled clearly and explicitly in the negotiating texts going forward.

Thank you very much