



International Chamber of Commerce

The world business organization

Policy and Business Practices

ICC SUBMISSION TO the UNFCCC Ad-hoc Working Group on Long-term Cooperative Action (AWGLCA) on the fulfilment of the Bali Action Plan and the components of the agreed outcome to be adopted by the Conference of the Parties (COP) at its fifteenth session

On behalf of the International Chamber of Commerce a representative body that speaks on behalf of enterprises from all sectors in every part of the world, we very much appreciate the continued opportunity to offer views on the fulfilment of the Bali Action Plan. We are gratified that the views we submitted last November, in the COP 14 in Poznan, were reflected in the “Ideas and proposals on paragraph 1 of the Bali Action Plan Revised Note by the Chair” document.

Today's major challenges transcend national borders and boundaries, effectively addressing them requires concerted long-term international cooperation. Climate change is one of the most pressing challenges of our times, associated as it is with meeting real needs for energy, development and economic growth. ICC, as business and industry focal point, supports the UNFCCC process and recognizes the necessity of cooperative international action to address climate change.

KEY MESSAGES & OVERARCHING PRINCIPLES

ICC believes that a post-2012 framework under the UNFCCC should seek to maximize and enable the contribution of business. A post-2012 framework should reflect the following overarching principles:

1. Commit all countries to achievable mid and longer term objectives and policies, taking into account the principle of common but differentiated responsibilities, national priorities and circumstances;
2. Recognize the important role of markets in any cost-effective response to climate change and enhance market-based approaches in conjunction with other policy instruments for more environmentally sound investment;
3. Keep all energy options open and stimulate the broader use of existing energy efficient and low carbon technologies to enable cost-effective greenhouse gas emissions reductions;
4. Recognise that concerted, global support for research and development will need to be put in place in order to increase the pace of change for certain technologies;

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5. Address adaptation needs, particularly in vulnerable developing countries, and create frameworks and governance structures to efficiently attract the necessary resources;
6. Strengthen multilateral trade and investment that will support the economic and technological flows required to implement solutions;

Our submission will provide elements pertaining to the building blocks of the Bali Action Plan for action on mitigation, adaptation, technology and finance as well as a shared vision for long-term cooperative action. In our view these elements are interconnected and must be progressed and delivered in full synergy.

BALI ACTION PLAN

The Bali Action Plan paves the way provides greater clarity for business to better design research and development programmes as well as investment plans. As highlighted by the UNFCCC Secretariat, business has been responsible for the vast majority of investments and financial flows (over 80 percent).

According to the International Energy Agency World Energy Outlook 2008, investments of \$26 trillion will be required for projects related to energy access, diversification of energy supplies, modernize infrastructure and promote greater efficiency, between now and 2030, under a reference scenario and going beyond that scenario will require significantly larger investment.

Time is short before COP 15, the financial 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, provide energy access and security and shape a future global low-carbon economy. There is an urgency to act, and while the crisis creates new challenges, it also underscores the importance of seeking cost-effective opportunities for action.

SHARED VISION

Climate Change is a global problem that requires a global solution. A shared vision should encompass and integrate all aspects of the Bali Action Plan. Similarly, we would encourage policy makers to eventually merge the two processes being elaborated in the Ad-hoc working group on Long-term Cooperative Action (AWGLCA) and the Ad-hoc working group on further commitments under the Kyoto Protocol (AWGKP). As negotiating texts become imminent, it will be crucial to ensure a consistent outcome and use the short remaining time until Copenhagen most efficiently.

MITIGATION

ICC supports a long term vision for significant GHG reductions in mitigation involving all parties based on realistic and attainable goals and market-based complementary policies with nationally appropriate mitigation actions for all countries, taking into account



national strategies for sustainable development. Moreover, there is a need to further enhance and support the evolution of Kyoto mechanisms such as the Clean Development Mechanism (CDM) and Joint Implementation (JI). It is widely recognized that while the CDM has begun to function, it has not lived up to its full potential to bring investment and technology to developing countries and support their efforts to pursue cleaner energy pathways. The CDM represents an important means available for allowing technologies that can contribute in a rapid and massive manner to reducing GHG emissions in countries where such emissions will rise most rapidly in future years.

ICC believes that a post 2012 framework should:

- Establish a long term goal for emissions reductions that is realistic and achievable, in accordance with the provisions and principles of the Convention, in particular the principle of common but differentiated responsibilities;
- Commit all countries to mid and longer term objectives and policies compatible with the established long term goal and national priorities and circumstances for the successful attainment of UNFCCC objectives - building on good practices and effective implementation of climate policies in different countries and regions;
- Explore the possibility of using sectoral approaches as a complementary tool to accelerate emissions reductions and of accommodating commitments of specific sectors at a global level;
- Respond to the challenges of deforestation and forest degradation by supporting sustainable land use practices including sustainable forest management as a major strategy to reduce greenhouse gas emissions and increasing the productivity of existing agricultural lands to prevent additional deforestation;
- Support evolution and expansion of the flexible mechanisms post-2012, including the Clean Development Mechanism (CDM) and Joint Implementation (JI), to stimulate emissions reductions in a more cost-effective, comprehensive and environmentally effective manner. In view of the scope of the challenge, the mechanisms should evolve to accommodate large projects with potential to make significant reductions;
- Allow the eligibility of carbon capture and storage (CCS) projects in the CDM. CCS meets the objectives and criteria of the CDM and JI to contribute towards the stabilization of atmospheric greenhouse gas concentrations;
- Allow nuclear energy projects (as well as large hydro projects) to be eligible for inclusion, in existing and future project related mechanisms, if the necessary conditions are fulfilled and establish a process to enable this in a timely manner;
- Improve governance, structure, scope, and decision making process of the CDM;
- Encourage the development of transparent, credible, methodologies as the basis for measurable, reportable, and verifiable (MRV) nationally appropriate mitigation actions (NAMA). MRV's should include independent review and sound/comparable metrics, and must meet agreed UNFCCC reporting requirements. Business has



expertise to offer in management systems and metrics that would be relevant to further developing these concepts.

ADAPTATION

Adaptation to climate change is a critical issue for business and industry. Climate change impacts will affect not only business operations but also the markets in which we participate and the communities where our employees and customers live. As part of their planning and investment cycles, business are already accounting for anticipated changes and seeking ways to enhance resilience. Given the wide range of impacts and interconnectivity of the solutions required, collaborative efforts will be essential in finding a way forward. Business is committed to working together with governments and civil society to find better ways of understanding the risks and vulnerabilities associated with climate change as well as identifying and implementing solutions. Concrete steps have already been taken by many sectors in various parts of the world and action will continue to grow as awareness increases. We welcome the operationalisation of the Adaptation Fund in Poznan to allow funding for adaptation projects and programmes by developing countries.

ICC believes that a post 2012 agreement should:

- Encourage adaptation through a combination of incentives and other market-orientated initiatives;
- Put in place procedures to rapidly identify and prioritize adaptation approaches that could provide resilience and adaptive capacity;
- Integrate adaptation into the work of planning agencies, and in long term planning for energy, housing, city planning, agriculture and other infrastructure and development;
- Enhance awareness of adaptation in both in developed and developing countries;
- Assist vulnerable developing countries with adaptation, building on the UNFCCC Adaptation Fund;
- Integrate adaptation policies at international and national levels to enhance cooperation among nations;
- Recognize that different countries will require different adaptation measures appropriated to individual circumstances (climatic, geographical, social, cultural, economic and political situations) and specific impacts.

TECHNOLOGY

Development and deployment of a range of existing, mature and advanced technologies are needed to address climate change and will require appropriate institutional frameworks, intellectual property rights protection and market-based deployment of



those rights, as well as innovative funding mechanisms such as the G8 Clean Technology Fund to accelerate promising technologies. The successful development and local deployment of technologies, including in the most vulnerable developing countries cannot happen in a vacuum, and will depend on the existence or strengthening of infrastructure, human capital, and the engagement of local business communities and public authorities. It will be essential to create enabling regulatory frameworks for advanced technologies and associated infrastructure in a timely fashion.

There is a crucial need to develop a better understanding of what technology cooperation involves as technology deployment comprises more than intellectual property and hardware. In particular it also includes financial structures, capacity building and knowledge transfer. Construction, service and maintenance in particular could lead to the creation of local jobs, capacity development and, thus, to achieving critical economic and development goals. These aspects are inherent in and integral to commercial success in foreign direct investment.

Intellectual property rights protection should be understood as an enabler rather than a barrier, especially for the ongoing creation and deployment of innovative technologies. Parallels with the HIV/AIDS situation cannot be made in a simple manner. Energy and climate-related technologies are of a different and require a different approach to intellectual property rights to ensure technological innovation and deployment.

Our understanding of the proposed UNFCCC Technology Assessment Panels lead us to caution against such a proposal, as its relevance and effectiveness is far from demonstrated given the complexity and diversity of technologies that will be needed to address climate change. A variety of existing national and international institutions already provide extensive information and analyses of technology options.

ICC believes that a post 2012 agreement should:

- Enable the deployment of existing and mature low carbon technologies when and where appropriate;
- Stimulate research and development to more rapidly create innovative, affordable and reliable, low greenhouse gas emitting technologies, and eliminate or reduce regulatory trade and investment barriers to the development, utilisation and dispersion of new technology;
- Recognise the need for all technologies to contribute to climate solutions. Given the potential for innovation to make profound changes in the performance and cost of existing or new technologies over the coming century, the agreement should encourage all types of innovation;
- Keep all energy and technology options open, recognizing that future innovation may overcome barriers that limit the contributions of some technologies today, and allow the host country to render definitive decisions on the projects that are to be sited in their jurisdictions and whether these meet the host country's sustainable development criteria, avoiding positive or negative technology lists;



- Increase international and cooperative research and development efforts, as well as innovative funding mechanisms (along the lines of the G8 Clean Technology Fund) that can be used to accelerate the development of new technologies and their deployment;
- Encourage public- private partnerships predicated on sharing of best practices, and stimulating investments in developing countries that can contribute to the objectives of the UNFCCC;
- Provide incentives for earlier retirement of less efficient but still productive technology on the same basis as for introduction of efficient new technology;
- In considering indicators of success, a post 2012 agreement should seek to incentivize industry to develop and commercialize” the right technology, appropriate in different geographies.

FINANCE

Effective business responses can best occur within clear and stable framework conditions. In order to create viable enabling frameworks for private investment existing institutions should be strengthened and utilised. In addition to enhancing market mechanisms as mentioned in the mitigation section, international trade and investment rules and frameworks should be strengthened. Fostering alignment and mutual compatibility of climate change policies and multilateral trade rules will enable governments to reap more fully the beneficial effects of trade liberalisation for both economic development and environmental protection. A clear example is when several WTO members proposed the reduction or elimination of tariffs and non tariff barriers on environmental goods and services in the context of the WTO Doha Round negotiations. Approaches like these are examples of how the multilateral trading system can work to support broader deployment of technology options that can contribute to combat climate change. Trade and investment liberalization are indispensable to the development and deployment of climate friendly technologies, particularly to developing countries.

ICC believes that a post 2012 agreement should:

- Incentivize massive diffusion of all already mature low carbon technologies;
- Stimulate the continued development of an international carbon market, in those countries and regions that choose to utilize this option, and promote transferability and fungibility between carbon markets;
- Encourage market-oriented solutions that are cost-effective, simple, flexible and pragmatic;
- Provide incentives for efficient energy use, increased public awareness, sustainable energy generation and emissions reduction;



- Avoid the use of international taxes to generate funding under the agreement. Economic development and sound investment conditions are required to enable business to deploy the necessary commercial resources to tackle climate change. This is made all the more important given the current global economic and financial crisis;
- Accelerate progress towards the design of financial products to leverage private capital flows to enhance technology finance and adaptation measures;
- Strengthen multilateral trade and investment that will support the economic and technological flows required to implement solutions;
- Establish credible market mechanisms with adequate administrative procedures to ensure compliance with climate change goals including appropriate monitoring and verification.

ICC and the global business community stand ready to continue engagement with policymakers for a successful outcome in Copenhagen and to cooperate on mid and long-term approaches that address climate change while advancing sustainable development. The Global Business Day, co-organized December 10th by the International Chamber of Commerce and the World Business Council for Sustainable Development in Poznan sent a powerful message that business is ready to contribute insights, ideas and actions for the development of a new post 2012 framework. We look forward to repeating this initiative in Copenhagen. ICC will continue to bring a wide range of global business views and experiences to contribute to the successful completion of the Bali Action Plan in Copenhagen.

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