



International Chamber of Commerce

The world business organization

Department of Policy and Business Practices

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

An Update of ICC's views for the UNFCCC COP 11, COP / MOP 1 November 28 – December 9, Montreal

The International Chamber of Commerce (ICC) represents a broad constituency across global business with members in 140 countries representing over 7500 small, medium and multinational companies. Because these companies operate in a wide range of business sectors and regions, they naturally have varying perspectives on the actions and strategies best suited to combat climate change. This paper was prepared by the ICC's Climate Change Task Force, which comprises interested representatives of all major business sectors; it reflects the consensus views of ICC members. As a non-governmental organization participating at meetings of the United Nations Framework Convention on Climate Change, ICC acts as an observer on behalf of its members and seeks to ensure that the views and expertise of business and industry are available to negotiators.

Introduction

In the view of ICC, the world response to climate change must be assessed in the context of meeting growing demand for energy in a world where nearly two billion people today are without access to the essential benefits of commercial energy, and as such, impaired from rising above poverty to pursue economic and social development. As nations gather in Montreal for the eleventh meeting of Parties to the U.N. Framework Convention on Climate Change, ICC calls upon them to be mindful of growing energy and sustainable development challenges such as those reflected in the UN Millennium Declaration, and the need to efficiently and cooperatively engage public and private sector resources in implementing solutions to those agreed priorities.

It is apparent that fundamental differences continue regarding the best way forward to address long-term climate concerns. Differences include the stringency of near-term emissions controls, the policies to be used to control emissions, the countries in which actions will be taken now and the pace and way forward beyond 2012. Because planning and investments in major energy supply and end use applications have time horizons that extend well beyond 2012, these differences already are having an impact on important decisions faced now by society and business to ensure adequate, affordable energy supplies in coming years. Differing policy regimes will have an impact on national economic competitiveness and they have the potential to exacerbate tensions in world trade.

International Chamber of Commerce

38, Cours Albert 1er, 75008 Paris, France

Telephone +33 1 49 53 28 28 Fax +33 1 49 53 28 59

Internet www.iccwbo.org E-mail icc@iccwbo.org



The ICC remains committed to the UNFCCC, and believes that it provides a useful structure in which to consider cooperative long-term measures for Parties to address global climate change. In this paper, the International Chamber of Commerce sets out its views on the essential elements of a viable way forward to address climate concerns over the longer term.

Background

Across the globe business and industry have made significant contributions to understanding and combating 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). The UNFCCC's crucial task now should be to build an effective, long-term framework to address climate change. Because that framework must consider 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, the international community must find effective ways to proceed that include all countries and regions, 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 about greenhouse gas emissions and the environment. 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 technology.

The scale of effort and investment required to meet growing global energy needs is enormous. For example, the IEA World Energy Investment Outlook projects the need for \$16 trillion of investment in energy supply and distribution systems over the next 30 years. 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, pipeline and shipping.

Decisions on the substantial investments necessary to secure energy supply and distribution will not wait for consensus in climate negotiations and the development of modalities to implement commitments. 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.



Today, there are fundamental differences among countries and regions on the most effective ways to address climate change, in particular whether it should be addressed under the UNFCCC, the Kyoto Protocol, both or through some other mechanism. These differences illustrate the difficulty in finding a generally accepted framework for international co-operation.

Despite this uncertainty, many countries and regions are taking actions to implement their commitments under the UNFCCC and the Kyoto Protocol. 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; and these are only exacerbated when comparing countries with and without emissions commitments.

These fundamental differences call into question whether an international framework based on a progression of binding, differentiated, absolute emission reduction targets can effectively marshal a sustained global response to concerns about climate change. Furthermore, these differences create serious obstacles to designing and implementing an effective, long-term international framework to address climate change. As well, they risk diverting attention and resources away from the urgent near-term sustainable development needs, laid out in the U.N. Millennium Development Goals.

The current approach has the potential to impose high costs on business and society, exacerbate tensions in international trade, and to damage economic prospects, competitiveness and investment, particularly in countries with the most stringent commitments and measures, while doing little to address increasing global greenhouse gas emissions over the coming decades.

The Way Forward: Issues

The fundamental areas of disagreement on an effective global framework should be resolved among all Parties as the UNFCCC goes forward. All Parties to the UNFCCC should participate in a common endeavour to assess and improve climate policy under the international framework of the UNFCCC. Business is particularly concerned that the lack of consensus deters technological innovation and the investments that will be essential to long-term global emissions reduction and adaptation. The pressing needs of energy for development and enabling frameworks to deploy both new and existing efficient, innovative technologies should be taken on board in seeking ways to move ahead.

The ICC believes that discussion of the following issues among all affected Parties now is essential to help promote effective, long-term policy frameworks to address the risks of climate change:



- How to initiate a global review and reappraisal that would take into account environmental, economic, and social impacts of options for international cooperation;
- How to promote an effective long-term international framework under the UNFCCC to address climate change, bridging existing frameworks and markets, involving all Parties, and taking into account the participation and needs of local communities;
- How can such a framework promote efficiency, share best practice and stimulate research on innovative technology needed to address the risks of global climate change;
- How could such an international framework utilize incentives and other market-oriented approaches as alternatives to “targets and timetables”
- How can experience with existing emissions trading systems be assessed and most effectively incorporated into any potential role in an international framework?

Issues regarding the period beyond 2012:

- How to encourage and foster greater research on long-term solutions and on improving technological development and dispersion
- How to encourage and foster adaptation
- How to pursue an improved, simplified, long-term approach that encourages future participation by all nations, particularly larger emitting countries;
- How to understand the implications of EU expansion for joint fulfilment (the EU “Bubble”);
- Participation in emissions commitments - or not - by developing countries and the nature of any future commitments;
- Emissions and activities covered: gases, global warming potentials or some more relevant index, the possible addition of aerosols and soot;
- The nature of implementing commitments using a basket approach;
- Potential frameworks that allow any country to participate in emissions trading or other Kyoto mechanisms;
- Treatment and protection of forests and other sinks;
- Evolution of:
 - + Clean Development Mechanism and Joint Implementation including project eligibility, baselines, emissions accounting standards;
 - + Compliance, especially penalties charged against future periods.

The Way Forward: Recommendations

Given the global, long-term nature of climate change, and in light of current fundamental difficulties with approaches based on a progression of differentiated, short term legally binding emissions targets for developed countries, as well as 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:



- Promotes global participation;
- Encourages adaptation, with particular emphasis on possible rates of change;
- Encourages greater use of existing, efficient technologies in developed and developing countries;
- Encourages voluntary actions by industry to reduce, avoid or sequester GHG emissions;
- Provides market incentives for efficient energy use and eliminates subsidies that encourage excessive consumption of energy;
- Stimulates research and development to create innovative, affordable and reliable, low greenhouse gas technologies sooner, and eliminates or reduces regulatory barriers to the development, utilisation and dispersion of new technology;
- Encourages the global dissemination of advanced energy technologies;
- Addresses climate change risks in the context of advancing cleaner development in developed and developing countries-- recognising that, in developing countries, priorities include economic development, poverty and disease eradication which are underpinned by enhanced access to basic services such as energy, health care, and education;
- Continues scientific research to assess better the risks of climate change, and uses these evolving assessments to inform policy responses to climate change;
- Focuses on long-term objectives for the mitigation of climate change risks.

Conclusions

The ICC recognizes that climate change risks are a significant long-term concern. Business and industry have actively addressed climate change by investing in and promoting energy efficiency and conservation, by developing new technologies and processes, and by measuring and reporting greenhouse gas emissions from facilities and products. 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.

We believe that a longer-term international climate policy framework under the UNFCCC must be developed: one that reflects a full international consensus to address these risks effectively, and that encourages investments in and access to energy and advanced technology that is needed to promote economic growth and development.

Until recently, climate change policy discussions have focused on implementing near-term greenhouse gas emissions limits, in particular those defined in the Kyoto Protocol. They had not focused on the implications for long-term innovation and investment, especially in major technologies and infrastructures for energy supply and use. It is essential to discuss these longer-term challenges so that the public and policymakers will better understand the full implications of these agreements and their implementation. This is especially true regarding implications for research, innovation, technology diffusion and transfer, and investment decisions that must be made now, in particular for equipment and infrastructure



with long lifetimes. Such discussion will help policymakers reach a full international consensus on an effective, long-term, global approach to address the concerns about the risks of climate change. ICC is encouraged that recent discussions and proposals such as the G8 and the Asia Pacific Partnership for Clean Development are introducing options into the international debate that offer promise in dealing effectively with long-term climate risks.

The International Chamber of Commerce and its members stand ready to participate actively in the important international discussions that should lead to the development of cooperative, long-term approaches to address climate change in accordance with the UNFCCC.

November 8th, 2005

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