



Mexican Dialogues

Public Private Dialogues on Climate Change

Background

The Government of Mexico, in collaboration with the WBCSD and ICC, organized a dialogue between governments and the international business community on 15 and 16 July 2010. This meeting launched a series of public – private dialogues, the “**Mexican Dialogues**”, to support the climate change negotiations towards COP 16/CMP 6 in Cancún, México and beyond. This partnership will foster a series of informal public-private sector dialogues on specific climate change topics – creating a new model for business engagement with governments on international climate challenges. The dialogues focus on topics that are relevant and critical to the current negotiations, namely: carbon markets, technology and financing. Others are anticipated to follow, including on REDD+ and MRV.

Overview

Climate change is one of the most important global challenges. Addressing the risks of climate change requires all layers of society and the economy to play their part. An effective combination of technology innovation, demonstration and deployment, availability of finance for low-carbon development and adaptation, and markets, including carbon and other greenhouse gas markets that set a value for carbon, are an important part of the solution. This opens opportunities for public-private sector synergy.

Currently available technologies can begin to make a difference. Estimates indicate that 70% of needed reductions can be made with existing technologies. Other technologies are being tested and brought to commerciality, while others are at the research and design stage. All will be needed to reduce greenhouse gas emissions and stabilize them at levels to prevent dangerous anthropogenic changes to the climate system, and to respond to adaptation needs. The key challenge is to roll-out low carbon mitigation and adaptation technologies at a cost that is affordable, in particular, for developing countries. This will require smart use of **both** public finance and private finance. Public finance will not be sufficient on its own.

Governments pledged US\$100 billion per year of financial transfers into developing countries by 2020 under the Copenhagen Accord. To reach these levels, and the even greater levels of financial needs that estimates indicate, will require public finance to be used intelligently, to maximum effect and in a way that catalyzes

private sector investment. Such vast financial flows will need the support of universally trusted and efficient institutions if they are to be sustainable and effective. Markets can be used wisely to stimulate investment, and new financial tools can be developed to encourage increased finance for developing countries, where the mitigation potential is largest and adaptation most critical.

The international process under the UNFCCC plays a crucial role in creating a supportive framework for the development of effective and efficient solutions to tackle climate change, to harness the markets, mobilize finance and create systems that facilitate the transfer and deployment of technology. The rules on which this framework is built, as well as the arrangements for implementation are critical elements for international cooperation on climate change mitigation and adaptation.

How will the international process create leadership? How can an institutional architecture be developed to deliver climate solutions as fast and efficiently as possible? How can the public and private sector work together to develop and implement solutions to post-2012 challenges?

The Mexican Dialogues

The three initial Mexican Dialogues will focus on finance, markets and technology – three indispensable elements which will enable climate change solutions.

All three elements must work together to promote effective investment in the myriad of projects needed to address the climate problem. An institutional architecture will need to steer a policy process that will allow each element to draw on its own strengths and to work together to deliver results across the whole range of technology phases.

The first three Mexican Dialogues will draw on experts from the private sector and senior climate change negotiators. Each dialogue will concentrate on one topic, with the discussions focused on specific issues, while seeking to provide a complimentary part of the overall picture. Outlines of each of the dialogues are shown below. These are under development and subject to amendments.

Dialogue 1 - *Financing green growth*

- The role of the public sector in leveraging private finance: What are the drivers of private finance? What is the role of the public sector?
- Managing climate change investment risks: What are the types of risks involved in climate change finance? What is the role of the UNFCCC in reducing risks? What kind of private and public risk hedging tools are available?
- Institutional finance architecture: How could UNFCCC finance architecture be designed to encourage private sector investment?

Dialogue 2 - *Role and architecture of markets (Draft)*

- What is the track record of markets in addressing climate change and what are the lessons learned? What is the status of existing mechanisms – CDM 5 years after the Montreal Protocol?
- Where can market mechanisms play a useful role – mitigation, adaptation, REDD, technology etc.? What is the shape and what needs to be considered relating to proposed new mechanisms – role and architecture?
- Markets but it is not only markets- what is needed to make markets work? What does the carbon market need from Cancún?

Dialogue 3 - *Technology - Unleashing the potential of the private sector (Draft)*

- What kind of investment is needed to drive clean technologies, in particular, to developing countries? How can the technology institutional architecture be designed to support this?
- Technology diffusion is an active process and needs to be nationally appropriate? What is the role of the private sector in supporting cost-effective diffusion? What lessons can be learned from existing projects.

Objectives of the Mexican Dialogues

The dialogues will provide input from the private sector on issues under discussion in the international climate negotiations. As we approach COP 16 and CMP 6, the focus will be on contributing to the negotiations ahead of and in Cancún.

Longer-term, it is anticipated that these dialogues would provide the basis for a sustainable platform for government-business interaction on international climate policy.

Further objectives include:

- Share relevant information, experience and views
- Increase trust and understanding between governments and business on climate change issues at an international level
- Provide an environment to promote creativity
- Allow frank discussions in a non-politicized environment.

Deliverables of the Mexican Dialogues

- Useful, informal input and expertise to the negotiations
- A synthesis report to inform decision makers and the business community
- Consideration of ways to establish a formal process for providing business input to the Convention process
- Potential exploration of discrete private public partnerships around a concept or project

Linkages to UNFCCC process

- The initial three dialogues will be chaired by the Mexican Government with co-chairs from business and a further sponsoring government. The outputs of each dialogue will be prepared under the responsibility of the Chair.
- These reports will provide input to the United Nations Climate Change process. It is intended that these dialogues will support the intergovernmental climate change discussions in the lead-up to Cancún and beyond.

Format of the Mexican Dialogues

The dialogues will:

- be held in an informal setting under the Chatham House Rule¹
- be chaired by the Government of Mexico plus two co-Chairs (Government and business)
- be facilitated by a moderator, knowledgeable about the issue and the UNFCCC process
- be interactive, roundtable dialogues, supported by short presentations and background papers
- include rapporteurs for different elements to work with the Chairs/co-chairs to develop a summary

Participants

The dialogues will bring together a representative group of experts from both governments and private sector. Participation will be tailored for each dialogue, allowing a balance between technical expertise, negotiation issues and intergovernmental process. The invitation will be non-transferable directed to individuals well recognized by their expertise. The World Business Council for Sustainable Development (WBCSD) and the International Chamber of Commerce (ICC) will support the Government of Mexico and different co-sponsoring governments in the organization of each of the dialogues. They will assist in the identification of the participants as well as in the development of the specific agenda for discussion.

The WBCSD and ICC will collaborate with other business groups, as appropriate, in the organization of the dialogues and will disseminate information on the dialogues and their outcomes as broadly as possible.

¹ "When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed".