



World Business Council for
Sustainable Development



International Chamber of Commerce
The world business organization

Public-private dialogue on climate change

Preparing ourselves for green growth

Mexico City, 15-16 July, 2010

The concept for the dialogue

The Mexican Government took an initiative to approach international business to improve business-government interaction leading up to COP16/CMP6 in Cancún in December. A first dialogue was set up in Mexico City on 15-16 July with the intention of kick-starting a longer-term process and new model for engagement on international climate topics.

Meeting summary

The meeting, co-organized by the Ministry of Foreign Affairs, the World Business Council for Sustainable Development and the International Chamber of Commerce, was well attended, with more than 100 participants. There were a good number of representatives from Mexican business with around 25 international business representatives, and government representatives from Mexico, Europe, Latin America, Asia and Europe.

The Mexican Government supported the meeting strongly through the Ministry of Foreign Affairs and the Ministry of Environment and Natural Resources. The new Executive Secretary of the UNFCCC, Christiana Figueres, also participated.

The meeting was focused around working sessions on three of the most critical areas where business input is needed to assist implementation of any climate agreement - financing, the carbon markets and technology.

Each of these working sessions involved participants from both business and governments framing the key challenges and outlining what is needed to address these and how progress might be made.

The ambition of the dialogue was to identify these challenges and outline a plan that will facilitate a structured dialogue process to enable governments to benefit from the knowledge and experience that exists in the business community.

Working group summaries

GROUP 1: Carbon Markets

Carbon markets have helped to reduce emissions both through emissions trading programmes and through project-based mechanisms. The CDM has registered more than 400m tonnes CO₂e reductions to date and will deliver 1b tonnes CO₂e reductions by 2012. It has unleashed carbon-entrepreneurialism in developing countries.

The strains on sovereign public debt highlight more than ever the importance in designing public policy instruments that can succeed in leveraging private sector investment flows. The creation of demand, through policies or other incentives, is the strongest tool to spur private investment.

Key messages from the dialogue

1. Public sector should be more vocal in supporting market mechanisms
 - The key issue is the reform of the CDM:
 - Due process
 - Enhancing lead times & supply potential
 - Continuation of CDM, even if New Mechs cover the sector
2. Start Pilots for NAMAs/Sectoral Mechanisms/REDD+/CDM reform elements before Cancún
 - under a UNFCCC process similar as AIJ which led to CDM
 - allowing the establishment of best practice and rules & procedures under UNFCCC
3. Create an international institution that buys off post-2012 CERs with a floor price to overcome the Commitment Period gap

Path forward - suggestions

Establish a process for communicating raising private sector views more effectively in the UNFCCC.

- Renew culture of inter-sessional workshops (as has been successful with REDD+) with private sector involvement
- Focus on issues such as sectoral mechanisms, NAMAs, adaptation, technology transfer, financing, REDD+
- Encourage private sector participation in SBI/SBSTA process (especially with financial expertise)

GROUP 2: Financial Architectures to Support Investments and Markets

A very engaged discussion recognized the need for a new public private partnership between governments and business and a strong willingness for a continued dialogue to improve understanding between governments and business, but also to elaborate concrete proposals on different topics.

Key messages from the dialogue

1. International finance flows to developing countries are the issue. National issues are handled under national processes.
2. There is a distinction between the leading emerging economies and other developing countries.
 - Financial support to countries like China, India and Brazil from Annex I countries is politically difficult and at least in some cases, like China, unlikely to happen.
3. The volume of financing needed is unclear.
 - Future needs are huge – energy alone demands \$1.1 trillion per year to 2050, plus water, transport, infrastructure.
 - The Secretary General’s Advisory Group on Finance will report by October.
 - Fast start \$30bln by 2012 - seems to be in place. The source for \$100bln annually by 2020 is unclear.
4. There is a need to combine public and private funding.
 - Very different governance and bureaucratic process for decision making and implementation.
5. There are distinct and separate roles for public and private funding.
 - Public funding should focus on capacity building; supporting infrastructure in developing countries; risk mitigation; R&D; demonstration and commercialization of new technologies.
 - Private funding – it is unclear what expectations exist for the role of the private sector in providing funding.
 - 85% of all FDI flows to developing countries today
 - This is connected to the normal operations of companies in providing goods and services
 - Must be profitable to meet the fiduciary responsibilities of company management
6. Business and governments do not understand each other well. There is a need to create a common language on finance.

Path forward - suggestions

Further dialogue is needed before Cancún to provide clarity and create understanding

- a. Focus should be on processes / criteria for funding more than the sums required
- b. There should be a private sector advisory role for the Green Fund

GROUP 3: Improving Technology & Innovation Dissemination

Technology transfer is the key to achieving a low carbon economy and delivering emissions reductions. It is a well established process that has been refined over many decades. It is not a one-way donating system, but a multi-dimensional cooperation process where typically the business contribution is driven through investments and joint ventures, and the government role is to improve the enabling environment to encourage greater investment.

Key messages from the dialogue

1. For technology transfer to be effective under the UNFCCC, it must adapt to the external realities:
 - Accelerating low carbon technology transfer cannot be segmented on a developed vs. developing country basis. It is segmented based on items such as the size of the company/investment; whether it is implementation of existing technology, or planning for new technologies; short term investments compared to 40-year plus infrastructure investments.
2. There was little evidence of barriers preventing a major acceleration of low carbon technology cooperation.
 - However, many options for improvement exist. The need for more effective public private dialogue is greater than ever.
 - Countries benefiting from technology transfer have clear plans to improve enabling framework. Examples were shared in Colombia, Singapore, Switzerland, Sweden, South Africa, and Mexico. Key success factors included:
 - Openness to FDI
 - Support of strong IPR
 - Engagement in informational outreach
 - Business friendly processes that included effective models for public private partnerships
3. Extensive best practices of good public private partnerships exist:
 - APP: a practical approach to low carbon knowledge exchanges at the sector level – although a financing body to manage dissemination is a possible missing link
 - CGIAR (Agricultural Best Practices) – example of resolving regional outreach in LDCs and having managed funding (of institute) via regional development banks
4. Regional Clean Technology Centres supported by regional development banks could develop roles to help countries navigate the areas that drive technology transfer:
 - Competition – innovation thrives in competitive markets (mobile phone example)
 - Cooperation – is essential to eliminate waste (mobile charger example)
 - Complexities of markets – technologies need a market, but needs vary widely
 - Communication – sustainable energy technology is very diverse – informational outreach is a major element of capacity building

Path forward - suggestions

There is a need for a common language. High degree of common understanding, but only once business and government understood the different language and processes we used.

There is consensus on the issues and topics that business believes are important and that governments are looking for a business input.

An informal dialogue process should be established. This should be:

- Jointly owned by business and government
- Engage business and government representatives from developed and developing countries
- Focused – limited representation of experts from government and business
- Flexible enough to encourage engagement on policy and practical issues

The informal process should inform the formal processes and government discussions, predominantly the UNFCCC.

Business would have a responsibility of communicating transparently with the business community to prepare for the meetings and to feedback outcomes.

Meeting outcomes

There were consistent themes that arose in the working groups. The private sector has much to offer in the way of expertise, knowledge and experience. This input is required by governments to enable an effective transition to a lower carbon future. All three dialogues reflected a desire for greater understanding and a need to build public-private partnerships.

The Ministry of Foreign Affairs has proposed a series of government-business dialogues, known as the “*Mexican Dialogues*”.

- These dialogues are proposed as an ongoing informal process to support international inter-governmental discussions and negotiations on climate change. The dialogues will be structured around issues that will benefit from business contribution. Five initial topics were proposed – financing, technology, carbon markets, REDD+ and MRV.
- Each dialogue should be focused on specific issues where business input and contribution will aid governments in progressing towards lowering carbon emissions. Meetings will be small, focused and will involve subject experts.
- The Mexican Government will sponsor the series of dialogues and has asked the World Business Council for Sustainable Development (WBCSD) and the International Chamber of Commerce (ICC) to coordinate the appropriate expertise and leadership from within the business community. The WBCSD and ICC will keep the broader business community informed through established business consultation channels including the UNFCCC business and industry NGO (BINGO) process. The UNFCCC’s support is also being sought for the Dialogues.
- For each dialogue, there should be a business and at least one government sponsor (ideally there would be two government sponsors – one from an Annex 1 country and one from a non-Annex 1 country).
- As a specific output of the meeting in Mexico, it was agreed that there should be three initial dialogues before COP16/CMP6 in Cancún on topics that are relevant and pertinent to discussions there. These will be on
 1. Financing – 1/2 September in Geneva
 2. Carbon markets – Fourth week of September in Paris (tbc)
 3. Technology – timing and location under discussion
- It was agreed that there should be a high level business-government meeting with lead negotiators/Ministers in advance of or during COP 16.

Details for the initial dialogues are being prepared and will be publicized shortly and invitations will be sent to relevant experts.

Closing address by *Ambassador Patricia Espinosa Cantellano*, Minister of Foreign Affairs

Mexico City, July 16, 2010

I am very pleased to be with you once again to confirm that this first dialogue between government representatives and personalities from the corporate world has been enormously productive.

In the past two days we have exchanged opinions on the best way to unite our efforts and transform the enormous challenge for humanity posed by climate change into an opportunity for sustainable growth that creates benefits for all.

I am pleased to confirm also that many of you here today are fully aware, and I too share this, of the magnitude of this challenge and we are acting with enthusiasm and determination to confront it. And in that regard, I would like to thank you for your numerous and enthusiastic participation in this dialogue.

This, as Mr. Stigson pointed out a moment ago, seems to me to be an encouraging sign and leads me to think that a strong result in Cancún will further reinforce the work done.

Governments have a special task to carry out in these efforts and it is that of establishing conditions that make economic growth possible and create well-being for our current and future societies, while at the same time conserving the environment and the natural resources that form part of our wealth.

Of course, as has now been highlighted in these conclusions by the personalities accompanying me on the presidium and throughout the discussions, the private sector plays a central role in a successful transition toward a sustainable economy.

Together we share the task of preserving our planet's natural balance and the responsibility of taking the necessary decisions and actions to attain that objective, while at the same time ensuring better levels of well-being for our societies.

As part of the exchanges, it was recognized that efforts to confront climate change are reinforced if we have a national and international framework that creates certainty and transparency, and that allows both governments and companies to take medium and long-term decisions.

I am certain that this message, shared here in this dialogue, will be one of the pivots that will guide our efforts toward and in Cancún.

We have a sound and effective international system that is contained in the United Nations Framework Convention on Climate Change and in the Kyoto Protocol.

We are certain that together we can identify specific actions that enable us to attain the objectives clearly established in these instruments, with full observance of the principles established in them, including that of common but differentiated responsibilities.

We must all participate in the negotiation process and must do so in good faith and in a responsible manner.

It has been commented here, the two representatives of the business groups have commented especially what the meaning of Cancún should be and the fact that we should view this process as an evolutionary process. I think it is perfectly clear, sure

enough, science evolves, the world's conditions evolve, economic, climate, social and political conditions are in constant evolution.

So much so, we should view this as an evolutionary process to the extent that the Convention itself provides, and the Protocol too, that the Conference of the Parties be held once a year. What for? To evaluate the progress made and to be able to define what additional actions or what aspects should be corrected or added to in the course of action.

However, what I do think is very important is that in Cancún we should succeed in establishing the basic mechanisms, the basic architecture that allows us to put specific actions into practice immediately.

Specific actions geared to attaining the goal of limiting global warming, that allow us to have a clear idea now of how the financial supports should flow, the technological supports, what type of commitments the countries should adopt; all of the Annex One countries and also the developing countries that are not part of Annex 1, in order to move forward together toward that objective.

We have the system, I repeat, we know what the pieces of the jigsaw are, so to speak, but we have not yet found the proper balance to reach a political agreement, which is what is required, a political agreement that establishes clear rules in all these components.

It will not be possible to think of having an agreement that only covers part of these pieces, it is precisely that equation in which these components are incorporated that will enable us to move that balance forward.

That is what we want to achieve in Cancún. And, of course, complying with the mandate stated in the Convention and the Kyoto Protocol. That is, every year we will have a Conference in which we are sure that together we will continue to advance and we will continue to improve the mechanisms that we set ourselves to defining at the Cancún conference.

I would now like to mention some of the very important shared views that were identified yesterday in the discussion panels.

First of all, the scale and urgency of the actions needed to meet the challenge of climate change and of the movement toward low-carbon economies require a change in the manner in which decisions are adopted and public policies are executed. Mexico's wish is that the dialogue we are beginning today be a decisive step in that direction.

Secondly, the private sector can and should support governments in creating the necessary architecture for the establishment of actions, rules and guidelines for the implementation of measures regarding financing, research and development of technologies and carbon markets, among others.

The corporate sector represented here showed itself ready and eager to collaborate with governments in specific areas that include appropriate incentives to encourage private investment in clean technologies, especially in the developing countries.

Thirdly, carbon markets are a mechanism that has shown its capacity to contribute to greenhouse gas emissions. However, it is necessary to ensure that project approval procedures are expeditious and efficient and that they cover a broader spectrum of economic sectors in order to effectively encourage private-sector participation. Various

proposals were mentioned in this regard which should be the object of greater exchanges in future meetings.

Fourthly, the private sector is an essential source of financial resources and technology for the transition to an economy low in carbon emissions and needs to count on a clear, transparent and predictable institutional framework.

Ladies and gentlemen, Mexico is convinced of the importance of public and private collaboration.

In my position as future President of COP-16, I wish to reiterate my commitment of continuing to facilitate this dialogue between governments and the private sector of all the world, developed and developing countries, to understand each other better and bring our respective interests closer and unite our wills to progress toward the agreements we require.

In this dialogue, described as unusual by some of you yesterday, we want to mark the beginning of a productive collaboration that maintains itself over time.

The reflections, proposals and conclusions arising from these two days of work, open the door to new dialogues, and I am certain that they will also enrich intergovernmental negotiations toward Cancún.

I would like to thank you all sincerely for your response to this initiative and for your enthusiastic participation in the past two days.

Once again, a special acknowledgement to the International Chamber of Commerce and to the World Business Council for Sustainable Development, represented here by their directors, for the enormous support in the design, convening and implementation of this initiative.

To all those visiting us from abroad, I wish you a very good return home, hoping you enjoyed a few days of intense work in Mexico, but also pleasant ones from the personal point of view, and we hope to see you again in Cancún, if not before.

Thank you very much and thank you for this success.