



# ▶▶ WBCSD's proposal for sector agreements under the UNFCCC

Lasse Nord, Norsk Hydro ASA, Bonn Workshop 24-25 March 2009



World Business Council for  
Sustainable Development

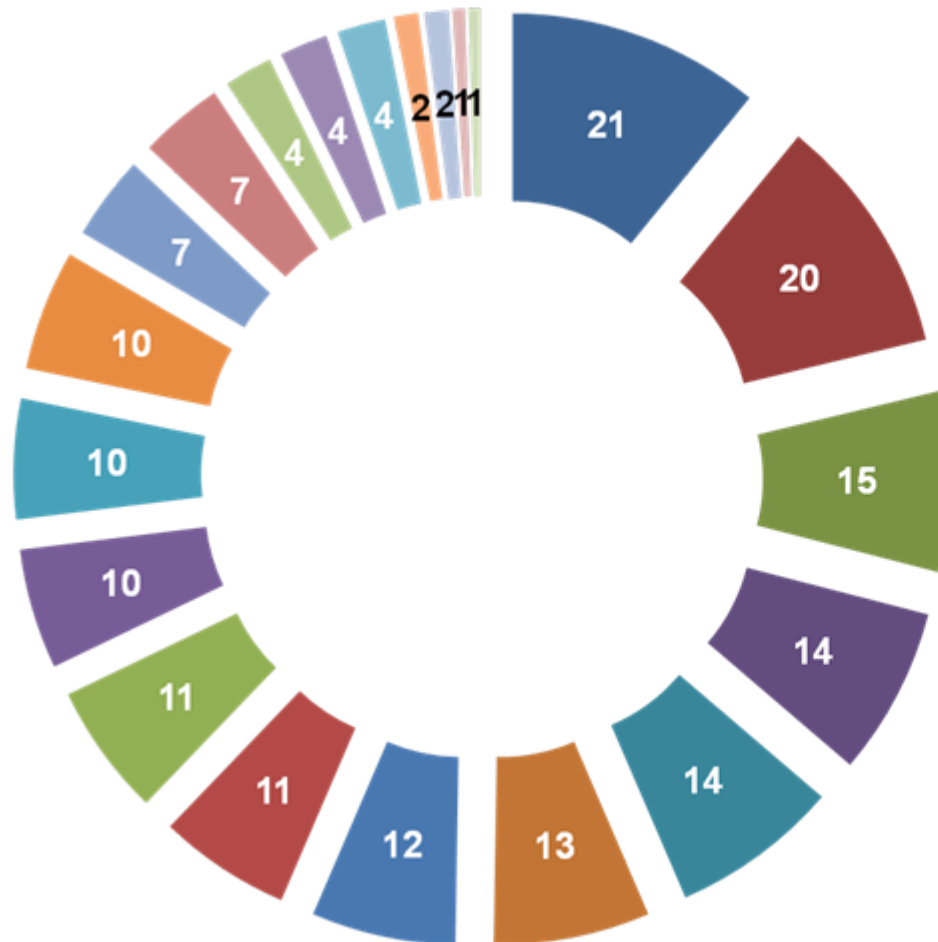


# WBCSD has ~200 business members





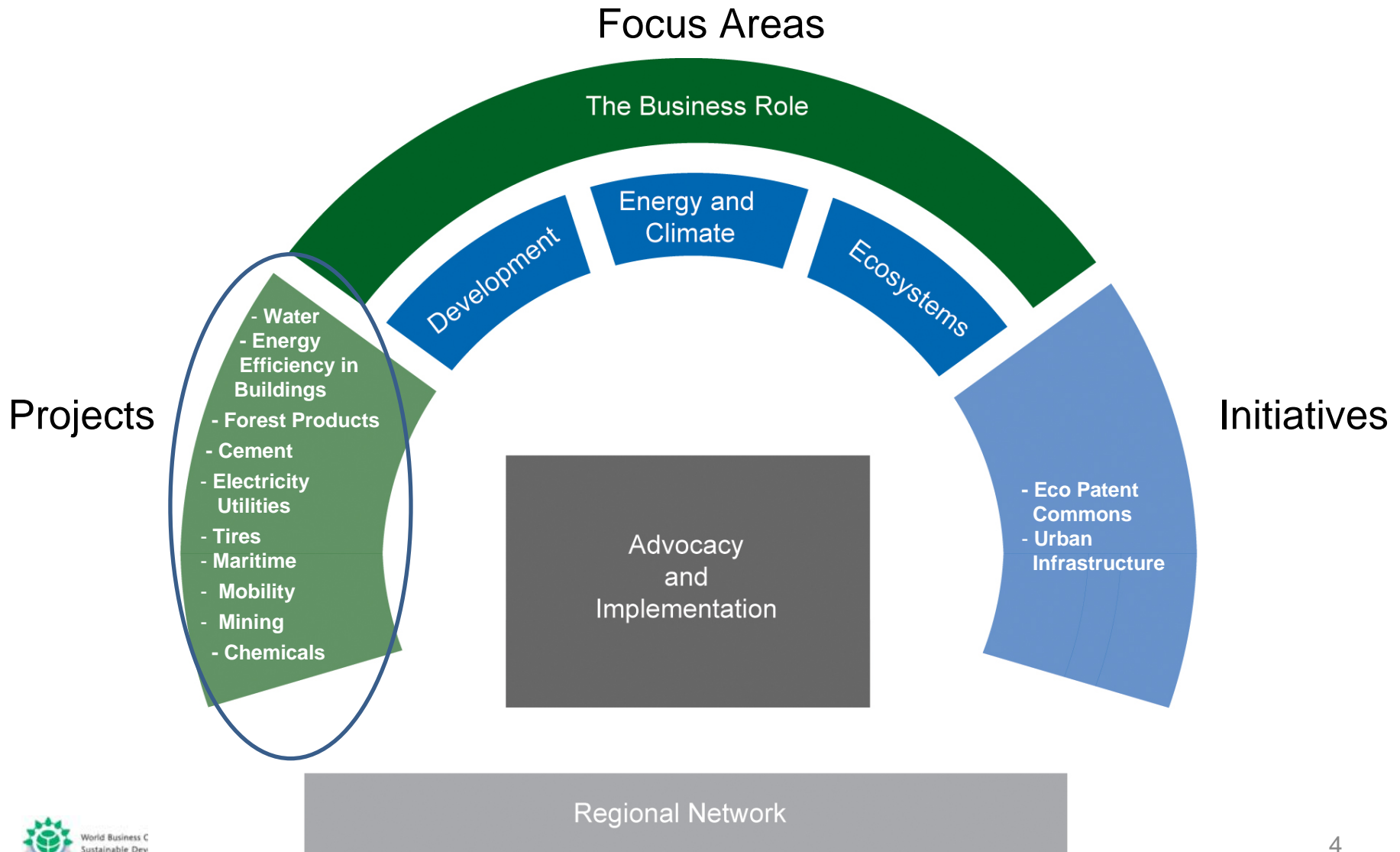
# Sector distribution



■ Utilities & Power	21
■ Oil & Gas	20
■ Chemicals	15
■ Forestry & Paper Products	14
■ Consumer Goods	14
■ Mining & Metals	13
■ Cement	12
■ IT & Telecoms	11
■ Tires	11
■ Auto	10
■ Services	10
■ Engineering	10
■ Banks & Insurance	7
■ Construction	7
■ Food & Beverage	4
■ Healthcare	4
■ Maritime Transport	4
■ Retail	2
■ Logistics	2
■ Media	1
■ Aviation	1



# WBCSD Sector project experience





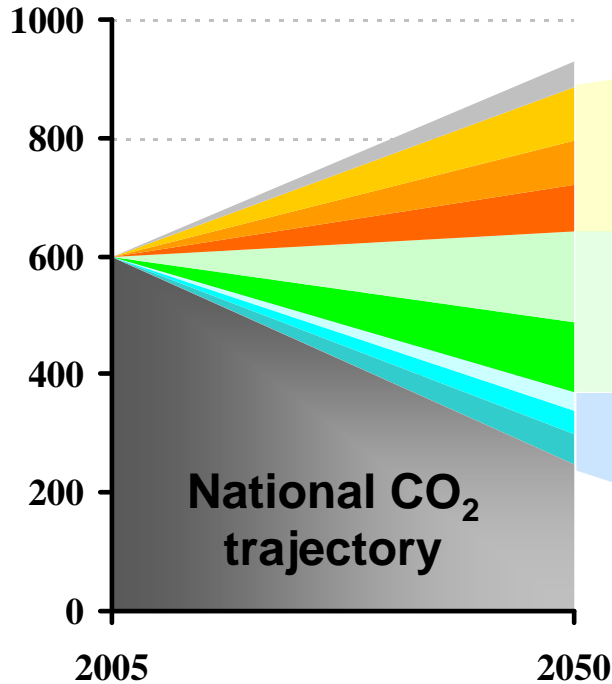
# Why focus on sectors and sectoral approaches?

- Expand nationally focused thinking by introducing the notion of internationally coordinated policy that includes economic and commercial sectors
- Enhance business engagement in international cooperation on technology development & deployment
- Increase cooperation between countries, leading to enhanced capacity building, and accelerated low-carbon technology development and deployment to developing countries in particular



# An illustration...

## A. Opportunity Wedges (National) (Developed Country Example)



## B. National/Sector Goals & Targets

<b>Efficiency</b>	Buildings	} xx % p.a. through to 20xx
	Industry	
	Domestic	
<b>Power Generation</b>	Renewables	xx MW p.a. by 20xx
	CCS	xx tonnes CO <sub>2</sub> p.a.
<b>Mobility</b>	Bio-fuels	xx litres p.a. by 20xx
	Efficiency	xx mpg by 20xx
	Choice	Hybrid / Diesel uptake
		Mass transit

## C. National Policies

- Buildings** – adopt new country building standards, design awareness
- Industry** – Sectoral agreements, emissions trading, technology standards
- Domestic** – carbon labeling, increased product standards (e.g. standby energy)
- Renewable Energy** – renewables targets.
- CCS** – funding for infrastructure, tax cuts on capital investments, price signals for carbon via emissions trading
- Biofuels** – targets, support for manufacturing, CO<sub>2</sub> labeling
- Vehicle Efficiency** - support technology, incentives, sectoral agreements
- Mobility Choice** - consumer incentives, promote public/private partnerships for transport networks

- Target
- Vehicle Efficiency
- Renewable Power
- Buildings
- Domestic
- Mobility - Fuels
- Mobility Choice
- CCS
- Industry
- Other Actions



# Sectoral approaches can have different objectives i.a:

- Bottom-up sector-wise approach to determine a country's **abatement potentials** to inform the setting of national targets;
- **Engaging developing countries** by offering sector credits for performance exceeding an agreed baseline
- Cooperative action to speed up diffusion/deployment of existing **technology** and development of new technology;
- A means to mitigate **competitiveness concerns**;
- This presentation proposes a sector agreement template to **incentivise action in developing countries.**



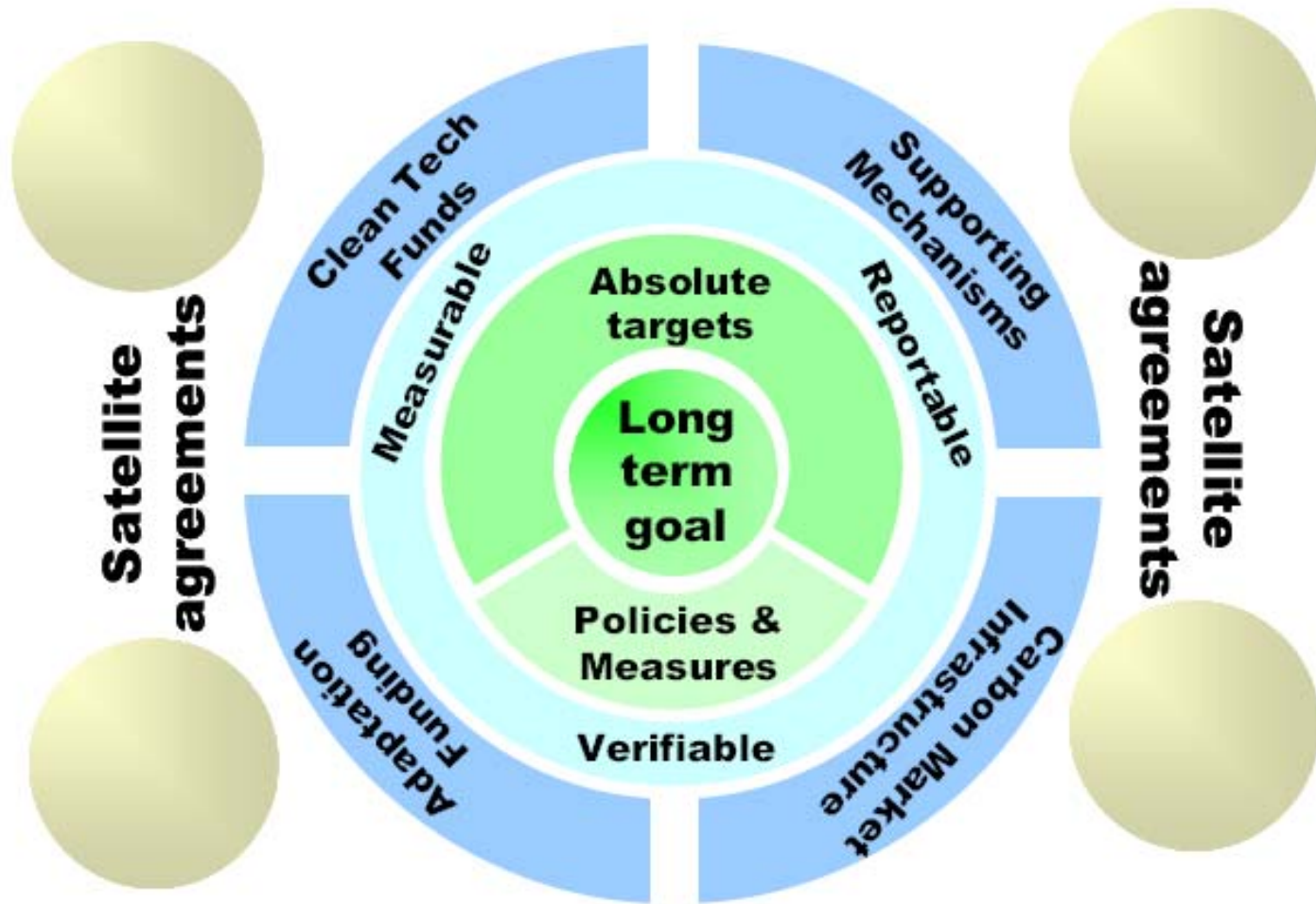
# A cooperative sectoral approach framework under the UNFCCC

- The WBCSD 6 February submission proposes a model/template for Sector Agreements to be “docked into” the overall UNFCCC framework that
  - Enables the establishment of agreements between a governments, with involvement from the private sector
  - Focuses on implementing large-scale climate mitigation activities between countries and sectors
  - Provides incentive and support mechanisms to enhance project implementation





# Sector agreements as “satellites” docked into a UNFCCC framework





# Sector Agreements: A Template

- Some key parameters
  - Agreements would be transparently negotiated separately by a limited number of Parties at their own will
  - They would be supported by incentive mechanisms
  - Tailored to the characteristics and needs of the sectors (that choose to pursue this track)
  - Fit into an overall UNFCCC framework that has the necessary flexibility to allow for these agreements
- Basic Assumptions:
  - Developed countries will continue to have emission reduction targets post 2012
  - A sectoral approach would not “carve out” sector emissions from a developed country’s overall target



# Roles & Responsibilities

- Developing countries would engage in activities that support domestic mitigation actions
- Developed countries would also engage in relevant mitigation activities and support the developing countries on agreed elements
- The relevant private sector would
  - be involved in the negotiation of a specific agreement with their governments and
  - support the implementation of the nominated activities



# Sector Agreement parameters I

- **Purpose** of the sector agreement
  - Engage developing countries by providing incentives to focus on both current and future emission reduction activities (e.g. large scale emission reduction programs, or the development of future technologies)
- The **Scope** of an agreement would vary according to the specific needs of countries and sectors involved, and could include:
  - Capacity building to support the diffusion and deployment of low-carbon technologies
  - Collaborating on clean technology development
  - Crediting performance beyond an agreed baseline/standard
  - .....



# Sector Agreement parameters II

- The **objectives, deliverables** and **timelines** for all elements included in the scope would be defined and quantified
- The agreement would be **formally recognized** under the UNFCCC:
  - A board might be established to oversee governance and compliance
  - The agreements would be negotiated by interested Parties and presented for approval
  - A robust “MRV” process would be implemented
  - Agreements would be reported to the COP



# Sector Agreement parameters III

- The Sector agreements would be able to draw on a common **supporting infrastructure** embedded in the UNFCCC framework
- These could include, for example :
  - A Clean technology and adaptation funds
  - New or expanded crediting mechanisms based on i.e.
    - Technology deployment and diffusion
    - Sector performance beyond agreed baseline
- Would be based on UNFCCC Carbon Market infrastructure and MRV-requirements



# Some concerns: Sector crediting can only be transitional

- The climate problem is an accumulation problem.
  - In the end there will have to be an agreed global carbon budget (CAP) to be shared – at some level
  - Emissions trading (ET) is the cost effective way to meet the global CAP at **sovereign level**  
(ET does not necessarily have to be introduced at the **domestic level**)
- Sector crediting
  - Has to be **transitional** because it does not comply with a global carbon CAP
  - Generates a supply that has to be **matched by demand** coming from capped schemes
  - Needs **domestic incentives/regulations** in place to ensure action at the installation level



# Some concerns II: For business the transition phase is the challenge

- **Competitiveness** is a major issue for globally trading commodity industries in regions introducing carbon regulations (EU, Australia, US)
  - However, competitiveness is only an issue until the carbon signal (cost) can be passed onto the end consumer.
  - For globally traded products that will only happen when all regions have similar carbon constraints
- Sectoral approaches have a role to play in the **transition phase** to a global carbon market/price
  - As a means to engage developing countries in climate action.
  - However, sectoral approaches are **not the way to mitigate the present competitive distortions** (better done in jurisdiction that impose the constraint)





# Conclusions

- Sectoral agreements are transitional instruments until Parties can agree on the “burden sharing” of the necessary global carbon constraints.
- No one size fits all – sectoral agreements have to be flexible, tailored to industry and country specific needs.
- Care must be taken so sectoral agreements do not further tilt an already unlevel global playing field.
- Business involvement is essential in establishing sectoral agreements both to ensure delivery and to avoid unwanted consequences.



## ▶▶ energy and climate

WBCSD Liaison Delegate Meeting