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Reply of the CEZ Group to the public consultation on the 2015 International Climate Change Agreement: Shaping International Climate Policy beyond 2020

CEZ Group belongs among major power generators in the Central and South-Eastern Europe producing 65 TWh annually and operating 15.000 MW. More than half of its production comes from fossil fuels. Therefore a low carbon regulation both at the EU as well as global level represents a key challenge for its business and further development. Since the very beginning of shaping concrete tools to mitigate GHG emissions, CEZ Group has been supportive to the market-driven solution represented by emission trading. At the same time, being a significant representative of the sector responsible for roughly half of the emissions released, CEZ Group has actively started to transform its business into a low carbon one and has decided on and undertaken a number of investments amounting nearly 100 billion of CZK so far. If those investments are really to contribute to the mitigation efforts and also due to the nature of the GHG emissions, a robust and effective global framework is essential. Therefore CEZ Group welcomes and appreciates the opportunity to contribute to the consultation via answering the questions raised.

- 1) How can the 2015 Agreement be designed to ensure that countries can pursue sustainable economic development while encouraging them to do their equitable and fair share in reducing global GHG emissions so that global emissions are put on a pathway that allows us to meet the below 2°C objective? How can be avoid a repeat of the current situation where there is a gap between voluntary pledges and the reductions that are required to keep global temperature increase below 2°C?**

If the 2015 Agreement should fulfil the expectations of all actors engaged, it must stem from the only, so far concluded, universal agreement that is the Convention. The Convention includes general principles and also brings the ultimate target to be achieved. However, the new agreement has to be broader in coverage, stronger in legal enforcement of the commitments and should



better correspond to the changes that took place since the birth of the Convention. Namely the ageing of the paradigm of the traditional world bringing about the prevailing excuses for a non-action has to be, in the light of the recent scientific confirmation of the threats connected with the climate change, abolished. Thus voluntary pledges should be reserved only for LDCs and significant progress of the discussion of the issue of graduation is needed.

2) How can the 2015 Agreement best ensure the contribution of all major economies and sectors and minimise the potential risk of carbon leakage between highly competitive economies?

Global GHG mitigation efforts shall not be done at the expense of the sustainable development of the economies. That is possible if the GHG externalities are reflected in their outputs. Practically it means to introduce market based mechanisms, such as emission trading or a carbon tax into all sectors. That is crucial predominantly in terms of major economies that shall lead by example. To make the market solution more attractive, progress in linking of regional markets as well as the enhancement of the existing ones is desired. On the other hand, measures against free riders and carbon leakage must be established in the Agreement. Furthermore, the measures shall be in line with the international rules for the trade liberalization anchored in the WTO agreements.

3) How can the 2015 Agreement most effectively encourage the mainstreaming of climate change in all relevant policy areas? How can it encourage complementary processes and initiatives, including those carried out by non-state actors?

Climate change becomes a reality thus its inclusion into all relevant policies is reasonable and in fact natural. The 2015 Agreement is a kind of top-down approach that ensures a fair distribution of the efforts needed on Parties. Vice versa, complementary processes and initiatives shall be mainly driven by Parties using a bottom-up approach. International assistance should be provided to those that are not able to do enough alone (e.g. LDCs).

4) What criteria and principles should guide the determination of an equitable distribution of mitigation commitments of Parties to the 2015 Agreement along a spectrum of commitments that reflect national circumstances, are widely perceived as equitable and fair and that are collectively sufficient avoiding any shortfall in ambition? How can the 2015 Agreement capture particular opportunities with respect to specific sectors?

As already mentioned, there should be no excuse for the major economies not to contribute sufficiently to GHG reduction efforts. And the establishment of a global carbon market for all sectors, complemented by the introduction of carbon tax, shall eliminate any option for anyone to stay aside.



- 5) What should be the role of the 2015 Agreement in addressing the adaptation challenge and how should this build on ongoing work under the Convention? How can the 2015 Agreement further incentivise the mainstreaming of adaptation into all relevant policy areas?**

It is clear that the main objective of the 2015 Agreement shall be GHG mitigation. Since the more one mitigates the less adaptation is needed. On the other hand, as there are already some irreversible impacts in place here, the adaptation together with increasing the resilience is vital. In this vein the adaptation shall be further promoted mainly via its inclusion into other international initiatives as the Millennium goals or green growth.

- 6) What should be the future role of the Convention and specifically the 2015 Agreement in the decade up to the 2030 with respect to finance, market based mechanisms and technology? How can the existing experiences be built upon and frameworks further improved?**

The target covered in the provisions of the Convention is set for the year 2100. That shall be also the timeframe for the Convention to play its paramount role in the whole framework. Financing, market approach and technology transfer are part of the commitments of some Parties. These should be not only preserved but also more emphasized in the 2015 Agreement up to 2030 and beyond.

- 7) How could the 2015 Agreement further improve transparency and accountability of countries internationally? To what extent will an accounting system have to be standardised globally? How should countries be held accountable when they fail to meet their commitments?**

As already mentioned, the 2015 Agreement shall stem from the Convention but go more further as for the ambitions, commitments, contributions and engagement of Parties. However, without strict rules for accountability, compliance and use of MRV the fulfilment of the Agreement may fail.

- 8) How the UN climate negotiating process could be improved to better support reaching an inclusive, ambitious, effective and fair 2015 Agreement and ensuring its implementation?**

There are several issues in the UN process that needs to be revised. Above all, the process must reflect more the recent development. In this regard the ability of the existing institutional structure shall be put in question. The urgency for the process to deliver concrete results is high, otherwise the credit and trustworthiness of all climate change fighting is in doubt.



9) How can the EU best invest in and support processes and initiatives outside the Convention to pave the way for an ambitious and effective 2015 agreement?

The EU must remain at the forefront of the climate agenda. However, not alone but be accompanied by all other major economies. This means that the time for concession on the side of the EU is expiring and the EU must act. Still belonging to the most important trading parties for the rest of the world, the only option is to introduce price of carbon in all trade flows and to have legal measures to enforce obeying this approach.