



25 June 2013

BUSINESSEUROPE response to the Public Consultation on the 2015 International Climate Change Agreement

Question 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 we 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?

Governments must find ways to ensure that actions taken to address climate change can assist economic growth and development. This can only be achieved by a transparent and thorough assessment of the effectiveness, costs induced and positive impacts of climate policies over the economy and society at large.

A positive engagement in discussions with all business sectors, and in particular with those most affected, can be instrumental in this supporting this process.

As an example, the setting of realistic targets should be built up by consensus and through the interaction with those that are required to take the actions to meet such targets also in consideration of technology developments.

Question 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?

A clear, transparent and standardized system for the monitoring, reporting and verification and emission reductions is essential to enable the comparison of the implementation of pledges at both sectoral and national level.

The Agreement should build up on the creation of the market-based approach of the current Convention and Kyoto Protocol as it gives an economic incentive for sectors to reduce their emissions in a technology-neutral way.

In order to reduce the potential risk of carbon leakage, the 2015 Agreement should encourage the linking of the various carbon pricing schemes as a way to achieve global playing field through a unified carbon price.

Question 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?

It should be assessed case by case whether mainstreaming of climate change into other policy areas brings positive effects and help reaching determined policy goals.

In some instances this can be counter-productive or not cost-efficient as has been demonstrated by the negative interaction between the EU's climate, renewables and energy efficiency targets. A successful climate and energy policy framework should properly consider and balance three objectives: security and stability of energy supply; cost-competitive energy prices to enable companies to compete globally; environmental sustainability to tackle negative externalities while taking advantage of opportunities to develop new technologies.

National circumstances and competences should be taken into account when deciding on the most appropriate policy mix.

It is also important that the mainstreaming of climate change into other policy areas undergoes a transparent impact assessment. When including climate change into other policy areas, one has to ensure this is done in the most cost-effective, predictable way without imposing unnecessary administrative burden on companies. Market-based approaches should be preferred.

Question 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?

Any approaches must seek to avoid affecting the competitiveness between sectors. Different countries and regions have very different profiles of sectors and hence a simple comparison of country-wide emissions reduction commitments may be misleading or not informative. In order to carefully analyse the impact of national commitments, it is necessary to take a view at a sector level and explore sector approaches.

There is the potential for sector approaches for those sectors where beneficial contributions to climate change policy objectives would be expected to occur through both operational and best management practice changes, as well as through the development of products and services that will contribute to climate change mitigation and adaptation.

Sectoral approaches should seek to:

- motivate technological innovation and new investment,
- minimize economic damage to existing capital stock
- encourage efficiency improvements in existing capital stock
- incentivize early retirement of inefficient equipment



- utilize realistic expectations of foreseeable technical progress

Whatever their ultimate form, sector approaches appear to offer the most promise when applied to:

- energy intensive sectors,
- sectors exposed to international trade,
- sectors producing commodity products,
- sectors using similar production technologies.

In some cases where manufacturing and products are very similar, benchmarking may be a good yardstick to measure and improve performance. In other cases, comprising complex manufacturing systems and differentiated products, benchmarking may not be possible. However, in all cases consideration should be given to the market dynamics affecting a sector, existing and proposed climate change regulations that impact it, and the maturity of the sector in its efforts to limit GHG emissions and utilize energy efficiency technologies. Without these considerations, the development of sector initiatives will risk giving rise to significant inequities both within and between sectors, and a resulting lack of success in the initiatives themselves.

To succeed and be sustainable, there must also be an incentive for all participants to work to achieve objectives, such as limiting emissions, improving efficiency, cooperating on research, sharing good practices, etc.

Question 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?

While adaptation will not eliminate all risks from climate change impacts, it will make an important contribution to limiting risks in many areas. Enhancing adaptive capacity will require analysis, setting priorities, planning, and action at all levels of government and requires participation by local communities and business. In particular, business could play a role through technology transfer and best practice sharing.

Question 6:

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

BUSINESS EUROPE strongly supports the Convention remaining the focal point for international action on climate change. It must act as the central point for the collection and analysis of emissions inventories, supported by expert review.



Furthermore, for market-based mechanisms, it must provide a system to enable both the environmental integrity of those credits used for compliance to be verified as well as to avoid double-counting.

Technology and the deployment of technology is primarily carried out by companies. The Convention can, through the Technology Executive Committee (TEC) and Climate Technology Centre and Network (CTCN) provide expert analysis of technologies and enable nations to have full access to information to enable them to select the most appropriate technologies.

Moreover, an effective Intellectual Property Rights (IPR) protection will be a key enabling factor for technology to be developed, deployed and shared with others in global technology value chains and through trade and foreign direct investment.

Question 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?

Regular reporting of inventory data must become mandatory for the larger emerging nations under the 2015 Agreement. This will enable improved transparency of actions. To enable comparability, a standardised accounting system is vital. Accountability will clearly be determined by the level of non-compliance. However, whilst any penalties must be at a level to prevent non-compliance, they must also not act as a burden to joining the 2015 Agreement.

Question 8:

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

A wide stakeholder participation and a transparent process are necessary to ensure the Agreement is reached in a desirable way and implemented. Business community can be a useful partner in this process in many ways. Companies and sectors can offer their own expertise to the climate negotiations on effective ways to reduce emissions and develop solutions for sustainable development. The participation of business community at large can also ensure that the comparability of efforts and level-playing fields are pursued.

It is anticipated that business will be required to take many of the actions that will enable emissions reductions in nations as well as providing both technology and finance. It is vital that business is engaged within the decision-making process to provide advice to ensure that commitments agreed are achievable. Business is a broad constituency and the most appropriate form of engagement would be through a formal process that would enable appropriate advice to be gathered from the full constituency.



Question 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 European Union should focus, in parallel to the UNFCCC process, on processes such as the Major Economies Forum and the G20 that could have an impact on the reduction of emissions in the developed and emerging countries. Furthermore, the interaction between trading schemes and their ultimate linkage has the potential to develop a global carbon price that will assist in protecting competitiveness.