

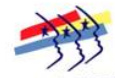
# Major Economies Business Forum

on Energy Security and Climate Change

[www.majoreconomiesbusinessforum.org](http://www.majoreconomiesbusinessforum.org)



Confederation of Danish Industry



MEDEF



## Major Economies Business Forum: Perspectives on the Upcoming UN Framework Convention on Climate Change COP-17/CMP-7 Meetings in Durban, South Africa

The Major Economies Business Forum on Energy Security and Climate Change (BizMEF), which is comprised of numerous national cross-sectoral business organizations representing five continents and millions of companies, supports tangible results in the United Nations Framework Convention Climate Change (UNFCCC) negotiations in Durban, South Africa in December that build on the achievements in Copenhagen, Denmark in 2009 and in Cancún, Mexico in 2010 and that make progress towards a global and binding international agreement.

Both in the run-up to and during the meetings in Durban, BizMEF commits to creating and communicating solutions that harness private sector expertise and experience, recognize business realities,

and contribute to meaningful international action on climate change.

We recognize that challenging economic circumstances brought on by the global financial crisis and ensuing recession will still linger during the talks in Durban, highlighting the importance of acting with prudence to develop cost-effective agreements that best marshal limited resources and leads to actions that are measureable, reportable, and verifiable.

The uneven progress made in Cancún in the areas of mitigation, adaptation, technology, and finance impact business directly. As it did in Denmark and Mexico, in South Africa BizMEF will put forward relevant and responsible views on these and other issues. Our organizations are taking the

opportunity of the “pre-COP” meeting in South Africa to reiterate some key messages and preview new issue papers being developed for Durban (and all of which will be posted on the BizMEF web page). Brief summaries of these issues are set out below.

## **ENHANCING BUSINESS ENGAGEMENT WITH UNFCCC**

Governments should recognize the value business engagement brings to the climate process. Ultimately it will be businesses, working in conjunction with Governments and local communities, that will contribute the commercial and technological improvements and breakthroughs required to deliver the outcomes sought from the negotiations. We believe steps should be implemented so that the international process can take explicit and formal advantage of the range of technical expertise and relevant, responsible perspectives business can provide. There is no shortage of good ideas on how to improve engagement between the UNFCCC and the business community, and these are explored in a just-released BizMEF [issue paper](#). Business wishes share its views on “technical” issues related to design and implementation of mechanisms and effective institutions, such as procedures for measurement, reporting and verification, technology development and commercialization, and finance. Business is not seeking either to become an official Party to the negotiations or to forge consensus on political issues.

## **TECHNOLOGY**

Business has enormous experience in technology research, development, commercialization, and global diffusion. Technology choices and investment plans for energy supply, end use applications, and associated public and private infrastructure, in particular in the energy sector, will reach across decades. We hope governments in South Africa will clarify the scope, functions, and composition of the Technology Mechanism agreed to in Cancún. Designed correctly, this mechanism can support business engagement not duplicate it, and improve markets. Indeed, we were pleased to see that many of the suggestions BizMEF [put forward](#) on the general structure of the Technology Mechanism were adopted by the Parties in Cancún. There are, however, still many issues facing the business community needing resolution in South Africa, and these will be the subject of a new issue paper scheduled for release during the Durban meetings.

Development of advanced, efficient, and low-emission technologies progress best under policies promoting competition and respecting intellectual property (IP) rights. IP is key driver of private sector investment. Weakening the protection of IP rights would threaten the incentive businesses have to invest in creating and bringing new technologies to market.

BizMEF also believes technology choices are best left to the market. The accident at the Fukushima nuclear reactor in Japan understandably has raised questions about the contribution nuclear power might play in reducing global emissions. A thorough examination of the incident is needed, and the lessons learned need to be acted on to

ensure the safe operation of existing and new plants in those countries that choose to include nuclear power in their energy mix. We believe that decisions regarding the future role of nuclear power are best addressed in a national context and that UNFCCC decisions should be technology neutral.

## **GREEN CLIMATE FUND & FINANCE**

Developed countries in Copenhagen agreed to a goal of “mobilizing jointly \$100 billion dollars a year by 2020 to address the needs of developing countries.” As envisaged, these funds will include public and private as well as bilateral and multilateral resources. Last year in Cancun, Parties also agreed to a Green Climate Fund to provide resources for developing countries to support mitigation and adaptation activities. Funding sources and amounts remain unclear, though the Ad Hoc Working Group on Long Term Co-operative Action decision states that funds will be scaled-up, new and additional, predictable and adequate, and will flow from a variety of sources, including public and private and bilateral and multilateral, with a significant share flowing through the Green Climate Fund. Durban must provide more detail on these arrangements, in particular how funds will be mobilized and how decisions regarding their use will be made.

The eligibility and availability of private sector investment and finance depends in large part on the investment environments and the effectiveness of institutional arrangements. Business prefers to see funds established in a way that promotes action by the private sector, including but not limited to foreign direct investment. In an upcoming issue paper, BizMEF will

propose some views on the appropriate role of the private sector in the Green Climate Fund and how the private sector can contribute its expertise to the fund, such as establishing financial structures and evaluating proposed projects so that they lead to indispensable, independent investments that make business sense.

## **OFFSETS**

BizMEF advocates the use of credible international credits, which have provided a means for companies and governments to offset or limit emissions efficiently by taking advantage of lower cost opportunities outside nations with emission reduction targets. However, the Clean Development Mechanism (CDM), which as of today provided the majority of these credits, has been limited by narrow eligibility criteria, extensive bureaucracy, and high transaction costs. BizMEF supports continuation of the CDM and believes it could be improved by making it more efficient and widening the scope of eligible activities.

Moreover, while harmonization of international rules and procedures is certainly the most desirable outcome, particularly through reform and continuation of the CDM—an outcome from Durban that would send a positive signal to investors—it is also likely that some nations and regions may develop procedures and criteria to generate emission reduction credits of their own that could be used for offsets, especially if legal processes resulting from the end of the first commitment period of the Kyoto Protocol result in an end to the issuance of emission reduction credits.

BizMEF believes, therefore, that governments should make every effort to assure that qualifying emissions reductions are real, verifiable, and permanent (or as in the case of land use, replaceable) within an overarching, coherent and flexible framework. Discussions in the Ad Hoc Working Group on Long Term Co-operative Action have opened the door to the possibility of new mechanisms to generate emission reduction credits for offsets, including those based on bilateral or multilateral agreements and perhaps including activities through Nationally Appropriate Mitigation Actions in developing countries. We welcome the development of new market mechanisms. How these procedures can evolve to benefit from a wider range of credible, more efficient opportunities without any loss in the transparency needed for efficient markets to function will be addressed in a BizMEF paper on offsets.

## **TRADE, INVESTMENT & COMPETITIVENESS**

BizMEF organizations have a strong interest in ensuring that new international agreements promote economic development, competitive business communities, and a level playing field for business. The international climate negotiations should not be used to erect barriers to free and open trade and investment. Instead, we encourage governments to work within the World Trade Organization to eliminate tariff and non-tariff barriers to trade and investment.

Sectoral approaches, including sectoral roadmaps, focusing on specific industries have been proposed as a way to motivate action while enhancing international technology co-operation. Business believes

these proposals have potential and their usefulness will depend on how they are structured and a clear understanding of the different circumstances in which sectors operate in different nations, noting that they impact companies in both developing and developed countries.

Competitiveness also promises to be among the issues addressed by a forum set up by the UNFCCC to consider the economic and social impact of mitigation actions. Key issues of concern to business include border adjustments, implications for trade and investment, and terms of trade. These and related issues are other areas BizMEF will address in a new issue paper being prepared for Durban.

Efforts to control greenhouse gas emissions and adapt to climate change can pose threats to competitiveness, not just through differing policies, but also through such things as labeling and supply chain management, wealth transfers, and restrictions on IP. Business believes these should be addressed explicitly as part of a comprehensive agreement among all nations that recognizes the need to promote trade and investment and is consistent with existing trade agreements.

## **ADAPTATION**

Adaptation, in particular, water, health, agriculture, and future power production and distribution issues, need to be addressed at the international, national, and local levels. At Cancún, Parties authorized the establishment of an Adaptation Framework, on an equal footing with mitigation. Adaptation must take advantage of local skills, build sustainable local infrastructure and ecosystems, and

take advantage of experience already present in developing countries. Business also recognizes the need for new, readily accessible financial resources for adaptation.

In general, many of these provide added resilience to existing risks from climate, disease and other natural sources. For example, in the developed world business routinely engages with local, regional, and

national governments in a variety of public private partnerships, such as those in disaster preparedness and response to deal with the impacts of earthquakes, hurricanes, storms, and health issues. Actions to promote adaptive capacity also may provide business opportunities in areas from information technology to infrastructure.

Australian Chamber of Commerce and Industry

BUSINESSEUROPE

BusinessNZ

Canadian Council of Chief Executives

Confederation of British Industry

Dansk Industri

Confindustria

Federation of German Industries – BDI

Iniciativa para el Desarrollo Ambiental y Sustentable — IDEAS (Mexico)

Korea Chamber of Commerce & Industry

Mouvement des Entreprises de France

Nippon Keidanren (Japan Business Federation)

Turkish Industry and Business Association (TUSIAD)

U.S. Chamber of Commerce, Institute for 21st Century Energy

U.S. Council for International Business

## **ABOUT BizMEF**

The Major Economies Business Forum on Energy Security and Climate Change (BizMEF) is a partnership of major multi-sectoral business organizations from major economies. Modeled after the government-to-government Major Economies Forum, BizMEF is a platform for these groups to:

- promote dialogue and exchange views on climate change and energy security across a broad spectrum of business interests including major developed, emerging, and developing economies;
- highlight areas of agreement among participating organizations on the most important issues for business in international climate change policy forums; and
- share these views with governments, international bodies, other business organizations, the press, and the public.

Organizations that have participated in BizMEF meetings represent business groups in Australia, Brazil, Canada, China, the European Union, Denmark, France, Germany, India, Italy, Japan, Mexico, New Zealand, South Korea, Turkey, the United Kingdom, and the United States. Collectively, BizMEF organizations represent more than 25 million businesses of every size and sector. Because BizMEF partnering organizations represent a broad range of companies and industries—including energy producing and consuming companies as well as energy technology and service providers—the partnership is able to provide robust and balanced views on a range of issues.

For more information on BizMEF, please visit our website at:

[www.majoreconomiesbusinessforum.org](http://www.majoreconomiesbusinessforum.org).