

H.E. Mr Antti Satuli

Ambassador

Permanent Representative of Finland to the European Union
rue de Trèves, 100
B-1040 Bruxelles

DFH/DC/mfl/7/1

4 October 1999

Dear Ambassador,

***Re : UNICE Input to the Climate Change Agenda for 12 October Council,
and UNFCCC – COP 5***

The climate change issue is of key strategic importance to European business and industry, directly linked, as it is, to issues of economic growth and competitiveness, and how the Sustainable Development agenda should be progressed in the EU. It is a key test of the Community intention to integrate the environment into other policy areas, and a prime example of an issue where all stakeholders need to become engaged, so they are all motivated to make early efforts to mitigate and reduce their greenhouse gas emissions.

Business and industry has an essential contribution to make to Community efforts. So, many UNICE members are already acting by measuring and controlling their greenhouse gas emissions, and through commitments -by agreements or initiatives- of business and industry federations and sectors, especially at Member State, but also Community level.

Also, some leading companies are already setting themselves targets, and undertaking demonstration projects to show how the Kyoto mechanisms could help to deliver these. As an essential part of this, these companies are also working singly and together to establish how greenhouse gas emissions can best be measured and controlled, often involving independent scrutiny and validation, including by environmental groups. The principles here are 'learning by doing', 'exchanging best practice' and 'transparency'.

Alongside this positive action by business and industry, UNICE continues to assert three key conditions that are needed before the Community should ratify the Kyoto protocol :

- a global approach needs to be maintained, to encouraging ratification and effective implementation, also helping to ensure responsible developing country contributions;
- to protect the competitiveness of European business and industry, ratification by the Community should be conditional upon similar action by our major trading partners;
- sound frameworks must be agreed before Kyoto commitments can be put into practice.

It is important that all stakeholders in the Community receive signals that will encourage constructive responses, leading to economic and efficient action by business and industry.

Business and industry needs a stable, predictable and flexible framework within which to invest. Essential elements of such a framework are sound and transparent mechanisms to monitor greenhouse gas emissions and compliance, also ensuring equal treatment on a level playing field. The specific characteristics of industry sectors must be recognised when considering the contributions they might make to meeting the Kyoto commitments. In particular, the Kyoto obligation to demonstrate progress by 2005 focuses the need to recognise, and so encourage early action by industry to reduce greenhouse gas emissions.

Business and industry felt challenged by the agreement at Kyoto, and it is important to maintain momentum by making early progress in agreeing how the protocol will be implemented. In particular, we need sound rules that would allow the Kyoto mechanisms to be explored and tested, and early action by industry must be credited or recognised so that motivation is maintained. Early progress is needed in agreeing the rules for the Clean Development Mechanism. In the light of the EU enlargement agenda, we believe there is political logic for the Community to treat Joint Implementation and Clean Development Mechanism similarly, perhaps using the AIJ (Activities Implemented Jointly) pilot programme as a bridge between them.

The Kyoto mechanisms should offer essential flexibility to help industry identify cost-effective solutions, and to help reduce the risk in making new investments. To enable this to happen, governments must be ready to delegate trading to companies, and set rules that will encourage trading in a global market, with equivalent emission reduction units for all the mechanisms. Since flexibility is key, arbitrary rules that seek to limit flexibility will have unpredictable consequences, and so be likely to damage the Community effort.

I would be very grateful if you could arrange for this letter to be forwarded to your Environment Minister with a view to the Environment Council on 11 and 12 October 1999, and to the top officials and expert groups linked to the Environment, Energy and Industry Councils. In the context of today's meeting between a UNICE delegation and a delegation of the Council Ad Hoc Group on Climate Change, I am forwarding a copy of this letter to that Group.

Yours sincerely,

Dirk F. Hudig
Secretary General

Addressees : Permanent Representations of the Member States
Copy : Ad Hoc Group on Climate Change