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Meeting with BUSINESSEUROPE Delegation on 12 September 2007

Foster an international solution to the climate change challenge

Background

European business is aware of its responsibility for mitigating the climate change threat and was taking actions to reduce greenhouse gas emissions well before the Kyoto Protocol.

The problem of global warming is a global one. Without a truly global agreement, including the major emitters, in particular the USA and China, the problem will not be solved.

The current review of the EU Emissions Trading Scheme (ETS) must therefore be seen in the context of upcoming global negotiations on a post-Kyoto climate change mitigation regime, in order to ensure that it does not place unreasonable burdens on European industry. An ETS that hurts European competitiveness will only drive production out of Europe and increase emissions in other parts of the world. R&D, a key element for climate protection, is being pursued more intensely in the USA than in Europe. Europe should step up its action in this area and promote transatlantic technological cooperation.

What BUSINESSEUROPE wants to see achieved

➤ **Work towards a truly global post-2012 agreement at the UN Bali Conference (December 2007) and beyond**

The EU's 20% emission reduction target set for 2020 is a very ambitious one. The EU must take all appropriate initiatives to ensure that other industrialised regions contribute to climate protection with efforts similar to those made by the EU. EU climate diplomacy must also secure a mobilisation of the industrialising countries in application of the principle of common but differentiated responsibilities for fighting climate change.

➤ **Improve the ETS**

With a view to protecting the international competitiveness of European industry, BUSINESSEUROPE rejects auctioning as a tool for allocating ETS allowances, especially for the industry sectors exposed to international competition. In order for ETS to provide a greater stimulus to invest in cleaner technologies, public authorities must carefully assess efficiency-based approaches for allowance allocation, with full industry involvement.



➤ **Support sectoral approaches, where appropriate**

The EU should show openness towards development of international sectoral approaches for controlling industry emissions. These approaches could facilitate the emergence of a truly global response to the climate problem.

➤ **Allow for adequate linkage of Clean Development Mechanism (CDM) to ETS**

CDM is an essential tool to reduce global greenhouse gas emissions while protecting Europe's competitiveness. It ensures that clean technology is exported to industrialising countries, and that abatement of greenhouse gases is carried out at the lowest possible cost. There should be no restriction on how many credits from CDM projects EU companies are allowed to buy to comply with the NAPs (National Allocation Plans) for 2008-2012.

➤ **Mitigate competitive disadvantages for energy-intensive industries**

Until the burdens on EU industries due to unilateral EU climate commitments are reduced and as long as deficiencies on EU energy markets persist, policy-makers should take initiatives to reduce the international competitiveness handicap of European energy-intensive industries. Long-term contracts between producers and users, oriented on the actual cost incurred by energy producers, should be facilitated, without hindering development of the internal energy market.