BUSINESSEUROPE

POSITION PAPER

26 November 2010

PRIORITIES FOR INTERNATIONAL CLIMATE POLICY - In view of the Cancún Conference

European companies support action to combat climate change and are committed to taking their share of the responsibility by reducing emissions, investing in modern and innovative technologies and by delivering products helping customers to reduce emissions. BUSINESSEUROPE calls for the conclusion of a comprehensive international climate change agreement, and COP 16 in Cancún should be an important staging post. Such an agreement must fulfil the conditions listed last year in BUSINESSEUROPE's "Copenhagen Scorecard", which still is very valid due to the limited outcome of COP 15 in Copenhagen 2009.[1] To trigger global action, the EU's strategy must take into account the policy priorities of our economic partners, in particular those relating to energy security, energy competitiveness and economic development. In order to reinvigorate international climate policy, special focus must be put on the issues below. In Cancún, BUSINESSEUROPE looks forward to significant progress on points B to E in particular, although the overarching priority remains the conclusion of an international agreement:

A. Step up efforts to reach an ratifiable comprehensive agreement by 2012

The limited outcome of COP 15 in 2009 must not lead to a lower ambition level for an international agreement but must be seen as an opportunity, building on the recovery from the international financial crisis, to promote long-term green growth. The priority must still be the conclusion of a comprehensive and enforceable agreement by 2012 at the latest, with commitments for equally strong action from our main trading partners.

An extension of commitments under the Kyoto Protocol, which is presented as an option in the European Council Conclusions from October 2010, could only be considered if

i) it is part of a wider outcome including the perspective of a comprehensive agreement engaging all major economies,
ii) does not imply modified or reinforced EU targets for 2020, and
iii) does not distort global competition.

If these conditions are fulfilled, an extension of commitments under the Kyoto Protocol from all current signatories could be preferable to a complete lack of an international framework post 2012, in particular as it would help to ensure a future of the international carbon offset mechanisms[2]. Moreover, an extension would ensure a

[1] Annexed to this position paper is a "Cancún Scorecard" with conditions for an international agreement which have remained the same as in Copenhagen.
[2] See also point C below.

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continued effort from at least some our industrialised trading partners. However, compliance and enforcement would have to be improved, and the effect on developing countries willingness to commit to reduction targets must be considered.

B. Establish a robust regime for monitoring, reporting and verification (MRV)

Compliance with a global climate agreement can only be ensured if a robust regime for MRV is put in place. This is a key element that must be given utmost importance. Whilst any MRV regime must fully include financial and reduction commitments of developed countries, it must also include commitments undertaken or pledged by developing countries. EU companies have extensive experience with MRV of emissions through the EU ETS and its Monitoring and Reporting Guidelines. Although modifications may have to be made to make the EU rules fit the international context, this experience should serve as a basis for MRV in an international agreement. Robust MRV procedures will ensure confidence in commitments being honoured and in reductions being achieved. These MRV procedures can also be used to build new market mechanisms, such as those for LULUCF, sector crediting and sector trading.

C. Create predictable, long-term and transparent financing mechanisms, including reformed and reinforced international carbon offset mechanisms

In the Copenhagen Accord, countries committed to provide 30 billion U.S. dollars in fast-track public financing between 2010 and 2012 and to mobilise 100 billion U.S. dollars yearly by 2020 for climate change mitigation and adaptation. It is important to quickly agree on the terms of the fast-track finance in particular in order to re-establish confidence in international climate negotiators.

To mobilise private financing, investor confidence in the future of carbon offsetting mechanisms and in the realisation of a future global carbon market must be re-established. In this context, the *Clean Development Mechanisms* (CDM) and *Joint Implementation* (JI) constitute very important vehicles for cost-efficient emission reductions and are the first step towards a global carbon market, but new carbon offset mechanisms must also be developed. Progress on international offset mechanisms post 2012 must be achieved through international negotiations aiming for a comprehensive agreement. In the event of difficulties in reaching a ratifiable multilateral agreement by 2012, bilateral agreements are an alternative to ensure the availability of offset credits and cost-effective compliance under the EU ETS. Against this background, the future restrictions currently under discussion must be *duly justified and transparent*, *must not be retroactive*, must *not create uncertainties* for the market, and must not undermine negotiations to a comprehensive, long term international agreement.

D. Promote technology deployment while protecting intellectual property rights

The *Technology Mechanisms* created by the Copenhagen Accord must urgently be defined and specified, to trigger development, transfer and deployment of technology. These mechanisms should consider national and regional needs. A strong involvement of the private sector at all levels, in particular, the regional networks, will be vital to their success.

Many existing low-carbon technologies and solutions for various sectors are already available from European companies. Existing markets must be augmented to accelerate their development and deployment. In this context, effective IPR policies are vital to ensure the emergence of the joint ventures, licensing agreements and other commercial arrangements necessary for technology transfer, innovation sharing, and the exchange of knowhow and best practices.

E. <u>Ensure to properly address forestry</u>

Deforestation accounts for approximately 20 percent of global greenhouse gas emissions. It is therefore crucial to agree on appropriate provisions on forestry and harvested wood products in a future international agreement, recalling that future demands for wood products, energy and reduced greenhouse gas emissions cannot be met without sustainably managed forests. The focus on REDD needs to be broadened with greater attention given also to afforestation, forest management and intensified land-use.

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BUSINESSEUROPE

CANCUN SCORECARD

What European business wants to see in an international agreement on climate change

The international climate change conference in Cancun will be a decisive meeting for reaching an international post-2012 climate agreement. European companies support action to combat climate change and are themselves committed to doing their share through reducing emissions and investing in the development of modern and innovative technologies. An international agreement must provide for an international level playing field and avoid risking the future competitiveness of European industry.

For BUSINESSEUROPE and its member federations, a successful international agreement must:

- **Establish a shared vision for long-term global action to combat climate change**
- **Commit all developed countries to equally strong emission reduction targets**
- **Create a level playing field worldwide for internationally traded goods**
- **Establish binding emission targets or policies from advanced developing countries by 2020**
- **Institute a strong universal regime for monitoring, reporting and verification (MRV)**
- **Protect intellectual property rights from compulsory licensing**
- **Enable and support the development of global sector approaches**
- **Ensure that adaptation receives the same recognition as mitigation activities**
- **Create predictable, long-term and transparent financing mechanisms including a reformed and reinforced Clean Development Mechanism (CDM)**
- **Include clear measures to address forestry issues**
- **Establish global solutions for controlling emissions from aviation and shipping**

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BUSINESSEUROPE

MEMBERS ARE 40 LEADING NATIONAL BUSINESS FEDERATIONS IN 34 EUROPEAN COUNTRIES

Austria	Belgium	Bulgaria	Croatia	Cyprus	Czech Republic
Denmark	Denmark	Estonia	Finland	France	Germany
Germany	Greece	Hungary	Iceland	Iceland	Ireland
Italy	Latvia	Lithuania	Luxembourg	Malta	Montenegro
Norway	Poland	Portugal	Portugal	Rep. of San Marino	Romania
Slovak Republic	Slovenia	Spain	Sweden	Switzerland	Switzerland
The Netherlands	Turkey	Turkey	United Kingdom		

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