

November 2014

International climate negotiations in view of COP20 in Lima

KEY MESSAGES



- 1** In line with the agreement in Durban in 2011, BUSINESSEUROPE calls on governments to find sufficient political will to create a new global legally-binding climate regime, committing all major economies to the measurement, monitoring, reporting, control and reduction of greenhouse gas emissions under the UNFCCC in 2015. Such an agreement will have to enable a global level playing field for European industry.
- 2** Business is a significant part of the solution to addressing the impacts of climate change. European companies are taking actions to deliver their share and to bring to the market innovative technologies. An effective private sector engagement in the UNFCCC's decision-making and implementation must be secured.
- 3** BUSINESSEUROPE calls for the COP 20 in Lima to develop and adopt decisions that clarify the scope and form of the Intended Nationally Determined Contributions (INDCs) that will provide the basis for the adoption of a comprehensive international climate change agreement in 2015 for entry into force by 2020.
- 4** BUSINESSEUROPE calls on the EU to continue to promote the implementation of the Cancun and Durban agreements, in particular the Green Climate Fund and the Technology Mechanism to promote technology deployment and trigger further emission reductions globally.
- 5** BUSINESSEUROPE calls on the EU to ensure that Intellectual Property Rights (IPRs) are fully protected within the current and future climate change agreements.



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INTERNATIONAL CLIMATE NEGOTIATIONS IN VIEW OF COP20 IN LIMA

COP20 IN LIMA: A DECISIVE STEP TOWARDS PARIS

Political will is needed to create a new global legally-binding climate regime

There is an urgent need for governments to find sufficient political will to resolve the highly complex, but not insurmountable issues and create a new global, legally-binding climate regime under the UNFCCC in 2015. COP-20/CMP-10 in Lima must lead the way by fostering an environment conducive to a true collaboration on climate action and by providing more clarity on the international climate regime under existing frameworks and the emerging comprehensive agreement post 2020.

Business calls for the rapid conclusion of a comprehensive legally-binding international climate change agreement committing all major economies to the measurement, monitoring, reporting, control and reduction of greenhouse gas emissions. To promote this aim, COP 20 in Lima must build on the agreement in Durban and move forward the work under the Durban Platform and continue progress from now to 2015.

Companies are taking up the climate change challenge

Business is a significant part of the solution to addressing the impacts of climate change. Companies are taking actions that address these impacts and reduce emissions of greenhouse gases through investment, research and deploying innovative technologies, processes products and services.

That is why a positive engagement of policy makers in discussions with all business sectors can be instrumental in reaching a workable global climate agreement.

Business has consistently shared its expertise and views in this vital policy deliberation, and will continue to do so and stands ready for constructive engagement and dialogue in Lima and beyond, recognizing the important role for business, alongside governments to tackle the challenges associated with climate change in a sustainable manner.

Business also underscores the importance and viability of promoting implementation of current commitments with the right enabling frameworks in policy and market.

Business expects more clarity from Lima

At present, the Co-Chairs' papers provide an outline of the issues that must be resolved but the lack of clarity on the provisions of a new 2015 agreement makes it impossible to assess what the agreement should look like and how it should work in practice. Decisions taken by policy makers must allow such an assessment by those affected – governments, society, and business. The 2015 framework must include clear, sustainable signals to enable businesses to plan their future directions and investments. There should be clarity on the role and responsibilities of national governments that will implement these signals.



Therefore, in Lima, business urges governments to:

- ▶ *Provide clarity on the scope and form of their Intended Nationally Determined Contributions (INDCs) as a step towards the 2015 agreement. This should contribute to a more predictable business environment.*
- ▶ *Deepen the trust among Parties and to ensure a transparent and workable mode of action.*
- ▶ *Enable a global level playing field by addressing major economies' competitiveness concerns, fostering efficiency measures, and pursuing market-based approaches.*

Business engagement in the UNFCCC process is key

Moreover, BUSINESSEUROPE wishes to underline the overall need for the UNFCCC secretariat and COP hosts to make an enhanced effort of securing effective private sector engagement. Some good examples have been seen from the Mexican Dialogues in the run up to COP 16, the interaction with the Polish Government before and during COP-19 and from the private sector engagement in the GCF and the Technology Mechanism. Future COPs should adopt processes to ensure continuity and the systematic engagement of the private sector in the UNFCCC's decision-making and implementation.

FINANCE AND MARKETS

The development of a global carbon market will help stimulate investments in innovative technologies, installations and products to be made in locations where they deliver the greatest possible climate benefits at the lowest economic cost. BUSINESSEUROPE urges that political efforts are deployed to establish such a global carbon market through, at a minimum, linkage between national and regional trading schemes. To enable this, clarity must be established on a timeline for the future of the Clean Development Mechanism (CDM), a timeline for the development of the new market mechanism and non-market-based approaches to enable their voluntary use by governments depending upon their national requirements, as well as the role and scope of the framework for various approaches.

International offsets must continue to be a credible means to limit emissions efficiently by taking advantage of lower-cost opportunities. Sectorial mechanisms must be designed so to avoid as far as possible distortion of competition between regions for globally traded goods. Crediting mechanisms associated to Nationally Appropriate Mitigation Actions (NAMAs) should offer adequate incentives to encourage the direct involvement of private entities.

In order for the necessary project investments in climate actions to be encouraged, financial instruments such as the Green Climate Fund (GCF) should act as catalysts and promotion measures must seek to encourage the greatest possible release of further private investments. Business' participation will depend in large part on the investment environment and the effectiveness of institutional arrangements which should be evaluated by independent experts. Initial steps in active private sector involvement are encouraging. "Active observers" represent a wide



breadth of knowledge and experience in the private sector. Eligibility for finance should be determined using results-based criteria such as the contribution to transformational change in the recipient region. The GCF should be designed so that its initiatives do not crowd out existing successful development cooperation projects.

All parties involved in the negotiations should work for the GCF to be effectively linked with the new Technology Mechanism. The GCF should be a convener of concessional loans, risk-sharing financing instruments and other sources of financing such as carbon financing and that from Multilateral Development Banks. This would provide a basis for the GCF to leverage the huge amounts of private financing that are required to deliver climate mitigation and adaptation in developing countries and emerging economies. The GCF should be results-oriented and closely monitored even when implementation of projects is left to accredited entities. These funds must be used in strict compliance with pre-defined robust transparency, additionality and environmental integrity principles.

TECHNOLOGY AND IPRs

The Technology Mechanism and its Technology Executive Committee (TEC) and Climate Technology Centre and Network must trigger development, transfer and deployment of technology. It must be structured and operated in such a way as to encourage investment in and deployment of technology; and should focus on giving advice on and providing recommendations regarding key enabling factors, as well as education, training, and capacity building. This mechanism should consider national and regional needs. Strong involvement of the private sector at all levels, in particular, the regional networks, will be vital to their success.

Companies play a prominent role in the development and dissemination of technologies. The Technology Executive Committee and the Climate Technology Centre and Network have welcomed business input in their meetings and we hope that this will continue, but governments must avoid the time-consuming bureaucratic wrangles that started at COP-19 in Warsaw.

Effective Intellectual Property Rights (IPRs) protection is 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. IPR protection is critical for Europe's advanced manufacturing and clean technology sectors. IPR provides a key incentive for companies to invest in these markets and offers European companies a critical competitive and first-mover advantage to our global trade. It also allows companies to work with business partners, suppliers, and customers around the world.

Successful technology transfer will be stimulated where companies can operate within a legal framework which secures the protection of intellectual property and WTO-compatible rules apply. Global rules on IPR have proved their worth and should not be weakened in the framework of UN climate negotiations. BUSINESSEUROPE calls on the EU to ensure that IPRs are fully protected within the current and future climate change agreements.

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