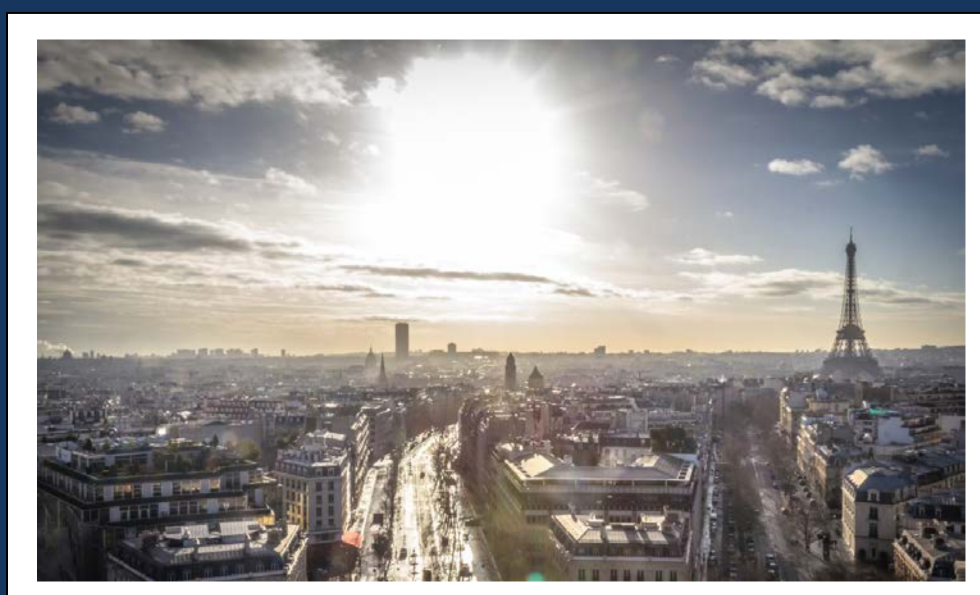
WHAT BUSINESS WANTS: CARBON PRICING IN PARIS

Business Association Statements on the importance of carbon markets in the Paris 2015 Climate Agreement



Business Association Statements on the importance of carbon markets in the Paris 2015 Climate Agreement

Following the **joint letter on the Importance of Carbon Markets in the Paris Agreement,** we, the following 18 business focused organisations and associations, have collected a series of **'Carbon Markets Statements'** to highlight why markets provisions in the Paris Agreement are crucial for meeting the 2 degrees challenge and the thousands of businesses we collectively represent.

Several Parties stated in their INDCs that the level of commitment they are putting forward is conditional upon having **access to international carbon markets in the 2015 Agreement**. Market access through bilateral and international linkages or through new crediting mechanisms can enable countries to put forward **stronger commitments with better economic performance**, going beyond their domestic capabilities.

Please find the statements below. **A number of these business groups will be delivering the statements in person on Wednesday 2 December from 17:00 to 18:30 at the COP, in the IETA/WBCSD Business Hub in the 'Blue Zone'**.

Carbon Market Statements (listed alphabetically by organisation):

Association de l'aluminium du Canada
Aluminium Association of Canada

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"Canada's aluminium industry has tasked itself to bring its Carbon footprint to the lowest possible limit, coming out of the Rio Summit more than 20 years ago. The challenge was met head on, our industry now being at the technological threshold in terms of GHG emissions. Carbon markets are now the new level playing field for a decarbonized world economy. The constraints of GHG reductions, when set in a realistic and foreseeable regulatory framework, become an efficient performance indicator to improve upon. Organizations are incentivized by the Cap & Trade dynamic, where individuals can actively contribute to meeting the set targets by delivering operational solutions to the benefit of the organization, the country and the planet."

- Jean Simard, President of the Aluminum Association of Canada

Australian Industry Group, and the Business Council of Australia

"Nations have many domestic policy options to choose from in their efforts to reduce greenhouse gas emissions, including voluntary measures, regulatory interventions, public finance, and various market mechanisms. While some will wish to meet their commitments alone, many nations judge that they can maximise their contribution and contain costs by joining their efforts together. This may include government purchases of abatement from other nations; exchange of offsets and carbon rights between national systems; or the formation of more elaborately linked multinational or regional schemes. It is vital that the Paris outcome gives nations the full range of options to choose from, by providing a legal and institutional basis for the linkage of national efforts. The environmental integrity of joint action should be assured through robust and transparent approaches to measurement, reporting and verification."

- Innes Willox, Chief Executive of Australian Industry Group, and
Jennifer Westacott, Chief Executive of the Business Council of Australia

French Association of Large Companies (AFEP)

"The agreement in Paris for COP21 should lay the foundations for the integration of a carbon pricing system, in all major emitting countries, which:

- *is robust and predictable, thereby stimulating action on emissions and enabling investment decisions in low-carbon technologies in the best cost-effective way;*
- *prevents from competitive distortions;*
- *is coordinated with a phasing-out of all existing carbon subsidies;*
- *relies on relevant tools such as emission trading schemes, or taxes/extensions of trading schemes/shadow pricing instruments, with a view to mobilizing economy-wide;*
- *can get along with other mechanisms such as standards, voluntary agreements, other regulatory instruments.*

As it is expected that business as a whole will have to cope with the different systems implemented by countries/regions, it is essential to work on the means by which carbon pricing *can be introduced, such as:*

- *governance at domestic level (what are the different instruments at play, how do they interact?);*
- *coordination and potential linking between different carbon pricing systems, in particular by embedding in the agreement a mechanism for international transfers of emission units and a unified project-based crediting mechanism built on best UNFCCC practices;*
- *impacts of different carbon pricing policies on competitiveness."*

- Pierre Pringuet, Chairman of AFEP

Air Transport Action Group (ATAG)

"The global aviation industry supports calls to further develop international carbon markets infrastructure. In the context of our own industry, the main focus is on efforts to finalise a global market-based measure (MBM) for aviation emissions through the International Civil Aviation Organization (ICAO). Progress on the development of the MBM has been encouraging and it is essential that ICAO remains the primary forum for deliberating aviation-specific environmental economic measures. However, outside of a strict aviation discussion, one element that is vital in the Paris agreement is the continuation and strengthening of international market systems – it is a necessary tool in the future climate regime and is absolutely imperative for aviation's global MBM plans to be realised. The linkages between systems and an ability to track credits across national borders is good not only for use in an aviation context, but is important for climate responses throughout the private and public sectors. In our view, this must be part of a Paris agreement."

- Michael Gill, Executive Director of ATAG

Federation of German Industries (BDI)

"Success in Paris requires business solutions. Successful business solutions require markets. The COP21 agreement can only be considered a success if it establishes a clear framework for all parties and internationally linked carbon pricing instruments to unleash private sector solutions. The development of a global carbon market will help stimulate investments in innovative and low carbon technologies and deliver the greatest possible outcome for the climate at the lowest economic cost. Market-based mechanisms – like the current Clean Development Mechanism (CDM) – provide incentives to business to invest in emission reductions within developing countries. International cap and trade systems – such as the EU ETS – must be recognised as important tools to achieve emissions

reductions at the lowest cost to societies and economies. A successful outcome in Paris requires clarity, consistency, and common ground: a level playing field, linked market mechanisms, and a shared vision."

- Holger Lösch, Member of the Executive Board of BDI

BUSINESSEUROPE

"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. Market-based mechanisms – like the current Clean Development Mechanism (CDM) – which provide incentives to business to invest in emission reductions within developing countries and cap and trade systems – such as a reformed EU ETS – must be recognised as important tools to achieve emissions reductions at the lowest cost to societies and economies.

Policy-makers should make every effort to ensure that carbon markets are attractive for all participants and become compatible and linkable. To this end, they need to be designed in a carbon leakage-proof fashion and anchored in the new agreement with the aim of enabling a global carbon market in the long-term. Comparable framework conditions will encourage business to continue and to increase their investments in the research and development of new technologies.

This will require the setting of a global level playing field to ensure a fair comparison and should encompass similar methodology, tools and standards including clearly defined indicators to assess the performance/efficiency in different world regions, also taking into consideration diverging local conditions."

- Markus J. Beyrer, Director General of BUSINESSEUROPE

Climate Markets & Investment Association (CMIA)

"CMIA has a long history in supporting carbon markets and pricing mechanisms. CMIA members have actively supported the development of expertise for GHG accounting emissions modelling and low carbon development planning globally over the last 10 years. We believe that carbon pricing tools are now widely understood, and they should be considered a priority instrument for Governments when designing policies and frameworks to attract low carbon investment. Nearly 80 countries mention carbon pricing in their INDCs, so the direction of travel is clear. Support for pricing and the use of markets in the COP agreement - and in statements from national

governments and the business sector - would send a strong signal to finance and investment that carbon markets can play a major role in mitigating emissions and combating climate change."

- Richard Folland, Executive Director of CMIA

The Prince of Wales's Corporate Leaders Group (CLG)

"Throughout the history of The Prince of Wales's Corporate Leaders Group, the group has consistently championed that carbon pricing is a key part of any policy strategy to tackle climate change. As we stated in 2012's 'Carbon Price Communiqué', and repeated in our recent letter to finance ministers, carbon pricing should be a central part of national policy responses to climate change. We have also argued that carbon pricing should be ambitious and work towards global economic coverage. The wider the coverage of carbon pricing actions, the less room there is for economic disruptions or competitiveness concerns, that restrict the effectiveness and ambition of the policy. Most recently we have highlighted the problem of fossil fuel subsidies that distort and undermine economic efficiency and carbon pricing.

We strongly welcome the growing number of countries and sub-national regimes that have introduced or plan to introduce a carbon price; a majority of national commitments tabled as part of the Paris process include reference to carbon pricing. While the strategy at the heart of the current UNFCCC negotiations is more focused on enabling coordinated, nationally-set actions, rather than dictating a shared approach, and therefore meaning that carbon pricing is unlikely to explicitly feature in a Paris agreement, in accordance with IETA's call, we would welcome any language in the agreement that supports and encourages the introduction of carbon pricing or cooperation between countries around carbon pricing."

- Sandrine Dixson-Declève, Director of CLG

Confederation of Finnish Industries

"Smart measures are needed to implement carbon reduction commitments in practice. For that end, Confederation of Finnish Industries EK strongly advocates carbon pricing. The market-driven pricing mechanism helps to achieve reduction targets with a minimum cost. By developing and expanding carbon market globally, emissions can be truly reduced – not just transferred from one part of the world to another. Ideally, carbon pricing would be implemented worldwide so that the cost effect of emissions would be the same everywhere. In a global carbon market,

emission reductions would take place where they can be achieved with the lowest costs. Carbon pricing boosts the market for clean solutions and incentivizes present and new technology in many fields, for instance, energy efficiency and renewable energy. Carbon pricing is a way to finance investments and it encourages innovative solutions to mitigate the climate change by increasing the demand for low emission solutions."

- Jyri Häkämies, Director General of the Confederation of Finnish Industries

EURELECTRIC

"EURELECTRIC believes that in order to achieve the cost-optimising benefits of a coherent economy-wide approach to decarbonisation, it is crucial that policies are adopted in a manner which allows a consistent carbon global price signal to be established across all sectors, thereby triggering incentives towards low carbon investment and decreasing the risk of carbon leakage. We believe that market-based mechanisms, such as carbon markets, are the most effective tool for mitigating greenhouse gas emissions and stimulating investments in low carbon technologies and energy efficiency. The most effective way forward in the smooth transition towards a low-carbon economy is through a clear, predictable carbon price signal that will allow industry to invest in an efficient and sustainable manner. The new global climate change regime should establish an international framework that enables the introduction of carbon pricing mechanism at the global level and moves towards the linking of existing different carbon trading systems once they have achieved equivalent levels of environmental integrity.

We therefore believe that the importance of carbon markets should be anchored in the new climate change regime with a view to enabling the development of a global carbon market in the longer term."

- Hans ten Berge, Secretary General of EURELECTRIC

Eurogas

Eurogas is the association representing the European gas wholesale, retail and distribution sectors. Eurogas believes that carbon markets, which create a price for carbon emissions are a primary tool for achieving climate change objectives in a way that is cost-competitive and that provides a signal for technological innovation. Therefore, by including carbon market provisions in the Agreement, all countries will be encouraged to use market mechanisms to tackle climate change. For Eurogas, this is the right approach.

- Beate Raabe, Secretary General of Eurogas

European Wind Energy Association (EWEA)

"A new global climate agreement, to be concluded in Paris in 2015, needs to mark the start of a fundamental transition in the energy sector. Effective and strong carbon markets will be an important piece in the energy transition policy puzzle. The energy sector is the largest single contributor to global greenhouse gas emissions. Action here can make global emissions peak and, then, decline. Wind energy, the most efficient and scalable solution to reduce emissions in the power sector has demonstrated that combining decarbonisation and economic growth is entirely feasible. By factoring in the carbon externalities of fossil fuels, carbon markets help reflect the true cost of technologies and create a level playing field for all energy sources. A robust and meaningful carbon price can create effective transition signals that incentivise a switch from high carbon assets to renewable energy production. The European Wind Energy Association calls on negotiators to work towards a new climate architecture that recognises the use of market mechanisms as a key tool to implement Intended Nationally Determined Contributions and bring global emissions down. By providing guidance on the use, implementation and potential linking of carbon markets, the Paris agreement can accelerate governments' efforts to adopt effective policies that will transform national energy systems and scale up green investments."

- Giles Dickson, CEO of EWEA

FuelsEurope

"FuelsEurope recognises that climate change is real and warrants action and supports the efforts of the international community to address the risks of climate change. We believe that effective measures must be undertaken by all significant world economies to tackle the global challenge of climate change, and that global alignment and participation should be encouraged. Revenue-neutral market-based mechanisms, including carbon pricing under the right circumstances, are more economically efficient than industry specific regulation, technology mandates or performance standards to drive the reduction of GHG emissions at the lowest possible cost.
COP21 is an opportunity not to miss to establish an effective and binding international agreement, with measurable and equitably ambitious measures from all significant economies. Such international agreement should limit GHG emissions based on revenue neutral market based mechanisms, including carbon pricing under the right circumstances."

- **John Cooper**, Director General of Fuels Europe

Global CCS Institute (GCCSI)

"It is clear that the Paris Climate Summit must enhance the foundations for widespread deployment of clean energy technologies such as carbon dioxide capture and storage (CCS), alongside renewables, energy efficiency and other measures. Over the past decade – since the release of the IPCC special report on Carbon Dioxide Capture and Storage in 2005 – CCS has been widely accepted as a major climate change mitigation option and is continually included in global GHG reduction scenarios. This includes the global modelling work of the IPCC and the IEA. Substantial CCS project advances have been made in the last few years, but the important role attached to CCS in global models in the transition to a low-carbon economy, has too often not been translated into supportive policies. We need to see a strengthening of policy mechanisms that will encourage cost-effective, predictable, and enduring business cases for such investments. The use of carbon market mechanisms is a way of achieving reductions in GHG emissions at least cost to the global community. Implemented in a non-discriminatory manner, it can provide some of the necessary consideration, recognition and support for CCS as vital part of a portfolio of low-carbon technologies."

- **Brad Page,** CEO of GCCSI

International Emissions Trading Association (IETA)

The Paris 2015 Climate Summit can prompt a sustained wave of business action and investment through carbon markets. To do so, the Paris Agreement should secure a sound foundation for carbon pricing, implemented via technical decisions on market elements. The Agreement should support countries interested in using international market linkages to achieve more ambitious emissions reductions by including a provision enabling Parties to transfer units between pricing systems under a transparent accounting framework. Further, the Paris COP should adopt Decisions to establish a unified project crediting mechanism and market tools to assist countries in achieving their Intended Nationally Determined Contributions. Markets could grow from a simple provision in the Agreement, with detailed implementation rules specified in COP Decisions. A revitalised crediting mechanism could unleash greater action in developing countries – and a set of market-development tools could strengthen the capabilities in developing countries in launching their own market systems. Market-based mechanisms and linked carbon markets attract investments where emissions reductions can occur at the lowest cost. This can accelerate clean energy *investment at the scale needed to hold the average global temperature increase to 2°C. Carbon market linkages allow for cost efficiencies in emission reduction activities to be identified beyond borders, and assist in the implementation of an international framework for climate action. The Paris Agreement must include language that encourages countries to cooperate in order to meet their mitigation commitments.*

- Dirk Forrister, President and CEO of IETA

World Business Council for Sustainable Development (WBCSD)

"Carbon pricing is one of the most powerful mechanisms we can put in place to reduce emissions and speed the transition to a low-carbon economy. Many companies are already using internal carbon prices, and the external call for a formal carbon price has grown stronger across the world during 2015. There are several options available to governments for pricing carbon, both implicit and explicit. The choice of policy instrument, be it a carbon market, carbon tax or performance standard will depend on national circumstances. Carbon markets are able to address the negative externalities causing climate change in a cost effective manner. Business needs flexibility to choose the right technologies and investments for their path towards a low carbon future. Carbon markets allow this and need to be anchored in stable long term policies to allow sustainable business to flourish. This is a united call for action from the business community as we head towards the historic climate negotiations in Paris this December."

- Peter Bakker, President and CEO of WBCSD