

June 2015

## On the road to Paris

### A GLOBAL DEAL IS OUR BUSINESS

#### KEY MESSAGES



- 1** A legally-binding agreement with comparable mitigation efforts from major economies is the best mechanism to provide the necessary certainty for business investments. For those that have not yet done so, the prompt publication of their Intended Nationally Determined Contributions (INDCs) is crucial.
- 2** Business is key for a successful and ambitious agreement in Paris and its implementation. Therefore, an institutional channel for business engagement should be recognised in the implementation of the new agreement.
- 3** BUSINESSEUROPE has devised ten recommendations to feed into the international climate negotiations towards COP21. If implemented, this set of recommendations will achieve adequate global climate protection as well as enable a true level playing field for European industry.

#### KEY FACTS AND FIGURES

The global market for low-carbon and environmental goods and services is projected to grow to over €4 trillion by the end of 2015

By March 2015, the first UNFCCC submissions' deadline, only three out of the six world's major emitters have published their INDCs.

The EU accounts for only 9% of global emissions and this share is still falling. China is responsible for a quarter of global emissions and the US for 11%.



### On the road to Paris A GLOBAL DEAL IS OUR BUSINESS

The stakes for European companies are very high in the run up to the United Nations Climate Change Conference (UNFCCC) in Paris in December 2015 (COP21). Decision-makers must seize this opportunity to provide for ambitious global action, committing all parties to a legally-binding agreement, after the missed opportunity to do so in Copenhagen in 2009.

Business is a significant part of the solution to addressing the impacts of climate change, and it is therefore important that the agreement can support business innovation and growth. The global market for low-carbon and environmental goods and services is projected to grow to over €4.8 trillion by the end of 2015. This shows the size of the investment that must be encouraged and facilitated across the world. An international legally-binding agreement is the best way to stimulate investment and provide opportunities for companies in the research, development and deployment of existing and new technologies.

Such a multilateral agreement must also help to drive the competitiveness of European industry, supporting global emissions reductions in an efficient manner. To safeguard sound international competition for industry and to ensure effective protection for EU companies against carbon leakage risks, it is vital that non-EU industrial competitors operate under comparable climate protection rules to EU companies. This will allow a level playing field for European businesses competing globally and promote economic growth.

In the run up to COP21, BUSINESSEUROPE has devised 10 **recommendations** to feed into the international climate change negotiations.



## **1. Establish a shared vision for long-term global action to combat climate change**

All countries must sign up to long-term global action consistent with science, and to a continuous political process to review progress towards the objectives. European companies have helped the EU become the most emissions' efficient economy in the world. It achieved a 19% emissions reduction between 1990 and 2013 while its GDP grew by 45%. Currently the EU only accounts for nine percent of global emissions and this share is still falling.

To achieve a truly global level playing field more is needed from the world's major economies too. Countries with the highest responsibilities and capabilities need to reflect this in the ambition of their commitments. Today China is responsible for a quarter of global emissions, while the US accounts for 11%, thus having major economies on board will be crucial to tackle world emissions.

In addition, the new agreement should have as much geographical coverage as possible, this would bring obvious benefits not only for the global climate but also for businesses trading globally by being subject to similar standards. Besides mitigation efforts, all industrialised, emerging, and developing countries should draw up national adaptation strategies.

## **2. A global legally-binding climate regime post-2020**

All major economies must sign up to a legally-binding agreement under the United Nations regime containing transparent, comparable, fair and ambitious emissions reduction commitments. All countries will benefit from an agreement with such a legally-binding nature. By establishing a common system, the new deal will provide the necessary trust that each country is implementing its long-term pledge while encouraging global ambition, predictability and legal certainty for investors.

While some progress has been achieved, to date only three out of the six world's major emitters (China, US, EU, India, Russia and Japan) have already published their Intended Nationally Determined Contributions (INDCs). And in total, on top of the EU, nine countries have submitted their contributions, accounting for about 20% of global emissions only.

We call for the prompt publication of INDCs from those countries that have not done so. An early submission is essential for a timely evaluation of the total contributions ahead of COP21. Regarding those that have already published their INDCs, in some instances there is still not enough clarity on how they will impact their industrial sectors exposed to global trade. INDCs should include as a minimum the following: quantifiable information on the reference point (including a base-year), timeframes and/or periods for implementation; scope and coverage for mitigation as well as, for adaptation and provisions of finance, planning processes, assumptions and methodological approaches including those for estimating and accounting for anthropogenic greenhouse gas emissions and, as appropriate, removals. In addition, a process to regularly review the INDCs should be established.



### **3. Emissions reduction efforts also from emerging economies**

The UNFCCC is based upon the notion of action based on the respective capabilities of individual nations. Given the urgency of the problem, all countries need to act urgently and collectively. Since the Kyoto Protocol was agreed in 1997, the geo-economic landscape of the world has changed. While some emerging economies still face challenges, their capabilities have also evolved.

Therefore, advanced developing countries should commit to setting their emission policies in a way that reflects their actual capabilities. This stems from the need for collective action but it will also be in the interest of these economies to be on the same global level playing field. For that purpose, a review process should also be established to encourage comparable efforts as much as possible.

### **4. Equivalent measurement, reporting and verification (MRV) obligations to all parties**

To achieve the necessary confidence among parties, the new agreement must provide for robust transparency and accountability. The new regime must therefore include comparable national rules on MRV as well as a review process on an annual basis. An enforceable and sanction mechanism for non-compliance with reduction commitments must also be established.

A common regime will be essential to provide the certainty that all parties are using the same reference not only to measure emissions but also to assess how they are on track to meet their respective commitments. This becomes even more necessary in the event of linkages between different regional carbon markets (recommendation 5). In addition, the sharing of best practices should be encouraged. European industry has a deep expertise in MRV and would be able to offer adequate capacity building to foster implementation of an MRV regime in other economies.

### **5. Incentivise the creation of linkable carbon 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. 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.

## **6. Institutionalize business engagement within the UNFCCC**

Business wishes to see the creation of a recognized channel to improve its participation in the UNFCCC process. The expertise of the business community is essential to achieve successful outcomes and implementation. As a result, an institutionalised channel for private sector engagement should be recognised in the implementation of the new agreement. Over the years individual countries and COP Presidencies have sought ways to enhance participation by the private sector, recently that has been the case for Poland and now France.

In the spirit of the solutions agenda, a channel for business participation within the UNFCCC would improve communication, information sharing and enhanced dialogue. It should be established in a manner that enables broad business participation by companies and associations through affiliates in all nations. In its activities this business channel should, inter alia:

- Facilitate a two-way communication between the private sector and the UNFCCC (parties, regional groups and the secretariat);
- Be responsive as a resource to requests from parties, regional groups, the UNFCCC secretariat and others involved in international climate processes;
- Develop input and, where appropriate, nominate representatives to relevant advisory boards and bodies;
- Provide information to parties and the UNFCCC secretariat;
- Assist the UNFCCC secretariat and other relevant bodies, e.g. in setting agendas and identifying experts to participate in official dialogues and workshops;
- Complement other dialogue channels with recognized observer organizations.

Besides enhancing routine interactions, this channel would lay the foundations of an official business dialogue to ensure a transparent engagement of the private sector in the UNFCCC decision-making and implementation.

## **7. Mobilise financing for climate action**

In order to encourage investment in climate action, financial instruments such as the Green Climate Fund (GCF), alongside other targeted measures, should act as catalysts to leverage 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. Resources for the existing Adaptation Fund should also be increased, entailing a fair contribution by all parties to the funds' reserves.

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 a convener of concessional loans, risk-sharing financing instruments and other sources of financing such as carbon financing 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 action. The GCF should also 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 strong pre-defined transparency, additionally and environmental integrity principles.

## **8. Protect intellectual property rights from compulsory licensing**

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. IPRs protection is critical for Europe's advanced manufacturing and clean technology sectors. It 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 IPRs have proved their worth and should not be weakened in the framework of UN climate negotiations. We call on the EU to ensure that IPRs are fully protected within the current and future climate change agreements.

## **9. Include clear measures to address forestry issues**

The main deliverables of COP-18/CMP-8 in Durban on Land Use, Land Use Change and Forestry (LULUCF) which have since been transposed into EU legislation, should be included in the future International agreement in order to secure full accounting of emissions from forestry and land use change. LULUCF rules should be streamlined in a way to ensure that more countries participate in proper forest accounting.

## **10. Establish global solutions for controlling emissions from aviation and shipping**

Given the specific nature of the aviation and shipping sectors, their emissions should be addressed as part of any post-2020 global climate change agreement. The international air transport and maritime organisations have been proactively involved in developing global solutions.

Unilaterally imposing emission reduction burdens on European aviation and shipping could lead to substantial carbon leakage in these sectors with little or no environmental impact, likewise, non-harmonised national regulation could have a similar impact.

The new agreement shall ensure that it does not distort competition amongst aircraft or shipping operators and should treat both sectors indivisibly rather than by taking a country / regional approach.

\* \* \*