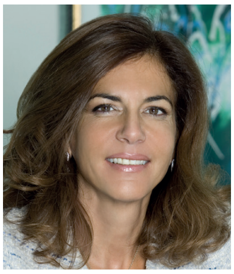

On the road to Paris

A global deal is our business

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

Business is a significant part of the solution to addressing the impacts of climate change. It is therefore important that such an agreement can support business innovation and growth. The global market for low-carbon and environmental goods and services is expected to grow to over €4.8 trillion by the end of 2015. This shows the size of investment that must be encouraged and facilitated across the world. A legally-binding international 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.

Preparing for COP21, BUSINESSEUROPE has devised 10 recommendations to the international climate change negotiations. Let me briefly sum up them here.

A shared vision for long-term global action

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%. Now 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 effort is needed from the world's major economies, too. Countries with the highest responsibilities and capabilities need to

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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 - by being subject to similar standards - also for businesses trading globally. Besides mitigation efforts, all industrialised, emerging, and developing countries should draw up national adaptation strategies.

Legally-binding global climate regime after-2020

All major economies must sign up to a legally-binding agreement under the United Nations regime containing transparent, comparable, fair and ambitious emission reduction commitments. All countries will benefit from an agreement with such a legally-binding nature. By establishing a common system, such a 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.

Although some progress has been made, many countries have not published their Intended Nationally Determined Contributions (INDCs) yet. European companies 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.

Emission-reduction efforts – also from emerging economies

The United Nations Climate Change Conference (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 without delay 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.

Common regime of measurement, reporting and verification

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 measurement, reporting and verification (MRV) as well as a review process on an annual basis. An enforcement 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. In addition, the sharing of best practices should be encouraged. European industry has deep expertise in MRV and would be able to offer adequate capacity building to foster the implementation of an MRV regime in other economies.

“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”

Linkable carbon markets

The development of a global carbon market will help stimulate investment in innovative technologies, installations and products 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), providing incentives to business to invest in emission-reductions in developing countries and cap-and-trade systems such as a reformed EU ETS – must be recognised as important tools to achieve emission reductions at the lowest cost to societies and economies.

Policy-makers should make every effort to ensure that carbon markets become compatible, linkable and attractive for all participants. To this end, they need to be designed in a carbon leakage-proof fashion and anchored in the new agreement, enabling the creation of a global carbon market in the long run. Comparable framework conditions will encourage businesses to continue and increase their investment in research and development of new technologies. This will require setting up a global level playing field to ensure fair comparison and should encompass similar methodology, tools and standards; including clearly defined indicators to assess the performance/efficiency in different regions of the world, taking diverging local conditions also into consideration.

The UNFCCC and business engagement

Businesses wish to see the creation of a recognized channel to improve their 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 the participation of the private sector. That has been the case recently in Poland and now in France.

A recognised channel for business participation within the UNFCCC would improve communication, information-sharing and enhance dialogue. It should be established in a manner enabling broad business participation by companies and associations through affiliates in all nations.

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

Investment in climate action

To encourage investment in climate action, financial instruments such as the Green Climate Fund (GCF), alongside

other targeted measures, should act as catalysts to private investments. Business participation will depend largely 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 by using results-based criteria, such as the contribution to transformational change in the recipient region. The Green Climate Fund should be a pot 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 Fund to leverage the huge amounts of private financing that are required to deliver climate mitigation and adaptation action. The Green Climate Fund should also be results-oriented and closely monitored - even when implementation of projects is left to accredited entities. We believe these funds must be used in strict compliance with strong pre-defined transparency and environmental-integrity principles.

Intellectual property rights versus compulsory licensing

Effective Intellectual Property Rights (IPRs) protection is key for technology to be developed, deployed and shared with others in global technology value chains as well as 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 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 securing the protection of intellectual property and applying WTO-compatible rules. Global rules on IPRs have proved their value and should not be weakened in the framework of UN climate negotiations. BUSINESSEUROPE calls on the EU to ensure that intellectual property rights are fully protected within the current and future climate change agreements.

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. These rules should be streamlined in a manner to ensure that more countries participate in proper forest accounting.

Global solutions for 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.

European companies' view is that imposing emission reduction burdens on European aviation and shipping unilaterally could lead to substantial carbon leakage in these sectors with little or no environmental impact. 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-by-country or a regional approach.

BUSINESSEUROPE's national member federations are convinced that a legally-binding agreement with comparable mitigation efforts from major economies is the best mechanism to provide the necessary certainty for business investments. Business is key for a successful and ambitious agreement in Paris as well as for its implementation. Therefore, if implemented, European companies' set of recommendations I've highlighted above will achieve adequate global climate protection as well as enable a true level playing field for European industry. ■