22 September 2009

DECLARATION OF THE MAJOR ECONOMIES BUSINESS FORUM ON ENERGY SECURITY AND CLIMATE CHANGE
21 & 22 SEPTEMBER 2009
WASHINGTON, DC

Leaders and leaders' representatives of the major business organizations from Australia, Brazil, Canada, Denmark, Germany, Europe, India, Japan, Kenya, and the United States convened in Washington, D.C. on 21 and 22 September to exchange views on a new international agreement on climate change, advance shared objectives, and contribute to ongoing negotiations under the UN Framework Convention on Climate Change (UNFCCC) and the Major Economies Forum on Energy and Climate (MEF).

Over two days, our organizations built on discussions begun at the Climate Change Roundtable of Business Representatives that took place on 17 and 18 February 2009 in Copenhagen.[1]

We agreed to the following declaration on the ongoing international climate change negotiations:

As the leaders of some of the world's major business organizations representing five continents and millions of companies, we commit to exercising a leadership role on tackling climate change and contributing to a new international agreement in Copenhagen in December. The

[1] The statement from the Climate Change Roundtable of Business Representatives in 17-18 February 2009 in Copenhagen is available at: http://energyxxi.org/images/Uploaded/ClimateChangeRoundtableJointStatement.pdf.

business community stands ready to continue engagement with policymakers and will continue investments that contribute to low-carbon and energy-efficient economies.

We remain concerned by the challenging economic circumstances brought on by the global financial crisis, which we expect will be temporary. We believe the experience of the last two years highlights the importance of acting prudently and cost-effectively within the UNFCCC and MEF to develop policies that best marshal limited resources and that are measureable, reportable, and verifiable.

We take note of the progress made by the G8 and MEF in July in L'Aquila, Italy on issues of concern to the business community. We encourage governments to reach an ambitious, achievable, and global agreement, for which Copenhagen will be a decisive meeting. The agreement should provide a clear framework for international co-operative action in the areas of mitigation, adaptation, technology, and finance. It should be consistent with the scientific understanding of the risks of climate change and based on a long-term shared vision that respects the principle of common but differentiated responsibilities and respective capabilities among all countries. We offer the following as a contribution to those discussions.

Economic Development and Competitiveness

Our organizations have a strong interest in ensuring that a new agreement promotes economic development, competitive business communities, and a level playing field for industry.

We are concerned that some governments are considering imposing unilateral border adjustments on imported goods. These kinds of proposals may invite retaliation that could restrict trade flows sharply and slow the dissemination of advanced technologies and business practices.

The international climate negotiations should not be used to erect barriers to free and open trade and investment. Instead, we encourage governments to work in the World Trade Organization to eliminate tariff and non-tariff barriers to trade.

Sectoral approaches that focus on specific industries have been proposed as a way to motivate action while enhancing international technology cooperation. Business believes these proposals have potential and that their usefulness will depend on how they are structured and a clear understanding of the different circumstances in which sectors operate in different nations.

Given the significance of the energy sector to our economies, an adequately skilled workforce is a matter of great importance to the business community. We must increase the number of young people entering technical fields and build on the skills of existing employees to create and maintain the energy systems of the future.

Energy Security and Energy Efficiency

We recognize the aspirations of people everywhere for an improved quality of life that affordable, modern energy services provide. Energy security must be considered as part of an overall international agenda that promotes sustainable development and addresses climate change.

Enhanced energy efficiency is one of the most important steps to enhance energy security and reduce greenhouse gas emissions, and efficiency has to be improved in households, industry, transport and commerce, where cost-effective.

The energy supply sectors in many of our countries also suffer from extensive and lengthy regulations that delay new energy projects. We urge our national governments to streamline siting, permitting, and other regulatory requirements so that needed energy infrastructure can move forward with greater predictability.

Technology

Many technologies already exist to limit greenhouse gas emissions that can make a significant contribution to emissions reductions and should be encouraged. New and in some cases revolutionary low-carbon energy technologies also will have to be invented and adopted commercially. A post-2012 agreement must further stimulate investment and provide opportunities for companies to invest in the research, development, and commercial adoption of existing and future technologies. All technology options should be considered.

National and international climate policies should support wider commercial use of existing technologies to increase energy supplies and improve demand and supply efficiency. Developed countries should take the lead and boost technology cooperation with developing countries. Technological co-operation, public-private partnerships, innovative financing, and capacity building are all needed to facilitate technology transfer and commerce and promote energy efficiency in emerging and developing economies.

Business needs a greater financial commitment from governments worldwide to reduce the cost and improve the performance of new technologies. We also encourage governments to consult with the private sector regarding the establishment of regional technology innovation centers.

The development of climate-friendly technologies can best progress under free market policies that promote competition and respect intellectual property rights. Weakening the protection of intellectual property by any means, including compulsory licensing, would threaten the incentive businesses have to invest in creating and bringing new technologies to market.

Finance

The global market for low-carbon and environmental goods and services could grow to several trillion dollars over the next years. This shows the magnitude of the investment that must be encouraged and facilitated across the world. Public financing is critical to advancing climate change solutions and making new technology more accessible to developing countries, but it is no substitute for private sector capital investment.

The availability of private sector financing will depend in large part on investment environments and the effectiveness of institutional arrangements. We believe that financial flows should not be directed to underwrite the modernization of state-run firms. Business would prefer to see funds established in a way that promotes action by the private sector, including foreign direct investment, but that does not directly flow from government to government. Funds should be made available to make technology available to developing countries and to encourage Nationally Appropriate Mitigation Actions.

Many funding mechanisms, including carbon markets, already exist, and they could be improved and leveraged if governments increased their transparency, efficiency, and functionality and made their funding more predictable. In particular, a new agreement should include reform of the Joint Implementation and Clean Development Mechanism (CDM) that provide the opportunities in some countries to finance clean technologies and implement climate change measures in emerging and developing economies. This can be done primarily by reducing the CDM bureaucracy, streamlining project approval procedures by the CDM Executive Board and National Designated Authorities, extending the scope of CDM projects, and establishing standardized CDM project methodologies.

CDMs or other financial incentives should not distort fair competition in the industry. Governments and industry can work together to identify and remove barriers that prevent the adoption of best practices and technologies.

Further, we strongly recommend that finance ministries be more directly involved in the negotiations to discuss how to move ahead on climate financing in the current economic environment.

Adaptation

Adaptation, in particular, water, health, agriculture, and future power production and distribution issues, need to be addressed at the international, national, and local levels. Adaptation must take advantage of local skills, build sustainable local infrastructure, and take advantage of experience already present in developing countries. Business recognizes the need for new, readily accessible financial resources for adaptation.

Greater Voice for Business

The international business community is prepared to work with governments to play a constructive role at Copenhagen and beyond. Governments should recognize and embrace business engagement and expertise as the climate negotiations unfold. We believe that reforms should be implemented so that the international process can take better and more explicit advantage of the range of technical expertise that business can provide. International business would welcome more formal roles in both the UNFCCC and the MEF.

Our organizations plan to continue the Major Economies Business Forum on Energy and Climate and to meet periodically to build confidence, identify areas of shared understanding, generate innovative solutions, and provide valuable and practical input to the international negotiations.

Australian Industry Group
Australian Chamber of Commerce and Industry
BUSINESSEUROPE
Canadian Council of Chief Executives
Confederation of Indian Industry
Kenya Association of Manufacturers
National Confederation of Industry (Brazil)
Nippon Keidanren (Japan Business Federation)
U.S. Chamber of Commerce Institute for 21st Century Energy
United States Council for International Business