

# Major Economies Business Forum

## on Energy Security and Climate Change



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## Major Economies Business Forum: Business in the UNFCCC—A Proposal for the Paris 2015 UNFCCC Outcome

### Introduction

COP 21 will highlight the important engagement of non-state actors, including business, by recognizing and encouraging their voluntary actions, initiatives, and collaborations to address climate change. At COP-20 the launch of the Lima Paris Action Agenda (LPAA) and the development of the “Nazca Platform” created a process and tools to collect and publicize the wide variety of actions that are underway outside the formal UNFCCC process. Within the UNFCCC actions and engagement from non-state actors have also been routinely referenced in connection with “Pre 2020 Ambition,” also known as “Work Stream 2” in the Ad Hoc Working Group on the Durban Platform for Enhanced Action (ADP).

The Major Economies Business Forum (BizMEF) welcomes these efforts to promote and disseminate information regarding contributions from voluntary initiatives, pledges and partnerships involving the business community and others. They also highlight ways to benefit from enhanced engagement with the business community, across the entire work program of the UNFCCC. Further, such efforts provide additional evidence that an enhanced and recognized channel for business to the UNFCCC is timely and would add value at to the international process.

Government proposals in the Geneva Text as contained in the July ADP “tool” include many references to business and other stakeholders in all 3 “parts.” They are not limited solely to Work Stream 2

(increasing pre-2020 ambition). The ADP “tool” text refers to business involvement in the context of consultation, review and discussion of INDCs, expert input, including in workshops, technology assessment and dissemination, capacity building, adaptation, private finance. In short, government proposals for business involvement touch on nearly every element of the Paris outcome and its implementation. Many of these proposals align with BizMEF’s recommendation to begin to build a recognized “multi-tasking” interface (or channel) for business to the UNFCCC.

BizMEF favours transitioning current and new business interfaces toward a single, recognized and business-managed channel, based on the model of the Organisation for Economic Cooperation and Development’s (OECD) Business and Industry Advisory Committee (BIAC)<sup>1</sup>. A process for the creation of such a channel could be set into motion as part of the Paris agreement parties will conclude this year. Such a recognized channel for policy and technical advice and two-way information sharing would:

- build on specific and distinct business interfaces to “satellite” U.N. Framework Convention on Climate Change (UNFCCC) bodies, such as the Technology Mechanism and Green Climate Fund;
- be a resource for governments, regional groups and the Secretariat between meetings, and between sessions;
- serve as a forum for business pledges and actions; and

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<sup>1</sup> That model is based on national, multisectoral affiliates who participate in, manage, and fund the activity.

- build awareness and capacity in business communities, through links with local chambers, particularly in developing countries.

This interface would “multi-task,” by performing several functions that are responsive to the diverse nature of business and its contributions, and the many areas covered by the UNFCCC. This is more important than ever, given the wide scope and high ambition inherent in COP-21. Engagement with the private sector will allow the UNFCCC process to benefit from business experience and expertise concerning, inter alia, research, development, deployment and management of efficient and low carbon technologies, investment, trade, finance, MRV, adaptation, risk management, and frameworks to promote efficient outcomes. As described below such recognized channels exist in other intergovernmental fora.

### **A Roadmap for Evolution to a Recognized “Multi-tasking” Business Channel**

We realize that creation of an institutional interface cannot be accomplished in a single leap. Instead, we can move forward by taking gradual steps and build credibility through specific, practical tasks as part of the continuing evolution of enhanced business involvement in the UNFCCC.

BizMEF recommends building on positive progress within the UNFCCC and its institutions for engagement with business and other stakeholders. To do this we suggests the following steps for the gradual development of a “multi-tasking” business channel that would:

- provide a resource to governments, regional groups and the Secretariat in the effort to implement the post-2020 agreement over the next several years;
- begin to consolidate interfaces with UNFCCC institutions, such as GCF, Technology Executive Committee, Climate Technology Centre and Network (CTCN), and others; and
- function as a resource for the work of the UNFCCC process, not only at meetings but also in its ongoing work throughout the year.

Without endorsing every proposal or paragraph where they are found, we take note of many references to business and other stakeholders in all 3 “parts” of the July 31 ADP text. We regard many of these as in line with the BizMEF recommendations to begin to build a recognized “multi-tasking” interface for business to the UNFCCC.

At COP-21 and beyond, BizMEF recommends that Parties:

- Continue to strengthen and expand the involvement of business in TEC, CTCN, GCF, and other existing institutions.
- For Paris outcomes:
  - include appropriate language in the decisions accompanying the Paris Agreement to involve business and other stakeholders during the period to prepare for entry into force;
  - add appropriate language in the preambular paragraph of the Agreement itself that speaks to involvement of business and other stakeholders, e.g. as some variation on the paragraph on “Action by Non State Actors.”

- retain language that refers to business and other stakeholder involvement in posing questions about or discussing INDCs. We would like the Paris outcomes to encourage consultation with business in the preparation and assessment of INDCs, nationally and internationally, individually and collectively.

Business engagement that is representative and inclusive should be brought in at every step of the policy and implementation process in meaningful and active ways, for example, by assisting in developing agendas and setting terms of discussion, offering submissions, commenting on papers, and participating in discussions.

### **Building on Existing Arrangements and Experience in the UNFCCC and Using Existing Business Networks**

Business routinely interacts with national governments through well-established domestic processes in most nations. These existing national processes, in which BizMEF members participate, continue to be critically important. A broader, global business consultation, however, can supply appropriate and timely information, especially concerning impacts and realities of connections through global markets, economic and supply and value chains, and global deployment and investment. For example, it is important to consult with business both in the preparation and assessment of INDCs both at national and international level and individually and collectively.

Business engagement in the UNFCCC has taken many forms, including voluntary initiatives and partnerships, corporate responsibility actions, capacity building,

and consultative policy and technical advice. For the purpose of this paper and its recommendations, we focus on policy and technical advice and information sharing, but believe that all forms of engagement are to be encouraged.

This is not a new idea in the UNFCCC. The UNFCCC has referenced business involvement in the Bali Action Plan and in Cancun and Durban decisions, particularly with regard to emerging post-Durban institutions, such as the Green Climate Fund, Technology Mechanism, Adaptation Committee and elsewhere (see the Annex for more examples and background).

- In our view, an established channel would be organized on the tried and true “BIAC-model” through business-organized multi-sectoral national affiliate offices or contact points in every nation. These would be self-organized and funded by the business community itself, and they could be built on existing major multi-sectoral business or employers organizations, such as those that participate in BizMEF.

Like BIAC, a recognized business channel also could call on the expertise of international sectoral associations through expert affiliations. The channel would eventually provide a central contact point for all UNFCCC institutions, and function as a source of technical input and responsible business views from the international business community. It would complement established informal and formal dialogues and interactions between business, governments, and the UNFCCC, and it would promote broad outreach and two way communications.

## **Striving for a Two Way Street of Communication With Mutual Benefits**

The benefits of recognized consultative engagement between business and the UNFCCC and to governments are many. It can be a:

- source of responsible business expertise and policy advice to complement existing business interactions at national and international levels;
- supportive and positive relationship based on long term commitment to the multilateral process’s success; and
- set of global business perspectives from developing and developed countries, across all sectors, and involving companies of all sizes and nationalities.

Arrangements for business interfaces to the UNFCCC bodies should:

- be recognized and of value to governments and the Secretariat;
- be based on clear transparent governance, managed by business, as a flexible process that mirrors and is responsive to the UNFCCC framework and priorities; and
- provide technical and practical expertise, reflect consensus when possible, but also express a range of relevant, responsible views, relating to every aspect of the UNFCCC, such as mitigation, adaptation, finance and technology.

In addition to the UNFCCC “institution-by-institution” interfaces, business engagement is imperative at the international UNFCCC-wide level on policy

formulation, process, and implementation.

### **What is a BINGO, and What are the Attributes of A Recognized Business Interface?**

There are a wide variety of entities considered to be "business groups," or Business and Industry NGOs (BINGOs), ranging from:

- organizations that are made up of and are governed by businesses;
- public-private sector partnerships with business; and
- non-governmental or inter-governmental groups that work with business, or that promote voluntary initiatives by the business community.

For the purpose of this paper, business groups are understood as business-organized, business managed voluntary partnerships or non-profit organizations, whether sectoral or multi-sectoral, usually working with business entities through a membership arrangement. Examples include BizMEF, International Chamber of Commerce, BIAC, International Organisation of Employers, and World Business Council for Sustainable Development. Only organizations such as these, composed solely of business members and solely accountable to them, can claim to speak for their business members and fully to reflect their views.

Whether at the institutional level, or across the UNFCCC, representative business input should be developed and communicated by business itself, through a process that represents all sectors and nationalities, on a voluntary basis designed to solicit and convey the range of responsible and relevant views.

Leadership by CEOs is a critical indicator of commitment and priority for the companies concerned, and should be seen as one part of the diverse and practical ways in which the business community can work constructively with and inform the UNFCCC. However, CEO or other high level events are not a replacement for ongoing and representative consultative arrangements with business.

Governance, expertise and transparency are indispensable to a recognized consultative business channel. Business groups involved in this channel should demonstrate that they:

- consult widely, including with SMEs and in developing countries and engage in 2- way interactions to inform business of developments in the UNFCCC, as well as to provide business perspectives and technical expertise to the UNFCCC;
- represent informed and responsible business views to strengthen the UNFCCC's structure and action; and
- have the expertise and mandate to inform the development of multilateral policy and implementation through the UNFCCC.

### **Similar Recognized and Enhanced Arrangements for Other Stakeholders**

BizMEF recognizes that other constituencies also wish to participate more effectively with the UNFCCC and COP-21 is a landmark moment to advance such enhanced engagement for all stakeholders. Each group has its own strengths, experiences, and capacities to contribute. Consequently, BizMEF recommends creation of an overall

umbrella framework for recognized engagement with non—state actors, each with a channel designed as appropriate for their capabilities. For our part we believe that the business and industry community has valuable experience and capabilities to share as described above.

## **Annex**

### **BizMEF’S Involvement**

BizMEF has long favoured establishing specific and distinct business interfaces to new UNFCCC institutions in the near term that could evolve toward a single recognized business channel managed by business. The OECD’s BIAC provides a useful model that could be used as a template for anchoring the role of business in the Paris Agreement, and related decisions referring to INDCs, and raising pre-2020 ambition. The model is based on national, multi-sectoral affiliates who participate in, manage, and fund the activity. BizMEF welcomes positive steps that have been taken since it first made this proposal.

In BizMEF’s view, such an arrangement supports and respects the intergovernmental and party driven nature of UNFCCC, and will strengthen implementation across mitigation, adaptation, technology and finance pillars. It can improve consultation and the development and exchange of information without interfering in the decision-making and accountability that are the responsibility of parties.

The UNFCCC has a long and dynamic history of openness to observer organizations, including those from business and industry. The UNFCCC is to be commended for its continuing leadership in pursuing new options to

involve important societal partners, and this effort has received welcome support from governments from the beginning. Appropriately, the form and modalities of those arrangements have evolved with the Convention itself, and reflect the growing trend and broader context toward transparency and engagement of nongovernmental actors in multilateral discussions, notably those relating to sustainable development. This perennial discussion of enhancing business involvement also reflects the clear recognition and commitment of business itself to provide cost-effective and practical solutions to the linked challenges of energy security, development and climate change.

### **UNFCCC Discussions of the Role of Business**

In the run-up to COP-21, the French and Peruvian governments have set as a high priority on better engagement for stakeholders, and at COP-20 launched the Lima Paris Action Agenda. In the run-up to COP-21, a wide variety of state entities are offering pledges and commitments of action, which are posted to the NAZCA Platform, maintained by the UNFCCC and CDP. The French Government has also continued the Business Dialogue process, designating of CEOs to meet with government representatives in a series of 3 meetings, intending to galvanize action on priority climate issues.

The Polish Presidency held the first Business-Ministerial consultation prior to the Pre-COP in Warsaw in advance of COP-19. Both government and business representatives attending that meeting underscored the value and timeliness of moving ahead to consider ways to have more regular opportunities to inform the policy deliberations and offer practical

experience and information to governments and the UNFCCC process.

In 1994, the Government of New Zealand proposed consideration of a mechanism to allow a closer dialogue and working relationship between UNFCCC and business. SBSTA discussions over a two-year period failed to reach consensus, but these efforts foreshadowed the growing recognition by governments and the UNFCCC of the need to engage business expertise, especially in innovation, technology development and deployment, trade investment and finance.

Other UNFCCC efforts to consider and invite more substantive involvement of business have included:

- discussions within the SBSTA Experts Group on Technology Transfer – EGTT held informal dialogues with business at its final meetings; and
  - the Mexico Dialogues, a public private sector series of discussions with business representatives, hosted by the Government of Mexico in the run-up to COP-16 in Cancun, Mexico, and continued by the Government of South Africa the following year. The Mexican and South African governments placed a strong emphasis on improved involvement by business and other non-governmental actors. In 2012, BizMEF held a Business Dialogue with Governments during COP-18 in Doha, building on the Mexico dialogues. With encouragement from several governments in Doha, and in co-operation with the Polish business community and government, BizMEF continued the Business Dialogue process in Warsaw at COP-19, and in Lima at COP-20.
- The Subsidiary Body for Implementation (SBI) considered enhancing the engagement of observer organizations as part of its agenda item on “Arrangements for International Meetings.” Among decisions reached, the UNFCCC will include High Level Roundtables with non-governmental and business participants in future COPs. The Innovation For Cool Earth Forum (ICEF), hosted by the Japanese Government, provided an opportunity to collect business voices from various sectors. Through this approach, it contributed to raise awareness on the importance of technological innovation and how greater business engagement with business can help advance new technologies.

## **Business Interface with UNFCCC Institutions**

Thanks to the support of governments, the UNFCCC secretariat and the business community, BizMEF is encouraged to see first steps towards more meaningful engagement of business in new UNFCCC institutions. These separate and diverse interactions are useful to gather experience as these new bodies build their own structures and procedures.

### **Climate Technology Centre and Network:**

The U.N. Environment Programme (UNEP) and consortium hosts the CTCN. We encourage UNEP to develop user-friendly and self-designated links with national, regional and international business groups with expertise, and have offered to help them identify existing networks that business routinely uses to assist in technology deployment.

**The UNFCCC Green Climate Fund (GCF), GCF Executive Board:** The GCF Executive Board has held its first meeting, with the involvement of “Active Observers.” Business organizations attending that meeting, including BizMEF, encouraged the GCF to provide a clear mandate to those observers to be “active” with “recognized” input opportunities. Moreover, business has recommended that such observers should be designated by business to fill those slots with individuals with appropriate expertise, depending on the issues under consideration.

**GCF Private Sector Facility:** The GCF Private Sector Facility will need to define its objectives and structure, as a critical starting point for considering how to design business entry points and interfaces.

### **Examples of Recognized Business Interfaces in Intergovernmental Discussions**

As Parties consider the benefits and modalities for substantive business engagement, they should bear in mind several examples of ongoing, recognized successful and mutually beneficial business consultative relations with intergovernmental bodies. These include:

- **The International Labour Organization (ILO):** ILO features a tripartite structure shaping global labour and social policy, which includes governments, trade unions, and employers. Employers participate through the International Organization of Employers which represents more than 150 business and employer organization members and partner companies around the world, including many developing

countries and involving numerous small and medium enterprises.

- **Organization for Economic Cooperation and Development (OECD):** OECD established two recognized consultative bodies—for trade unions and business—organized on the basis of national offices/affiliates in OECD member states.
- **Asia Pacific Economic Cooperation (APEC):** This multi-disciplinary intergovernmental regional body includes a parallel business organization (the APEC Business Advisory Council, ABAC) that works closely with governments to provide technical and policy advice.
- **Global Superior Energy Performance Partnership (formerly Asia Pacific Partnership (APP):** APP was an international public-private sectoral partnership that brought together business and government entities to advance projects that improved energy efficiency and provided investment opportunities in more environmentally-friendly manufacturing. Two APP working groups have now been moved into the new Global Superior Energy Performance Partnership under the Clean Energy Ministerial.
- **Strategic Approach to International Chemicals Management:** Business organizations participate in this non-negotiating forum on international chemicals policy with governments and important stakeholder interests for collaborative action. These established arrangements provide working models that could be considered in designing similar arrangements for business vis-à-vis the UNFCCC.



The UNFCCC now has a significant opportunity to tap into the business community's unique operational expertise and understanding of various types of

policy mechanisms, and its technological, investment, and management expertise in designing and implementing the new international cooperative framework.

Advanced Manufacturing Coalition for Technology & Innovation

The Australia Industry Group

BusinessEurope

BusinessNZ

Confederation of British Industry

Dansk Industri

Federation of German Industries – BDI

Iniciativa para el Desarrollo Ambiental y Sostenible — IDEAS (Mexico)

International Organisation of Employers

Mouvement des Entreprises de France

Keidanren Japan Business Federation

TÜSİAD—Turkish Industry and Business Association

U.S. Chamber of Commerce Institute for 21st Century Energy

U.S. Council for International Business

## **ABOUT BizMEF**

BizMEF is a voluntary coalition of major multi-sectoral business organizations from major economies. Modeled after the government-to-government Major Economies Forum, BizMEF is a platform for these groups to:

- promote dialogue and exchange views on climate change and energy security across a broad spectrum of business interests including major developed, emerging, and developing economies;
- highlight areas of agreement among participating organizations on the most important issues for business in international climate change policy forums; and
- share these views with governments, international bodies, other business organizations, the press, and the public.

Organizations that have participated in BizMEF meetings represent business groups in Australia, Brazil, Canada, China, the European Union, Denmark, France, Germany, India, Italy, Japan, Mexico, New Zealand, South Africa, South Korea, Turkey, the United Kingdom, and the United States. Collectively, BizMEF organizations represent more than 25 million businesses of every size and sector. Because BizMEF partnering organizations represent a broad range of companies and industries—including energy producing and consuming companies as well as energy technology and service providers—the partnership is able to provide robust and balanced views on a range of issues. For more information on BizMEF, please visit our website at: [www.majoreconomiesbusinessforum.org](http://www.majoreconomiesbusinessforum.org).