

Major Economies Business Forum

on Energy Security and Climate Change



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Keidanren
Policy & Action



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Major Economies Business Forum: Perspectives on Intended Nationally Determined Contributions

Key Messages

- The Major Economies Business Forum hope that this new, innovative, and flexible process will enhance the likelihood of a greater range of emission reduction options coming forward from a broader set of nations, and, in the period before 2020, encourage discussion, comparison and assessment of national efforts-perhaps leading to improvement of final Nationally Determined Contributions (INDCs) that are ultimately incorporated into the agreement.
- Submission of INDCs by a large number of nations has added momentum for a positive outcome in Paris. However, many other nations, including several with significant emissions, have yet to come forward. Also, we have been disappointed that not all nations have consulted closely with their business communities (and other stakeholders) as they developed their INDCs.
- We believe that involvement of business will be essential in the coming years to provide insight regarding implementation of domestic INDCs, to assess comparability of proposed contributions, and to understand the potential aggregate effects of the entire portfolio of INDCs in an increasingly globalized economy.
- We encourage interactions between governments and business both domestically and internationally to enhance understanding and ensure effective implementation.

Introduction

Last year, BizMEF provided views on INDCs¹. We anticipated that this new, innovative, and flexible process would enhance the likelihood of a greater range of emission reduction options coming forward from a broader set of nations. In part this has happened, and it appears to have created positive momentum towards reaching a new, inclusive agreement in Paris. However, we had hoped that more submissions would be available sooner to provide an opportunity to reflect on and analyse contributions, especially those from all major emitting nations.

The content of an INDC relies on in-country processes. Yet, not all Parties to date have engaged in the extensive discussion and consideration that was the norm heretofore, and some (e.g., the United States) have failed to consult with business in the development of their INDC. On the other hand, many other governments, such as in Australia, the EU, Japan, and Turkey,² have worked closely with their private sectors in developing their INDCs. Consultation with the

¹ BizMEF. 2014. *Intended Nationally Determined Contributions: From Good Intentions to Implementation*. Available at: www.majoreconomiesbusinessforum.org/issuepapers.html.

² For example, the Japanese government organized special committees, including scholars, environment NGOs, consumers, labour unions, and the business groups, to discuss its INDC and energy mix. Also, the Committee for the INDC conducted the hearing from major business sectors on their emission reduction initiative, "The Commitment to The Low Carbon Society". Components of this initiative became significant building blocks of Japan's INDC. In the EU, stakeholders were invited to express their views through a public consultation process. The Australian government also sought out business and other views. Turkish industry, too, provided input to its government's Coordination Board of Climate Change.

business community is important because addressing climate change requires a long-term and stable commitment to regulation and innovation, leading to the development and deployment on a global scale of currently non-commercial technologies that may require innovative finance and new business models. Business will be the major actor in making this happen through research, development, commercialization, and widespread dissemination of new technologies, products, processes, and services. INDCs must work with and mobilize business (and other actors) to stimulate the development and widespread commercialization of technology systems to mitigate greenhouse gas (GHG) emissions and adapt to climate risks.

Business Role

The need to do this is now even more urgent. Business should be an integral part of domestic consultations, as well as a key stakeholder to provide input to the international negotiation process, if robust and well-thought through solutions are to emerge that set realistic goals, capable of attracting investment, and building competitive economies. Contributing to understanding and assessment of both domestic and international implications of INDCs provides a unique opportunity for business to inform the international deliberations.

Integrating a business perspective, along with the perspectives from civil society and academia, will help ensure that the full range of challenges and opportunities presented by all of the options will both benefit and preserve the competitiveness of the energy sector while allowing it to

lead the way towards a more sustainable energy future.

BizMEF also supports the objective that INDCs will allow Parties to put forward contributions that are commensurate with their respective level of domestic capability. In those cases where there is high capability, this could involve the extent to which they are able to assist capacity building, including the provision of financial and/or technical support. The opportunity provided by the INDC process for nations to differentiate their proposed actions and describe why these actions represent an appropriate level of effort give tangible meaning to the principle of common but differentiated responsibilities and respective capabilities in light of different national circumstances.

Going forward, such flexibility needs to be matched with a means by which all Parties and stakeholders can assess each INDC in an open and transparent manner. This would facilitate a common understanding of each Party's contribution and help Parties and stakeholders not only understand the implications of INDCs for domestic economies, but even more so to understand the aggregate implications over the entire portfolio of proposed actions by all nations, including as assessment of environmental integrity, absolute and comparable effort and the risk of carbon leakage.

Don't Forget the Fundamentals

BizMEF has addressed many aspects of how to meet the challenge of enhancing emission reduction potential in previous issue papers. These include, for example, the need for proper enabling frameworks, including a predictable regulatory environment, sound institutions, and good

governance arrangements if investments are to be made in an efficient and timely manner.

The use of INDCs will potentially allow for the greatest possible contribution of business. However, the conditions to create effective action do not substantially change simply because the method of bringing forward the action has changed. The basic features that are crucial to unlock enhanced mitigation by business still need to be suitable, especially in light of the transformation change required to manage long-term climate risks. In particular, to be sustainable to shareholders and to secure external financing, investments must generate an adequate return. This can be particularly challenging for costly, long-lived transformational investments that require a stable or predictable legislative and regulatory regime.

Conclusion

The INDC process represents a new, innovative initiative that, on the face of, it offers a flexible and accountable means to facilitate broad participation. We hope that INDCs will bring forward realistic emission reduction proposals that encourage global deployment of existing and innovative technologies to mitigate greenhouse gas emissions and adapt to climate change.

In this note, we again highlight the essential role of business in the establishment of INDCs and in the unique and essential contribution business can make to understand and assess both their domestic and global implications. Governments should make decisions in consultation with the business organizations and institutions that will help deliver on these contributions.

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

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.