

# Major Economies Business Forum

on Energy Security and Climate Change



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## MAJOR ECONOMIES BUSINESS FORUM INCLUSIVE MULTILATERALISM, BUSINESS ENGAGEMENT & INSTITUTIONAL INFRASTRUCTURE FOR ACTION

### KEY MESSAGES

- There is huge untapped potential to strengthen the necessary national and international governance and procedures with more private sector engagement for both near- and long-term action to address climate change.
- The UN Framework Convention on Climate Change (UNFCCC) and Paris Agreement cannot succeed without the meaningful participation of business at every step. Business and industry have valuable experiences and capabilities to share and ultimately will be largely responsible for delivering on a lower-carbon economy.
- The UNFCCC and Paris Agreement processes should be improved to reflect not only public sector actions and resource deployment, but also to seek out and tap the expertise, implementation, experience, and investment of the private sector in all of its diversity and through the entire life-cycle of assessment, policy consideration, implementation, assessment, and renewal.
- COP-24 should set into motion a process that will further and recognize representative business as: (1) an integral part of domestic consultations regarding national commitments; and (2) a key resource of expertise to the international negotiation process.

- At the national level, experience has shown that Nationally Determined Contributions (NDC), many of which do not include assessments of the costs and benefits to achieve targets, are likely to be more durable and predictable when business is a full partner in their development.
- The many facets of Paris Agreement implementation will require Parties to create effective and credible engagement and transparency systems that include a role for business.
- Building on the recognition and willingness to consider unique contributions of other constituencies in the UNFCCC process, the time is right to consider a consultative platform to draw from and reflect business considerations. The platform would provide an ongoing forum organized by business and engaging representatives from other state and non-state constituencies to address issues which deeply impact business (and others) such as those associated with “just transition” and opportunities and barriers to accelerate long-term transformational change.
- The business platform at the UNFCCC would enable better cooperation of government, local communities, labour, and society to identify and, at a minimum, begin to discuss ways to enhance cooperation to address challenges of deploying advanced technology systems and infrastructure at a pace and scale to make a difference globally, while also addressing related issues such as poverty alleviation, energy access and security, employment, and the needs of local and regional communities. With encouragement from the UNFCCC, business will willing take on this challenge.

## INTRODUCTION

Achieving the ambitious, aspirational long-term goals of the Paris Agreement will require a major increase in effort by all nations—and the business community in all its diversity—to reduce greenhouse gas emissions, develop and deploy technologies, deliver finance and investment, build resilience, and pursue adaptation. Indeed, it is becoming generally recognized that meeting even the objectives proposed under the initial tranche of NDCs covering the period through 2030 for greenhouse gas

reductions—and other matters such as finance—will be very challenging

Effective implementation of the Paris Agreement should provide opportunities for public-private cooperation in mitigation, adaptation, and the development, financing, and commercial use of lower-emitting technologies. Its bottom-up structure offers flexibility that allows Parties to develop, in consultation with business and other stakeholders, commitments that reflect their priorities and circumstances. This individualized approach is much

different than that taken by the Parties in the Kyoto Protocol.

The UNFCCC should strengthen its interactions with business and other non-state actors. To a degree, this is already happening. As the UNFCCC has grown and evolved, so too have the business interactions with it and its appendages, such as Technology Executive Committee, Climate Technology Centre and Network, Green Climate Fund, and the Adaptation Committee.

Stimulating ambitious efforts to make the Paris Agreement a success cannot be accomplished without the business community. Of all the stakeholders, at the end of the day it will be the business community that will do nearly all of the heavy lifting—mobilizing the resources, making the investments, developing the advanced technologies, building and operating the new infrastructure—that will make or break the commitments made by Parties.

## **NEED FOR BUSINESS INPUT**

Climate change is one of the most complex issues facing governments and business, with issues that cut across every economic sector. National and international programs have the potential to impact economies and society in significant and often unpredictable ways, affecting operations, supply and value chains, planning, trade, and investment and local and regional communities.

The advantages of greater interactions with the business community are many. Business has relevant, unique experiences and

insights that can help ensure that emerging challenges and opportunities can be shaped to benefit and preserve more competitive, clean, and efficient energy and industrial sectors that will underpin emissions mitigation, economic growth and poverty eradication. All of business is affected by decisions taken under the Paris Agreement and all have an interest in contributing their views and expertise on its implementation and development. With the Paris Agreement now in force, it is important for business to serve as: (1) an integral part of domestic consultations regarding national commitments; and (2) a key resource of expertise to international climate processes.

BizMEF members interact with their respective governments in their capitals and internationally. At the national level, engagement on NDC design and implementation has been uneven, as described in the recent survey and report of BizMEF partners and governments conducted by the U.S. Council for International Business. The summary of a related workshop co-organized by BizMEF and BIAC on 10 October 2018 at the Organization for Economic Cooperation and Development (OECD) is attached; it sets out key points from the discussions relating to business engagement in NDCs and in the UNFCCC five-year cycles.

In developing their NDCs, governments have taken approaches that range from extensive consultation with business to none at all. NDCs developed through an inclusive and open process, with significant business consultation with both the executive and legislative branches of government, appear to be more durable. In general, NDC implementation requires

legally binding domestic legislative and regulatory measures affecting business to achieve pledged outcomes. In addition, many governments already require business to report emissions and disclose other climate-change relevant data and information through regulatory channels.

Moreover, current NDCs are just the first of a series of evolving pledges. The Paris Agreement establishes a process to assess progress and for Parties to update their NDCs at five-year intervals. Updates are not just needed in terms of reconsidering and enhancing current ambitions, it is also necessary for Parties to more clearly elaborate how costs and benefits will be shared amongst society in order to achieve those ambitions. Currently, virtually no NDC elaborates in detail on how costs and benefits will be shared, which limits trust that ambitions will be reached.

In a constantly-evolving landscape, building trust will be necessary among Parties and stakeholders to assure that nations are implementing their pledges and considering new commitments that set realistic, effective, and ambitious goals, attract investment, and build thriving, competitive economies. To do this, Parties will need to create effective, efficient, and credible engagement and transparency systems—both domestically and internationally—including with business. In particular, the UNFCCC should consider ways to invite and incorporate the perspectives of business (and other stakeholders) into the stocktaking exercises, including the Talanoa Dialogue, that will take place in 2018 and the global stock-take in 2023. While we have been encouraged by the reception this idea has received by some Parties, there is still a long way to go to make this a reality.

The business community has endorsed inclusive multilateralism and championed greater input from all stakeholders—even those who may not agree with us—because we believe that a truly open process leads to better outcomes. Indeed, within the business community we benefit from sharing and explaining a range of responsible, representative views even when consensus is not possible on some issues. Considering the important role of business, BizMEF believes a productive approach would call on the extensive experience and knowledge in the business community and build on the progress made thus far within the UNFCCC and its institutions for greater engagement with business and other stakeholders.

BizMEF recommends that reforms should be implemented so that the international process can take better and more explicit advantage of the range of technical expertise and policy advice that business can provide through responsible, representative business associations. To that end, BizMEF has called for a more formal and recognized consultative role in the UNFCCC similar to the role that the Business and Industry Advisory Committee plays in the OECD.

The establishment of such a "multi-tasking" business channel could consolidate current channels of communication with existing and emerging UNFCCC institutions and function as a resource for work across the entire UNFCCC process and related international institutions. This would be especially important as implementation of the Paris Agreement begins in earnest on such items as transparency, implications of collective actions, markets, finance, and technology. This also provides access to

business-led processes to improve outreach to the enormous range of businesses that lack the means to participate directly in UNFCCC processes. This includes literally millions of small and medium sized enterprises that are affiliated with BizMEF members in developing and developed countries.

For the UNFCCC and Paris Agreement to have their desired impacts, climate-friendly strategies must be mainstreamed throughout the entire economy and leveraged to take advantage of existing, long-standing national and international institutions that promote investment, trade and development. This means economic actors, *i.e.* business, need to be fully integrated into the development of not only national NDCs, but also into discussions at international level to assess and scale up the whole NDC portfolio, and the development of international climate policy. This will require productive dialogue and cooperation between business and governments nationally, linked with establishing more effective ways to inform international deliberations. The discussions need to move to a focus on the means and policies, as well as how to mobilise the needed investments, to achieve agreed pledges and their impacts on other important priorities.

We encourage Parties and the UNFCCC to dialogue with representative business and employers groups on what institutional structures should be developed now so that the international community will be in a position to develop and undertake better informed long-term action towards climate change and the transformation towards lower-carbon societies and commercial systems. As BizMEF has reported there are

many existing models in other policy setting that can provide examples of good practice.

We urge UNFCCC Parties, therefore, to work with BizMEF partners and other business groups to establish a recognized platform where representative business associations can share their valuable experience and capabilities. We believe this will be essential for transition and for the societal, energy, and commercial transformations envisioned in the longer term. In the meantime, BizMEF and its partners will continue to build confidence, identify areas of shared understanding, generate innovative solutions, and provide valuable and practical input to the international negotiations.

#### **IMPLEMENTING THE PARIS AGREEMENT: OPPORTUNITIES AND BARRIERS TO ACCELERATE TRANSFORMATIONAL CHANGE: BUSINESS WORKSHOP ON OCTOBER 10, OECD PARIS**

#### **Co-sponsored by Business at the OECD and the Major Economies Business Forum**

BizMEF and Business at OECD (BIAC) convened a workshop at OECD October 10. This Workshop engaged over 50 invited participants from business, governments, UNFCCC, OECD, IEA, academia, NGOs and think tanks to consider: Business Engagement in Implementing NDCs and the Paris Agreement.

The workshop addressed how business currently works with national governments and the international Paris Agreement processes, and considered ways to develop more productive interactions at the

international level to promote progress as nations build the institutional infrastructure to report, review and renew pledges for action in five-year cycles.

The starting point of the Workshop discussions was this: true progress towards delivering anything like the deep cuts in global emissions described in the Intergovernmental Panel on Climate Change's special report *Global Warming of 1.5°* will require change at an unprecedented scale, scope, and pace. The first set of NDCs, most running through 2030, do not put global emissions on such a trajectory.

Achieving such unprecedented progress at adequate scale will depend on decisions taken by future governments around the world, but also on engagement and action by the private sector. Lowering the cost and increasing the range of options available to reduce emissions and strengthen resilience to climate risks will be essential in this regard. Again, the private sector plays a central role.

The workshop addressed the Talanoa Dialogue questions:

- Where are we? Experience in implementing NDCs & next steps:
- Where are we headed? Perspectives on the Paris Agreement: Now through 2030 and Beyond; and
- How to get there? Accelerating transformational change: opportunities and barriers.

The final session focused on BizMEF's proposed platform for enhanced business interactions with the UNFCCC and Paris Agreement with a focus on ways to

accelerate progress. (The Agenda and available presentations are posted under the Events tab on the BizMEF web site.)

Workshop participants highlighted the following:

- **Policy integration and ongoing dialogue between government officials and business is vital to resilient and sustainable NDC implementation.** Several NDCs embed climate policy in a nation's broader strategy for sustainable development with emphasis on employment, especially youth unemployment, empowering women, and increasing the role of renewables in its energy mix, all of which can create challenges and opportunities economic sectors undergoing transition. Many countries address their national energy and climate policy in tandem.
- **Timely and reliable information in the Paris Agreement "transparency processes" now under development is critical to build trust among nations and stakeholders that nations are meeting their pledges and preparing to do more.** Business and other stakeholders typically share "common objectives" which could support positive partnerships among Agencies, business, NGOs, and others; trust deficits continue to be a stumbling block to this collaboration.
- **Paris Agreement longer-term outcomes will depend primarily on domestic policy development in the major emitting nations.** The fundamental nature of the "pledge and review" process requires

leadership to build effective coalitions rather than top-down efforts to bring the whole world into a common approach. The focus should be on understanding the steps that have to be taken now to place nations in a position to deliver on longer term ambition in light of their different national circumstances.

- **Enhanced consultation and substantive engagement of business can help the international community tackle disconnects between current NDCs and the capacity to achieve long-term strategies for stringent future national policy.** The private sector requires clarity and substance from national policy-makers to plan, invest and implement long-term strategies. Delivering major emissions reductions, for example, will require establishing rapidly the necessary policy infrastructure. Other actions that require more attention include creating acceptable frameworks for all technologies as proposed in the IPCC 1.5° report, including nuclear, carbon capture and storage or utilisation, and bioenergy with carbon capture and storage, and for addressing aerosols and methane.
- **Pragmatic domestic climate policies based on political and economic reality will be more credible and durable.** Business and industry are key to informing the development of such policies.
- **Business is a leading source of the investments required to develop and deploy more efficient and advanced technology systems (technologies,**

**facilities, infrastructure, supply and value chains and human capacity) that will drive transformational change.** However, the criteria to marshal private sector investment require confidence that investments will deliver an adequate, risk-adjusted rate of return, and that necessary permits, infrastructure, supply and value chains and human resources would be available in a timely fashion.

- **Policy-makers should work with social partners to find ways to achieve a just transition for employers, workers, and their communities who face business disruption, job losses, and displacement.** These impacts and efforts to ameliorate them add considerably to the costs and efforts required to induce transformational change through government policy. Policy makers should tap on business expertise on transition issues, such as skills that will be needed to meet market demands in transitioning economies.
- **The next step in the evolving role for business in UNFCCC as “observers” and on advisory boards would be to establish a dedicated platform for the private sector.** Parties have established recognized platforms for some constituencies, e.g., women, indigenous peoples and organized labour, under the Paris Agreement. Such a platform for business could help nations identify and overcome barriers to progress that currently limit successful implementation of ambitious climate policies. Business needs to continue to demonstrate the

value of business involvement, which could address the scepticism and

doubt about establishing a “recognized” platform for business.

Business Council of Canada  
BusinessEurope  
BusinessNZ  
Global Energy Institute  
International Employers Organization  
Keidanren  
Mouvement des Entreprises de France (MEDEF)  
Swiss Federation of Small & Medium Enterprises  
U.S. Council for International Business  
World Steel Association

## **ABOUT BizMEF**

The Major Economies Business Forum on Energy Security and Climate Change (BizMEF) is a partnership of major multi-sectoral business organizations from major economies and international sectoral associations. Modelled 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, Morocco, New Zealand, South Africa, South Korea, Turkey, the United Kingdom, and the United States, as well as five international sectoral associations. 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).