

Major Economies Business Forum

on Energy Security and Climate Change

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Major Economies Business Forum: Technology Mechanism

KEY MESSAGES

- The Technology Mechanism—comprised of a Technology Executive Committee (TEC) and a Climate Technology Centre and Network (CTCN)—adopted by the Parties to the UN Framework Convention on Climate Change (UNFCCC) at Cancun, has the potential, if properly designed, to accelerate the development and diffusion of technologies for mitigation and adaptation. BizMEF members are prepared to share views and participate in its formation and operation.
- Greater use of existing and advanced technologies is key to combating climate change while achieving economic growth. The use of energy efficient and low-carbon technologies on a global scale can enable significant reductions in greenhouse gas (GHG) emissions. Even greater reductions can be achieved by the development and widespread use of innovative, commercially viable new technologies.
- It is crucial that all developed countries work to make ongoing improvements and to achieve the widest possible diffusion of appropriate efficient technologies. At the same time, it is necessary to create an environment that facilitates the diffusion of such technologies to developing countries. Public and private sectors in both developed and developing countries should work together to realize this reduction potential.

- There is a limit to what any single country, sector, or firm can accomplish on its own because of the long lead time and huge investments required to take new breakthrough technologies from basic research to commercial development and global deployment. An effective Technology Mechanism can help scale up these individual efforts.
- BizMEF recommends that joint research involves international collaboration among both developed countries and emerging economies. It is desirable to develop shared objectives and priorities for the fundamental and pre-commercial research that will underpin advanced technologies required to significantly reduce global emissions. Such efforts can promote co-operative research and development (R&D) involving the joint efforts of government, business, and academia.
- The structure and activities of the TEC/CTCN should be co-ordinated with the aim of complementing the Green Climate Fund (GCF) and other emerging approaches, including the registry of Nationally Appropriate Mitigation Actions (NAMAs). TEC could play an important role in assessing the effectiveness of existing programs and new approaches.

SIGNIFICANCE OF TECHNOLOGIES

The diffusion and commercial use of clean technologies on a global scale is key to combating climate change while achieving economic growth. Significantly reducing global emissions will require the use of existing efficient and low-GHG technologies over the short-term and the development of innovative new, commercially-viable technologies over the long term.

Since development of innovative technologies involves long lead times and large budgets for basic research through to development, commercialization, and diffusion, there is a limit to what can be achieved by any country, sector, or firm. It is desirable to develop shared objectives and priorities for the fundamental and pre-commercial research to underpin advanced technologies required to reduce significantly global emissions. Such efforts can promote R&D co-operation involving the joint efforts of government, business, and academia.

Facilitating business activity: There are a wide range of methods to commercialize and deploy technology globally. These include export of products, local manufacturing of products through direct investment, and the licensing of intellectual property (IP) rights. Significant technology deployment already occurs in commercial transactions every day via these routes. It is important to encourage and remove impediments to such business-based technology transfers and to ensure technology transfer continues over the long-term.

Removing barriers: The methodological and technological factors currently impeding the

smooth diffusion of environmentally sound technologies include the following:

- inadequate protection of IP rights in prospective host country markets;
- lack of adequate governance procedures, including rule of law and honoring of contracts;
- lack of knowledge or capable workers in recipient countries;
- tariff and non-tariff barriers to importing equipment and materials necessary for technical co-operation; and
- complex administrative procedures for concluding technology agreements.

Protecting IP: Some Parties to the UNFCCC have proposed compulsory licensing, purchasing IP rights, and even prohibiting patent protection as ways to promote technology deployment. Such measures would be self-defeating because they threaten the incentive businesses have to take risks and invest in creating and bringing new technologies to market.

BizMEF believes we can best tap the R&D potential of the private sector in a free market environment that promotes competition and respects IP rights so that those who make investments in technology can achieve an adequate return. Compulsory measures are in the end very poor ways—indeed, are impediments—to promote technology development and transfer, especially of state-of-the-art products and those still under development.

If technologies for reducing GHG emissions are expected to be used in practice, the economies into which the technologies are

being introduced needs to possess the infrastructure and know-how to manage the technologies as well as the IP for the technologies. Even if a host country acquires the IP through compulsory licensing or purchasing, it may not be able to put the technology to good use if it does not have the know-how and infrastructure to operate and maintain it effectively. Only through co-operative and amicable commercial interactions can the full potential of the technology be realized.

Another consideration is that, because any given commercial enterprise requires a variety of technologies to function, it requires an aggregation of IP rights and various types of know-how for which there is no standard approach enabling an appropriate market valuation of the full solution. Therefore, in assembling the necessary components, it becomes difficult to define what is to be compulsorily licensed or purchased and what value should be assigned. It is the entire package that underpins a commercially viable business.

For these reasons reason BizMEF is strongly opposed to compulsory licensing or purchase of intellectual property rights.

Promoting capacity building: Capacity building in developing countries is a key aspect of ensuring the efficacy of the kinds of technical and financial co-operation. This requires enhancing policies and systems aimed at mitigating climate change, developing skills and human resources, and providing the appropriate social and economic infrastructure. In particular, it requires sound governance, property rights, and rule of law so contracts can be made and executed. If the supporting framework

is available, that will decrease business risks, which will make business far more able and willing to contribute significantly to developing country growth.

Liberalising trade in environmentally sound goods and services: Negotiations are currently under way in the World Trade Organization (WTO) to eliminate or reduce tariff and non-tariff barriers to trade in environmentally responsible goods and services, and a number of proposals have been put forward to do this. We hope that these negotiations can be accelerated and an agreement reached that encourages international commerce in all efficient and clean energy products and services. We support continued work in the WTO to eliminate tariff and nontariff barriers to trade, but absent such an agreement we would encourage the governments of the major economies to undertake voluntary action to eliminate tariffs on all goods and services that contribute to mitigating or adapting to climate risks. Governments should take care that these efforts reduce or eliminate trade distortions in environmentally responsible goods and services, not create new ones.

BASIC PRINCIPLES OF THE TECHNOLOGY MECHANISM

The new Technology Mechanism agreed to in Cancún can make an important contribution to promote the development and transfer of technologies to mitigate and adapt to climate risks on a commercial basis. There remains a lot of work to do before the Technology Mechanism becomes operational in 2012. As discussions on start-up of the Mechanism

progress, we believe the following issues should be emphasized.

- **Area of work:** Within the core mission of the Technology Mechanism, which is the development and transfer of technology for adaptation and mitigation actions in developing countries, the TEC (Technology Executive Committee) and CTCN (Climate Technology Centre and Network) should focus on covering technical, legal, and financial aspects as well as related aspects of social development.
- **Technology neutrality:** Under the Mechanism, no technologies should be ruled out as long as they contribute to combat climate change. All technologies face challenges that may be overcome in the future through innovation.
- **Practicality:** The Mechanism should be practical and not bureaucratic so cost-effective, efficient and low-GHG projects can move quickly from commercialization to more widespread deployment and operation. Mechanism procedures and staff should be responsive and flexible enough to engage the business community.
- **Business involvement:** Business is the key provider and owner of technology and needs to be involved in the process of identifying opportunities and needs and assisting projects. As well, businesses already maintain, participate in, and support public

and private networks that exist today that could be used in the TCTN. BizMEF believes official communication channels should be developed through which the TCTN and TEC can request expert advice from business. It should also ensure that business organizations are included in meetings of the TEC and appropriate actions of the TCTN so that business organizations are able to contribute to matters under consideration. (In this regard, see the BizMEF issue paper on [Enhancing the Role of Business in Climate Change and Energy Security Policymaking.](#))

EXPECTATIONS FOR THE TECHNOLOGY MECHANISM

Technology deployment typically requires tailor-made approaches suitable to national circumstances and priorities, so it is important to create a flexible environment encouraging technology transfer on a commercial basis. The Mechanism should enable efficient implementation of technology and call on qualified experts to respond to the needs of developing countries.

Sectoral or regional considerations can be effective in identifying available technologies and experts and in creating efficient networks to support developing countries. In this connection, the Asia-Pacific Partnership on Clean Development and Climate (APP)—which has been combined with other initiatives to form the [Global Superior Energy Performance Partnership](#) (GSEP)—provides a successful example of the type of framework in which the public and private sectors of developed

and developing countries participate in practical activities to promote technical assistance, including the dissemination of best practices.

In the post-2012 Technology Mechanism, it is important to make the most of the experience of public-private co-operation as in the APP/GSEP and a host of other existing networks. Input and information from private experts and existing networks, can contribute to share information on best practices, the diffusion of technology, carry out analyses on the potential for emissions reduction resulting from the adoption of technologies or practices and improvements in their application, and study assistance measures. In addition, it is important that there be due recognition of the private sector's role in international technical assistance, including through experienced personnel.

It will be essential to find ways to effectively couple activities of the TEC/CTCN, the GCF as well as other emerging approaches including the registry of NAMAs. In particular, the TEC could play an important role in assessing the effectiveness of these new approaches and existing programs.

The main tasks to be assumed by CTCN

ought to include the following six items.

1. Using the Centre to respond to requests of developing countries for advice and assistance on technology needs assessments, low-GHG development strategies, and NAMAs.
2. Supporting developing countries in identifying technology options and conducting capacity building and training programs as necessary.
3. Identifying existing government and private sector networks that can provide technical expertise.
4. Facilitating communications among networks of national, regional, sectoral and international technology centres, networks, organization, and initiatives.
5. Accumulating and providing information on energy efficient and low-GHG technologies and adaptation technologies for use by sectors, including their owners and experts.
6. Assessing the effectiveness of CTCN member and network organizations as they develop projects related to technology assessment and deployment.

Australian Chamber of Commerce and Industry
BUSINESSEUROPE

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Confederation of British Industry

Confederation of Indian Industry

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Federation of German Industries – BDI

Iniciativa para el Desarrollo Ambiental y Sostenible S.C. – IDEAS (Mexico)

Mouvement des Entreprises de France
National Confederation of Industry (Brazil)
Nippon Keidanren (Japan Business Federation)
Turkish Industry and Business Association (TUSIAD)
U.S. Chamber of Commerce, Institute for 21st Century Energy
U.S. Council for International Business

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. 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 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.