

**Submitted on Behalf of the Major Economies Business Forum on Energy  
Security and Climate Change**

**Views for the GCF Executive Board Meeting  
March 13 – 15, 2013: Berlin**

The Major Economies Business Forum on Energy Security and Climate Change (BizMEF) is a voluntary coalition of twenty national and regional major, multi-sectoral business associations from over 15 developed and developing countries most with observer status in the UNFCCC (see [www.majoreconomiesbusinessforum.org](http://www.majoreconomiesbusinessforum.org)). Collectively, we have agreed to work to promote the creation of a comprehensive, recognized channel for business engagement with the UNFCCC and its emerging institutions. In the meanwhile, we will develop and provide business input to each institution as they develop their own procedures.

Our members seek to provide input and advice to the GCF Board and to the on-going activities of the GCF across its full range of activities, including but not limited to the Private Sector Facility branch. We believe that it will be important to provide input and interactions not just at meetings of the Board per se, but also in the ongoing activities of GCF between meetings.

Both financial and operating companies have valuable input to offer. The broad slate of GCF activities impact and engage the private sector directly and through economy-wide interactions involving supply and value chains where business has relevant input to contribute.

Business interactions with and entry points to the GCF should provide opportunities on four mutually reinforcing levels:

- Gaining a better understanding of the enabling conditions needed to mobilize and leverage private sector resources.
- Understanding the practical aspects of projects and other activities, such as the need for timely infrastructure, and promoting them.
- Contributing to capacity building via the GCF. We expect that small and medium-sized enterprises and other companies—particularly from developing countries—using the GCF would benefit not only from funding, but also from exposure to management system practices and

worker training, e.g. to steward and measure emissions, energy use and improve efficiency through a variety of approaches.

- Creating avenues that engage the business community broadly in the ongoing work of the GCF throughout the year, e.g. in organizing and conducting workshops, developing and reviewing issue papers, and supplying supporting information relevant to mitigation and adaptation.

Actions required to mitigate and adapt to climate change are extremely diverse. They span the realm from production, distribution and use of electric power in a vast variety of ways; to production and utilization of fuels and vehicles in the transport sector; to the use of energy, not only by industrial firms and businesses, but also by consumers, cities, governments, and other organizations; and to agriculture and land use, among others. Businesses in these groups have their own way to finance activities, and each of these methods is important in its own right.

Carbon markets and low-carbon pathways are important tools to help promote transformation, but they are not the only tools. Many large-scale, low cost, near term opportunities exist to reduce emissions across the full range of energy options, including by improving the performance of the world's vast endowment of fossil fuel based facilities, services, and infrastructure. Opportunities also exist involving other greenhouse gases and land use change. And the reality is that many countries are pursuing policy pathways that are less dependent on carbon markets.

Major investment projects in private facilities and equipment and public infrastructure and capacity building involve a variety of key actors. It is our view that input from the business community to the GCF should not be limited to input only from the financial sector per se, as vital as that sector's role, experience and input is. Input should also be sought from firms involved in operational activities. Operating companies must successfully maintain and operate investments for decades, not just through the project development and investment cycle.

While many projects and activities obtain funds through the private financial sector or through bonds, development banks, or other processes in the public sector, many companies self-finance projects to a large degree. The concerns of operating companies as to which types of activities are eligible and what enabling frameworks are necessary for successful long-term investments and other projects are particularly relevant to considerations of the GCF.

Clearly, there are synergies to be sought across the financial and operating companies, and the entry points for business should offer opportunities for each, as well as for both working together. In addition, public-private partnerships often play an essential role in project development and approval.

All businesses recognize that both climate change policies and climate change can have an inevitable impact on investment decisions, and that investments will be indispensable to achieving policy goals. Ultimately, correct incentives and enabling frameworks need to be in place for more climate-friendly investment to emerge. GCF is well placed to contribute to this with the right structure to interact with businesses across the board.

In our experience, the processes used to award public funds, such as those emanating from the GCF, are as important as the types of support offered. They should:

- Have transparent, predictable rules that allow timely and efficient access by the private sector;
- Be technology neutral, based on objective criteria, e.g. GHG emissions per unit of activity without favoring one producer's technology;
- Prioritize and provide mitigation funding to those projects that are most economically efficient in reducing GHG emissions;
- Adopt equality of competitive opportunity and other norms set forth in the Arrangement on Officially Supported Export Credit of the OECD;<sup>1</sup> (and WTO government procurement agreements);
- Have sufficient levels of funding to close the gap in available private financing; and
- Embody a predictable, results-oriented approach that minimizes transaction costs, avoids constraints on utilization (such as price controls, ownership or state control percentages, etc.) and rewards performance;
- Build confidence among donor and recipient countries through disciplined financial controls, including audits to learn from problems, establish best practices and prevent corrupt behavior; and
- Employ effective oversight and stewarding to verify performance, assure accountability for results, and embody a process of continuous improvement.

To achieve maximum effectiveness, GCF funding should reflect the following:

- The process for application should be as simple and speedy as possible. Applicants should have a clear picture of criteria for eligibility and awards, information required for consideration, and timelines for decisions. In the past, the complex decision making processes of some funds has made them too slow and political for the market place.
- To make project funding timely, the funding organization should have the ability to allocate funds based on criteria set at the policy level.
- Project parties should have direct access to the funder's application process and funds.
- National government involvement should be focused on setting priorities, for example in their NAMA and NAPA, and following their internal permitting or other processes to approve specific projects and to assure timely availability of essential public infrastructure. Determination of the project's eligibility for funding should rest with the funder.
- Monitoring, reporting, and verification procedures should be transparent and efficient.

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<sup>1</sup> OECD Arrangement on Officially Supported Export Credit (Feb. 16, 2009), available at: [http://www.oilis.oecd.org/olis/2009doc.nsf/LinkTo/NT00000BE6/\\$FILE/JT03259737.PDF](http://www.oilis.oecd.org/olis/2009doc.nsf/LinkTo/NT00000BE6/$FILE/JT03259737.PDF)

- Funding should be based on the overall fit of the project with eligibility criteria and prospects for success, and not be contingent on specific requirements for intellectual property licensing or technology transfer.
- National content restrictions are inappropriate.

Businesses seek to provide support and feedback to the GCF on what policies and approaches are effective to catalyze adaptation and mitigation investments. The private sector can help provide advice on how to develop local markets (including carbon markets) and align regulatory systems to attract investment. There should also be opportunities for the private sector to link with governments and research communities to assess technology needs and options and assist in the planning and delivery of cleaner infrastructure and other aspects of economic activity facilitated through the GCF.