



International Chamber of Commerce

The world business organization

**AWG Workshop,
Possible Approaches Targeting Sectoral Emissions
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ICC Perspectives on Sectoral Approaches

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The International Chamber of Commerce

- Represents 7,500+ member companies in 130+ countries, including
 - Small, medium and multi-national enterprises
 - All sectors
- Engages in wide range of policy areas: seek to contribute members' experience, expertise and views
- Participates in many multilateral forums:
 - “Category 1” NGO to ECOSOC
 - Engaged in numerous UN and international activities, e.g. CBD, CSD, UNEP, WTO, G8
 - Serve as business focal point in UNFCCC

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Possible Rationale for Sectoral Approach

- **Attempt to avoid competitiveness issues inherent in differentiated national targets**
- **Means to address technological issues directly, leading to sharing of best practice, raising performance standards, enhancing environmental performance, technology transfer, enabling frameworks etc.**
- **Possible way to promote:**
 - **Broader participation**
 - **A more efficient CDM**

Existing Sectoral Agreements

- Numerous existing examples:
 - Voluntary initiatives, commitments by sectors
 - Voluntary *international* agreements: Cement, Steel, Aluminium
 - Public-private partnerships, e.g. APP
 - Sector-based national / regional regulatory frameworks
 - Measurable, reportable results
- Pursue a variety of goals, objectives
 - Emissions Emission intensity
 - Research Education
 - Reporting Technological co-operation
- Typical elements
 - definition of the sector
 - parties to the agreement
 - nature of the agreement, e.g. on emissions, GHG intensity, standards, ... and the timeframe to achieve the outcome
 - procedures for accountability, e.g. how to measure, to whom, and with what consequences

Sectoral Approaches in UN FCCC/KP

- Agreements under UN FCCC/KP commitments are taken by governments—business and industry are affected through national implementation
- Bali context: achieving deep, long-term emissions cuts (through 2050)
- No common understanding now of how such an international sectoral approach would be formulated or implemented
- While business and industry typically organize through associations to consult—and in some cases reach agreement—with national governments, few, if any, sectors have capacity to negotiate or legally commit at international level on their members' behalf
 - Lack comprehensive membership
 - Lack governance procedures to bind members
- National and International business associations are in a position to share views, and welcome the opportunity to participate in discussions of sectoral approaches

Important Considerations

- **Definition, boundaries of sectors**
- **National circumstances**
 - **Availability of Indigenous resources (coal, hydro)**
 - **Starting point and legacies: technological base, infrastructure, stage of development, existing regulations, markets**
- **Role of sectors in overall national and global economy**
 - **Supply chain from inputs / service providers / customers**
 - **Resource, economic and social linkages**
 - **Market circumstances**
- **How to address emerging sectors potentially based on large scale, currently non-commercial technologies: hydrogen, carbon capture and storage—with no existing business model**
- **Ability/capacity/opportunity for formal interaction in policy development between regulators/negotiators and sectoral representation/ trade associations**

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Important Considerations

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- Nations, not companies, are bound by international agreements
- Company's legal obligations depend on national implementation
- Tools/approaches to implement agreement on Sectoral Approach
 - Sectoral caps/objectives on emissions, emissions intensity
 - Technical Standards, labels, reporting
 - Policies
- Economic importance, impact on national welfare, and role of sectors in national economies differs from country to country
- Sectoral approaches can deliver benefits, but are unlikely to minimize or equalize economic and social impacts economy-wide

Initial Recommendations

The ICC believes that sectoral policy approaches should:

- **Encourage voluntary, sector-based approaches**
- **Allow markets to develop and select technologies**
- **Evaluate and give priority to options based on cost-effectiveness**
- **Maintain a comparable effort among sectors and countries**
- **Minimize economic damage to existing, still economic capital stock**
 - **Focus on new investment**
 - **Encourage efficiency improvements in existing capital stock**
 - **Incentivize early retirement of inefficient equipment**

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Initial Policy Recommendations

The ICC believes that sectoral policy approaches should:

- Utilize realistic expectations of foreseeable technical progress
- Maintain flexibility for companies and sectors within the context of regional and national circumstances
- Consider economy-wide links between sectors
- Assess economy-wide & trade implications, taking account of supply & value chain linkages
 - Sectors often draw on the same pool of limited resources
 - Changes in a sector may inhibit/enable change in other sectors
 - Need to consider implications for imports & exports, trade & investment

ICC will bring a range of business views and experiences with sectoral approaches into these ongoing negotiations

Thank You

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