

October 1<sup>st</sup> 2009

## **Elements supporting AmCham EU's position on the international negotiations on climate change**

### **A comprehensive international agreement**

Copenhagen must produce a comprehensive agreement for the long-term under the principle of common but differentiated responsibilities. Copenhagen cannot be Kyoto II. Targets should be based on scientific evidence and in line with the 2° warming threshold agreed by the Major Economies Forum.<sup>1</sup>—The international agreement should be supported by a strong institutional framework that is universally recognised. Penalties for non-compliance by signatory countries must be clearly defined and then becoming enforceable and meaningful. The framework should be underpinned by a strong emissions reductions monitoring, reporting, and verifying regime (MRV) that is enforced at the global level and implemented nationally.

### **Competitiveness/Carbon Leakage**

Any international agreement must provide a level playing field in respect of global business competitiveness. This must be achieved on installation level for sectors determined to be exposed to significant risks of carbon leakage. It must ensure a significant participation of countries representing a critical mass of worldwide production.

AmCham EU, in its communication with EU policy-makers, has consistently made clear its concerns about carbon leakage. Even if an international agreement is reached, it does not infer that the risk of carbon leakage due to the indirect effect of the EU Emissions Trading Scheme (ETS) on power prices will end. Fundamental differences in market structure among the different regions will result in different CO<sub>2</sub> costs in the different markets.

We also believe that trade policy can make a positive contribution to the mitigation of climate change. This does not mean the introduction of measures that might in any way be perceived to be protectionist. AmCham EU is, for example, firmly opposed to border tax adjustment measures as a means of levelling the business playing-field. Instead, we urge policy-makers to use policies and support an agreement that can help to open up markets in low-carbon goods, technologies and services, which will be one of the most effective ways the international community can address climate change risks over the longer-term.

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<sup>1</sup> [http://ec.europa.eu/environment/climat/pdf/brochure\\_2c.pdf](http://ec.europa.eu/environment/climat/pdf/brochure_2c.pdf)  
[http://www.g8italia2009.it/static/G8\\_Allegato/Chair\\_Summary,1.pdf](http://www.g8italia2009.it/static/G8_Allegato/Chair_Summary,1.pdf)

## Carbon Market

AmCham EU believes in cap and trade as a policy instrument for addressing man-made greenhouse gas emissions. We support the establishment of a global carbon market and a uniform cost of carbon across the economy. The European Emissions Trading Scheme has been an important first step in this direction and we therefore welcome the EU's ambitious proposals for an OECD carbon market by 2015, and the incorporation of the more economically advanced developing countries by 2020. An agreement at Copenhagen should set the framework for countries and regions to establish their own cap and trade schemes, which should be encouraged to harmonise and link over time so that a global carbon market can evolve.

AmCham EU believes that the Clean Development Mechanism (CDM) will continue to play a valuable role in the evolution of an effective carbon market, constraining costs as a transitional tool towards a global carbon market. This transition may last many years. In the mean time policy-makers should seek to reform the CDM to ensure genuine emissions reductions, and to scale it up to drive reductions and greater awareness of climate change in the developing world. Although the CDM clearly has its faults, we should not be blind to its major achievement in mobilising private finance behind investment in low-carbon projects and technologies. The private sector needs reassurance at Copenhagen of the shape of long-term regulatory mechanisms for its investment planning.

At the same time, AmCham EU welcomes the ideas that have been generated in the international negotiations for new mechanisms – the so-called “sectoral approach”. We believe that the proposal to adopt Nationally Appropriate Mitigation Actions (NAMAs) will be particularly important in respect of advanced developing countries. These countries should outline in a timetable how they plan to cut emissions in high-emitting sectors.

We acknowledge the European Commission's discussions on sectoral crediting and trading to support the evolution of the global carbon market and international competitiveness. But, as a business organisation, we will need more clarity from an international agreement about how any such new mechanisms will be designed and implemented. A strong underpinning Measuring Reporting Verification (MRV) regime will be essential and handling during the transition period, alongside the existing mechanisms such as CDM, will be critical.

## Technology Transfer

Technological innovation, the robust use of cleaner energy services, more energy-efficient production processes, and the broad deployment of a range of innovative clean technologies are key to achieving global climate change goals. Clean technology, moreover is key to European economic recovery, growth and jobs.

IP weakening measures (such as compulsory licensing of green technologies), as well as proposals for concessionary technology pricing, and centralized non-market purchasing are being put forward by certain emerging economy governments as a “solution” to the issues presented by climate change. AmCham EU strongly opposes such a course of action. Such tactics belie the global competitiveness of these countries in the clean technology space, jeopardize climate change objectives, European jobs and European competitiveness.

IP rights and open markets are fundamental pillars for stimulating innovation and attracting the investment necessary to overcome the demanding challenges ahead. Companies and private investors play a vital role IP weakening and other mechanisms that undermine open and efficient markets would be counter-productive, and put at risk the efforts currently being undertaken by the international community. As key drivers for innovation and deployment, IP rights and open market mechanisms should be protected and enforced to ensure that research & development take place at the speed and scale required, and that private companies, innovators and inventors have the assurances they need to engage in broad dissemination and deployment of climate-change related technologies and the products and services they support.

AmCham EU strongly supports and encourages the European Commission’s work on the enforcement of IP in third countries and attempts to break down trade barriers abroad. We encourage such efforts to include climate change-related technologies towards a strong pro-IP and pro-trade position in Copenhagen. This will be a positive step forward not just for climate change, but for European competitiveness, sustainable growth, and jobs.

### **Energy Efficiency**

Energy efficiency is the quickest, cheapest and easiest way to address climate change and to turn challenges in this area into real opportunities. Improved application of energy efficiency could cut around 20% of the EU’s greenhouse gas emissions. In addition, energy efficiency in buildings is a crucial part of this effort, as it has the potential of combining the objectives of cost saving, achieving further energy security by reducing demand and meeting the Lisbon Agenda objectives of creating more local employment.

### **Transport**

The transport sector should also make a fair contribution to climate change mitigation. AmCham EU notes the Commission’s proposals for the UNFCCC to agree global targets for the aviation and maritime sectors. Our view is that attempts to tackle aviation and maritime emissions are best done through global, sectoral solutions, and specifically through ICAO and the IMO respectively. For road transport, the most effective way of addressing emissions is through an Integrated Approach, in which all stakeholders make a contribution and the most cost effectiveness measures are employed, without compromising road safety.



## Fluorinated Gases

We recommend pursuing inclusion of fluorinated gases in a climate change agreement but via a sectoral agreement that focuses on containment (emission reduction) and encourages the development of low global warming potential fluids. This was the objective of both the EU Fluorinated-gas regulation (2006/842/EC) and the so-called MAC directive (2006/40/EC). Furthermore, we would favour the exclusion of HFC-23 from the CDM mechanism for new installations, as the cost of abatement can be met more effectively by direct funding.

## Research and Development

While fossil fuels will continue to be a primary source of energy for some decades; we will need all energy sources to meet growing global energy demand while reducing greenhouse gas emissions. It is important, therefore, to explore low-carbon alternatives, and we welcome the European Commission's proposals to finance global research, development and demonstration in technologies such as carbon sequestration and sustainable biofuels. We hope that an international agreement can encourage and support R & D.

## Transatlantic Relationship

If the international community is ultimately to be successful in meeting the global climate change challenge, partnership and co-operation between the US and EU will be crucial. With President Obama's commitment to tackle climate change domestically and internationally, and progress being made on U.S. legislation, the EU and US are natural allies on this issue. We believe that it will be extremely important that US and EU policies in the run-up to Copenhagen be aligned as possible, and we encourage intensive dialogue and co-operation between negotiators and policy-makers. A common understanding on the key issues will therefore be key and AmCham EU is committed to play any useful role it can. This could include sharing information, initiating dialogue, or sharing experiences. In this context, we look forward to further close contact with both sides during the autumn.

## Conclusion

In conclusion, AmCham EU recognises the overwhelming significance of Copenhagen and the need for a comprehensive and far-reaching agreement on climate change into the next decade and beyond. Business and public sector cooperation will be an important to any solution to the challenges posed by climate change. We therefore believe that engagement by policy-makers with the business sector will be extremely important, and we hope that the unique insight that AmCham EU offers – an intimate knowledge of both US and European business perspectives - will serve towards our common goal.

**About AmCham EU**

*AmCham EU speaks for American business committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Total US investment in Europe amounts to \$700 billion, and currently supports over 4 million jobs.*

