

Intervention to the Ad Hoc Working Group on Future Commitments

12th Conference of the Parties to the UNFCCC
2nd Meeting of the Parties to the Kyoto Protocol
Nairobi, Kenya
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Business Councils for Sustainable Energy, from Australia, Europe, United Kingdom and the United States

London Climate Change Services

Mr. Chairman, distinguished delegates, thank you for the opportunity to present our views to the Ad Hoc Working Group on Future Commitments.

My name is James Wolf, I am speaking on behalf of US, UK, European and Australian Business Councils for Sustainable Energy, and London Climate Change Services.

The global alliance of business councils represents companies worldwide, with a strong commercial interest in the expansion of sustainable energy markets. London Climate Change Services represents the fast-growing sector driven by global carbon and climate related markets.

Together, our industries are reducing their own emissions, deploying and developing sustainable technologies and are active in moving substantial capital into this area.

Our organizations support a legally binding multilateral regime to address climate change in order to provide price signals to the marketplace that accelerate climate-responsible investments.

The Stern report has raised once again the economic advantages of early action to reduce emissions and the many co-benefits. As the Ad Hoc Working Group (AWG) meets for its second session in Nairobi, Kenya, we offer the following views:

- Adopt a framework for the post-2012 climate change regime no later than 2008-2009. A clear timetable for decisions is essential to provide continuity and to build confidence in multilateral efforts to reduce greenhouse gas emissions. This is especially important for investors – because pay back periods under the current commitment period will soon be too short to sustain investments. Setting such a timetable for the AWG work program should be a priority in Nairobi.
- Establish legally-binding, longer-term commitments to reduce emissions, led by industrialized countries, consistent with the investment cycle. Our companies need to understand how policy will evolve over the next 10 to 15 years, and what further scale of action governments are anticipating to address climate change. This will accelerate investment in climate-responsible technologies, as well as enabling companies and investors to plan.

- Ensure continuity and improvements in the existing market-based approaches to reduce emissions. This is particularly important for the Clean Development Mechanism, where the lack of post-2012 certainty is likely to constrain some types of project investment. Specifically:
 - Adopt stable and standardized project baselines
 - Provide certainty that financial additionality tests will not be imposed on proposed projects
 - Agree to extend the registration deadline for “prompt start” projects

We are pleased that during its in-session workshop, the Ad Hoc Working Group exchanged information on the methods to determine further emissions reduction commitments and emissions trends as well as explore the mitigation potential of policy and technology.

In that context, there is a growing base of experience with the development and execution of market-based mechanisms at the local, national and international levels. This includes state and regional cap-and-trade policies in the United States, implementation of the European Emissions Trading Scheme and the Australian Mandatory Renewable Energy Target.

The cap-and-trade model, such as the Kyoto Protocol’s emission trading program, provides a highly cost-effective means of reducing emissions and driving technology innovation. A cap-and-trade program sets a clear reduction target, creates a price for emitting greenhouse gases and then allows flexibility in meeting the reduction target.

With the addition of the Clean Development Mechanism, capital flows and technology transfer are encouraged in countries that are not required to reduce their emissions under the treaty – improving the efficiency of their economic activity and infrastructure.

Further, as we have seen in recent announcements between California and the United Kingdom, governments seek opportunities to link with other market-based climate change initiatives to expand market signals and provide new compliance options.

However, emissions trading and other international market mechanisms must be integrated into clear, stable national energy and transport policy frameworks. This integration is essential to ensure that the infrastructure is put in place for a low-carbon energy pathway.

The work of the Ad Hoc Working Group is essential to forging agreements on future multilateral commitments. We look forward to providing constructive input into your deliberations.

Thank you.