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Contact: Katie Kouchakji, press@ieta.org or +44 7870 600 074

20 business groups call on governments to include markets in 2015 climate agreement

LONDON, 20 October – Business-focused organisations and associations from around the world joined forces today to call on governments to ensure that the Paris climate change agreement supports international cooperation through market-based measures.

In a letter issued to more than 90 governments at the start of negotiations in Bonn this week, the group¹ urged ministers to include elements to undergird markets in both the Paris Agreement and Decisions relating to the deal. The letter was sent to Ministers in the US, China, India, Indonesia, Russia, the EU, Canada, Mexico, South Korea, Brazil, along with more than 80 other countries. A copy was also sent to UNFCCC Executive Secretary Christiana Figueres.

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¹ The 20 organisations are as follows: IETA, BDI, CCI, CEPI, EG, EEI, Eurelectric, Switch, WE Mean Business, BDI, BUSINESSEUROPE, CANC, CFES, CDI, CMIA, CMA, CLIM, DI, ESI, EEI, and WBCSD.
The letter came in response to a new draft that the Co-Chairs of the ADP talks released earlier this month. Their proposed texts made significant strides in consolidating the core elements of the agreement into a few short pages. However, the draft contains few provisions to support the use of market mechanisms. For example, the Agreement text lacks clear rules on how to account for international emissions reduction unit transfers between countries. Similarly, their proposed draft Decisions include a mention of a potential crediting mechanism for emission reduction projects, but it is conditioned on future decisions before becoming operational.

“Businesses around the world remain concerned that, at this late juncture of the negotiations, important market provisions remain unclear,” says Dirk Forrister, IETA’s President and CEO. “Given the need to ensure any future climate change policies achieve their objectives while keeping costs down, market mechanisms need to be part of the solution.”

“Carbon pricing is one of the most powerful mechanisms we can put in place to reduce emissions and speed the transition to a low-carbon economy,” says Peter Bakker, President and CEO of the World Business Council for Sustainable Development. “Many companies are already using internal carbon prices, and the external call for a formal carbon price has grown stronger across the world during 2015. This is a united call for action from the business community as we head towards the historic climate negotiations in Paris this December.”

“As more and more governments move forward with carbon pricing, the Paris agreement offers a critical opportunity for strengthening the global carbon market,” says Bob Perciasape, President of the Center for Climate and Energy Solutions. “By requiring sound accounting of international trading, the agreement can facilitate the growth and credibility of the carbon market, a critical tool for cost-effective emissions reduction.”

“We believe that market-based mechanisms, such as carbon markets, are the most effective tool for mitigating greenhouse gas emissions and stimulating investments in low-carbon technologies and energy efficiency,” says Hans ten Berge, Secretary General of EURELECTRIC. “The importance of carbon markets should be anchored in the new climate change regime with a view to enabling the development of a global carbon market in the longer term.”

“Australian businesses recognise the importance of having robust and credible processes to underwrite international linkage of efforts to reduce greenhouse gas emissions,” say Jennifer Westacott, Chief Executive of the BCA, and Innes Willox, Ai Group’s Chief Executive.

“The Council believes that market-based mechanisms are proven, cost-effective tools for achieving national mitigation goals,” says Lisa Jacobson, President of the Business Council for Sustainable Energy. “Countries are setting the global pathway forward in Paris and market-based mechanisms should be recognised as tools to help transform the energy sector and grow national economies.”

“Carbon markets and carbon pricing are the creation of policy-makers,” says Richard Folland, Executive Director, Climate Markets and Investment Association. “Market participants around the world will be looking for signals from the negotiators in Bonn this week that they support carbon pricing as a key instrument in tackling climate change at the global level.”

“Market-based instruments, such as the EU ETS, are of key importance in order to reduce emissions and deploy climate solutions cost-efficiently,” says Troels Ranis, Director of the Confederation of Danish Industry. “Efforts and initiatives to promote this tool internationally are most welcome and supported by Danish Industry.”
“Sound and efficient carbon markets continue to be the most cost-effective way to reach the world’s agreed climate goals,” says Beate Raabe, Secretary General of Eurogas.

“Businesses and investors around the world are calling for carbon pricing is one of the key policies to help harness the power of markets in tackling climate change,” says Nigel Topping, CEO of We Mean Business. “Over 1000 companies are already implementing internal carbon prices, in anticipation of regulation. Whether in the form of carbon taxes or cap-and-trade systems, smart carbon pricing policies will be fundamental in giving investors, businesses and governments a clear economic signal to drive investment in a cleaner energy future.”

“We look forward to the Paris conference, as the commitments submitted by the Parties have generated a positive setting,” says Juha Naukkarinen, Managing Director of Finnish Energy. “However, we are concerned whether the agreement will convince investors all around the globe that carbon price will become a significant factor in their business. Clear support for global market mechanisms will help Europe to continue strengthening its market-based climate policy with a view to carbon neutral energy by 2050.”

NOTES

1 The full list of signatories is: Aluminium Association of Canada; Australian Industry Group (Ai Group); Business Council of Australia (BCA); Business Council for Sustainable Energy; BUSINESSEUROPE; Canadian Chamber of Commerce; Carbon Market Institute; Center for Climate and Energy Solutions (C2ES); Climate Markets and Investment Association (CMIA); Confederation of Danish Industry (Dansk Industri); Confederation of Finnish Industries; Edison Electric Institute; EURELECTRIC; Eurogas; Federation of German Industries (BDI); Finnish Energy; IETA; SWITCH; World Business Council for Sustainable Development (WBCSD); We Mean Business.

About IETA:

IETA is the voice of business on carbon markets around the world. Established in 1999, IETA’s members include global leaders in the oil, electricity, cement, aluminium, chemical, technology, data verification, broking, trading, legal, finance, and consulting industries.