International Chamber of Commerce
Policy and Business Practices

ICC PERSPECTIVE ON UNFCCC CLIMATE NEGOTIATIONS AT COP23

POLICY STATEMENT

Prepared by the ICC Commission on Environment and Energy

Key issues for business at COP23:

- **Business engagement**
- **Facilitative Dialogue and nationally determined contributions**
- **Article 6 of the Paris Agreement and its implementation in the Rulebook**
- **Adaptation, resilience and capacity building**
- **Climate finance**
- **Employment and re-skilling/transitions**

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The world business organization

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Since the United Nations Framework Convention on Climate Change (UNFCCC) was established over 20 years ago, business has been actively engaged in the process, contributing both technical and operational expertise. Following two decades of climate negotiations, adoption of the 2015 Paris Agreement marked an historic breakthrough that engages both Parties and non-Party stakeholders, including the business community, to work together to do more to combat climate change and address its unavoidable consequences.

The Paris Agreement provides business with the kind of long-term certainty it needs to plan future sustainable growth. Indeed, more companies are committing to leadership on climate action than at any other time in history. For business to go even further, COP23 must build on the work started at COP22 to implement the Paris Agreement and deliver greater certainty on long-term climate policies, transparency and market frameworks, as well as the design of other instruments through the Rulebook. COP23 must also establish the rules for non-Party stakeholder engagement in future climate negotiations and the 2018 Facilitative Dialogue (FD2018).

ICC commends the Fijian Presidency for consulting with business to explore ways to augment private sector involvement in policy and action at COP23 and beyond. ICC intends to be a resource across the stated priority themes[1] and work with the Fijian Presidency on the key areas of priority for global business.

ICC is uniquely positioned to contribute to the business perspective on issues of climate change. As the world's largest business organisation with a network of over 6 million members in more than 100 countries, we have a broad view on the business response to climate change. Moreover, ICC is the global Focal Point for business and industry to the UNFCCC and, earlier this year, ICC was granted Observer Status at the UN General Assembly – the first time that a private-sector organisation has been admitted formally into the UN system.

Key issues for business at COP23 include:

1. Business engagement

The goals of the Paris Agreement can only be achieved through on-going dialogue and deep collaboration with a wide range of stakeholders, including business. **Businesses of all sizes and from all sectors, around the globe, are offering innovative and practical ideas to tackle climate change and are taking bold climate action.**

Business sees both the risks of climate change and the opportunities of climate action. On one hand, business recognises that, left unchecked, climate change will contribute to geopolitical, social and economic instability – disrupting the supply chains and power supplies on which private sector operations depend. On the other hand, business also recognises that taking action on climate change is part of a winning business model. Achieving global sustainable development objectives opens up USD 12 trillion of market opportunities in various sectors and markets specifically aligned with the UN's 'Global Goals' have the potential to grow three times faster than average GDP over the next five years.[2]

[1] See https://cop23.com.fj/fijis-vision-cop23/
[2] Report on the private sector's role in delivering on the SDGs - "Better Business, Better World" (Business and Sustainable Development Commission, 2017). See http://report.businesscommission.org/uploads/BetterBiz-BetterWorld_170215_012417.pdf

ICC believes that business is an indispensable interlocutor at national and international levels in developing climate policy and the enabling frameworks for business investment and innovation to tackle climate challenges while also increasing competitiveness, creating jobs and promoting sustainable economic growth. **ICC is committed to the UNFCCC and the Paris Agreement – We call on all governments to keep climate change issues high on the political agenda and to engage business in developing appropriate climate-related policies.**

2. Facilitative Dialogue and nationally determined contributions

The purpose of FD2018 is to take stock of the collective progress towards achieving the goals of the Paris Agreement and to inform the nationally determined contributions (NDCs), notably the forthcoming five-year review cycles of NDCs from 2020 onwards.

NDCs provide an overview of country level climate pledges and actions. We realise that the aggregate ambitions in the initial NDCs are not enough to get the international community on track to achieving the goals of the Paris Agreement. FD2018 therefore represents an opportunity for the global community to work together to determine the ways in which ambition can be increased.

ICC encourages Parties to take full advantage of the depth and breadth of business engagement and experience with climate change issues to help inform FD2018. This, for example, includes dialogue with government on expectation and ambition setting, and on the type of framework conditions necessary for business to invest and innovate, but should also include an assessment of the results of implementation. We have seen that in countries where business has had the opportunity to provide inputs on NDCs, the process can already be seen to have benefited from such business engagement.

Business very much welcomes the opportunity to contribute to FD2018 and calls for an on-going open and inclusive dialogue with Parties and non-Party stakeholders and an effective procedure for business contributions to be taken on-board. To ensure that the international community is successful in achieving the long-term goals of the Paris Agreement, it is imperative that business be a true partner – reporting on business initiatives or inputting at the margins of the climate discussions will not be enough to get us there.

3. Article 6 of the Paris Agreement and its implementation in the Rulebook

Article 6 of the Paris Agreement looks to increase ambition through, *inter alia*, international cooperation on the use of market-based approaches, such as emissions trading and carbon pricing. **Business strongly supports the use of market-based approaches and calls on Parties to progress with establishing guidance on Article 6 of the Paris Agreement through the Rulebook** – the rules that will attempt to define *how* the goals of the Paris Agreement will be implemented and that will measure, account for and review global climate action.[3]

Such guidance will not only permit Parties and non-Party stakeholders, including business, to identify and enable the most cost-effective options to meet mitigation challenges[4] facing society at large but, if well-designed, will also create new channels for climate finance, lead to technology transfer and

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[3] The Rulebook is expected to be adopted by the Parties at COP24 in December 2018.
[4] See Articles 2 and 4 of the Paris Agreement.

capacity building and hence support sustainable development in many areas. This in turn will help Parties to increase their level of ambition.

Business stands ready to inform the process of identifying the best ways forward to build-up a framework for the Article 6 mechanisms at COP23. ICC's recommendations are outlined in "Business Views on Market Mechanisms – Articles 6(1) to 6(7) of the Paris Agreement"[5] and include:

- Building a framework for measuring, reporting and verification (MRV) of emissions that takes into consideration generally accepted existing international and national MRV frameworks[6] and that is linked to the transparency framework which is being developed under Article 13 of the Paris Agreement.
- Creating ambition and predictability by developing comparable and measurable standards for emission reduction for NDC reviews so as to allow evaluation of mitigation actions, raise ambition over time and understand and avoid impacts such as carbon leakage.
- Consulting with experts of specific economic activities to establish further global emission reduction approaches on a sectoral basis.

4. Adaptation, resilience and capacity building

The Paris Agreement recognises the need for adaptation and resilience – responding to the impacts of climate change that are already being felt and preparing for the future effects of climate change.

From the business perspective, climate change is already having an impact on business operations, infrastructure, supply chains, customers and the people and communities where they operate. Companies around the globe are responding by developing technologies, products and services to adapt to the effects of climate change and by building resilience into their operations, supply chains, policies and risk management strategies.

Coordinated action with all stakeholders is imperative if we want to build more resilient economies and communities. **Business stands ready to collaborate and partner with governments, and indeed all stakeholders**, including on holistic adaptation and resilience planning. This can include knowledge-sharing; modelling; research; technology development and transfer; finance; insurance; capacity building and public-private partnerships.

5. Climate finance[7]

The mitigation and adaptation strategies necessary to transition to a low carbon economy and manage the impacts of climate change will require access to finance beyond 'business as usual'. While governments have committed to mobilise USD 100 billion annually from 2020, the 2017 OECD

[5] See https://cdn.iccwbo.org/content/uploads/sites/3/2017/01/ICC-Business-views-on-market-mechanisms-2016.pdf
[6] e.g. Kyoto mechanisms; Intergovernmental Panel on Climate Change methodologies; and the UNFCCC inventories.
[7] Climate finance refers to local, national, or transnational financing, which may be drawn from public, private and alternative sources of financing. Climate finance is critical to addressing climate change because large-scale investments are required to significantly reduce emissions, notably in sectors that emit large quantities of greenhouse gases. Climate finance is equally important for adaptation, for which significant financial resources will be similarly required to allow countries to adapt to the adverse effects and reduce the impacts of climate change (UNFCCC Climate Finance Portal. See http://unfccc.int/focus/climate_finance/items/7001.php#intro).

report[8] for the German G20 presidency specifies that USD 6.3 trillion is needed annually until 2030 to meet the global climate change goals.[9] **The private sector is needed to help bridge this climate finance gap.**

The Paris Agreement recognises that achievement of its ambition will require engagement with a broad community of stakeholders. In respect of climate finance, Article 9 establishes the platform for this cooperative model declaring that Parties should mobilise climate finance from a wide variety of sources. **The private sector has the capacity and the desire to invest in projects to deliver mitigation and adaptation outcomes and is ready to work with the Parties to develop the cooperative model proposed in Article 9 of the Paris Agreement.**

From the private sector perspective, climate financing is not only available through long term financing but market and non-market mechanisms may also create new channels for climate finance. To access the opportunities available, and as declared by the UNFCCC, cooperation between Parties and between private and public-sector stakeholders is considered crucial.[10] In its recommendations to the Parties at COP 22, ICC submitted the broader requirements for creation of new channels for climate action and climate finance through market mechanisms, requirements that are common for each of the sources of climate finance, and remain true today.[11] As well, climate finance is not restricted to investment in climate friendly assets and installations. It is sometimes also needed for financing higher operating costs of more climate friendly operations, especially outside the energy sector. This needs to be adequately reflected in any climate finance-related policies.

ICC, in its “Green Economy Roadmap”,[12] submitted that private sector sources of climate finance require open and competitive markets; metrics, accounting and reporting; and policy intervention to influence the risk/return profile of investment. To that end, policy interventions that can be considered by Parties to mobilise finance include:

- Strategic, forward-looking, long-term planning reflected in the regulatory framework that promotes policy certainty.
- Strengthening core climate policies, through measures such as removal of subsidies for fossil fuels and implementing carbon pricing, while maintaining adequate safeguards against carbon leakage.
- Broadening finance and investment conditions.
- De-risking interventions and providing incentives for investment, technology development and transfer.
- Creating a financial climate to facilitate low-cost financing, including lowering the cost of longer-term debt.[13]

[8] Growth, Investment and the Low-Carbon Transition”, report presented to German G20 Presidency on 23 April 2017. See http://www.oecd.org/env/cc/g20-climate/.
[9] The OECD (2017) report to the G20 also observes that this investment delivers co-benefits of for example fuel savings of up to USD 1.6 trillion per year through 2030. Hence, investing in climate and investing in growth and prosperity are not mutually exclusive.
[10] See http://unfccc.int/cooperation_support/market_and_non-market_mechanisms/items/7551.php
[11] “Six recommendations to combat climate change with market mechanisms” (ICC, 2016). See https://iccwbo.org/media-wall/news-speeches/six-recommendations-combat-climate-change-market-mechanisms/
[12] “Green Economy Roadmap – a guide for business, policymakers and society” (ICC, 2012)
[13] “Green Finance and Investment. Using policy levers to accelerate green capital flows” (OECD, 28 April 2017)

- Creating a pipeline of bankable projects through adequate planning and establishing a track record of successful projects.
- Proving objective information and data to assess and quantify climate risks and developing appropriate insurance products.
- Developing financing instruments and finance infrastructure as an integral part of a country's NDCs.
- Ensuring that the UN's Green Climate Fund is focused on mobilising private investment by using its own core funds to reduce the risks or lower the cost of capital so as to crowd-in private capital.
- Putting into place a policy framework that would promote development and diffusion of a broad variety of new clean and enabling technologies.
- Ensuring a closer link with the technology mechanisms of the UNFCCC, especially the Technology Needs Assessment.

Private sector investment, in addition to and in cooperation with Parties, can ensure the transition to a low carbon economy. To achieve this outcome, it is essential that Parties use the opportunity of COP23 to provide the platform and conditions for the cooperation between Parties and between private and public-sector stakeholders to mobilise climate finance.

6. Employment and re-skilling/transitions

The Paris Agreement[14] takes into account the imperative of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities – responsibilities that are now conferred on the Improved Forum[15] through the Response Measures Contact Group.

In fulfilling these responsibilities, the optimum outcome will be achieved by effective engagement with business. The significant role of the private sector in the delivery of sustainable development and in climate change policy is reflected in a range of instruments adopted by members/Parties of international agencies.[16] There are also many examples of private sector and enterprise initiated action.[17] These references are important because they demonstrate the interdependence of government decision-making and the private sector, and accordingly that business is best placed to advise governments on the appropriate climate change policies and programmes to facilitate the transition of the workforce.

[14] Preamble to the Paris Agreement, paragraph 10.
[15] Paris Agreement and Decisions, Decision 11/CP.21 2015 at paragraph 5.
[16] UNFCCC Paris Agreement, Article 6.4b and Article 6.8b (UNFCCC, 2015); International Labour Organisation (ILO) Tripartite Meeting of Experts on Sustainable Development, Decent Work and Green Jobs, paragraph 19.d and paragraph 20.3 (ILO, 2015); ILO Declaration on Multinational Enterprises (ILO, 2006); OECD Guidelines on Multinational Enterprises, (OECD, 2011); UN Global Compact Guide to Corporate Sustainability (UN Global Compact, 2015).
[17] Report on the private sector's role in delivering on the SDGs - "Better Business, Better World" (Business and Sustainable Development Commission, 2017); the annual Business & Climate Summit that works to build the partnerships needed to scale up and accelerate the low carbon transition; the action agenda for private-sector leadership on climate change by "Business for a Better World" (Cameron et al., 2015); "Ikea's 1 billion euro pledge to clean energy and climate action" (The Guardian, 2015); the global coalition of firms intent on converting to renewable energy (Gillis & Fleur, 2015); International Chamber of Commerce "Call for Climate Action" (ICC, 2015) and "Green Economy Roadmap" (ICC, 2012).

While Parties have committed to the Paris Agreement, with very few exceptions do NDCs acknowledge the labour market impacts, or express a commitment to a just transition. Strategies to manage greenhouse gas emissions are uniquely local and reflect many influences, such as the domestic economic, social, cultural and political situation of a country – all factors that have an impact on the labour market. In the transition to a low carbon economy, some jobs will be lost, some jobs created and some jobs changed. On balance, there will be net growth in employment and all sectors of industry will be affected.[18] To that end, it is essential that climate change policy reflect the need and benefit of labour market planning from the perspective of employers and employees. Business should be engaged in this process to ensure that policy decisions are tailored to country-specific, sector-specific circumstances – there is no single policy template that can be applied in all circumstances.

Policy also needs to reflect that skills gaps and shortages could be a binding constraint on the transition to a low carbon economy. It is not merely the single dimension of labour and skill shortages, but also the re-crafting of occupational profiles and the emergence of new occupations involved in the delivery of a low carbon installation that must be supported by skill development programmes for new entrants and transition programmes for the exiting workforce. **A labour market plan developed as a result of dialogue between business and government is essential if the transition to a low carbon economy is to be effective** and deliver economic growth and productive employment.

We look forward to working with the Fijian Presidency and all governments and stakeholders on progressing discussions in relation to the above topics and on the implementation of the Paris Agreement more generally.

[18] "Green jobs: Towards decent work in a sustainable, low-carbon world" (Worldwatch Institute, 2008).

About The International Chamber of Commerce (ICC)

The International Chamber of Commerce (ICC) is the world's largest business organisation with a network of over 6 million members in more than 100 countries. We work to promote international trade, responsible business conduct and a global approach to regulation through a unique mix of advocacy and standard setting activities—together with market-leading dispute resolution services. Our members include many of the world's largest companies, SMEs, business associations and local chambers of commerce.

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