World Business Council for

Sustainable Development

Private Sector and the UNFCCC: Options for Institutional Engagement

Workshops Reports

21 May 2010

For more information please contact María Mendiluce (mendiluce@wbcsd.org)

Contents

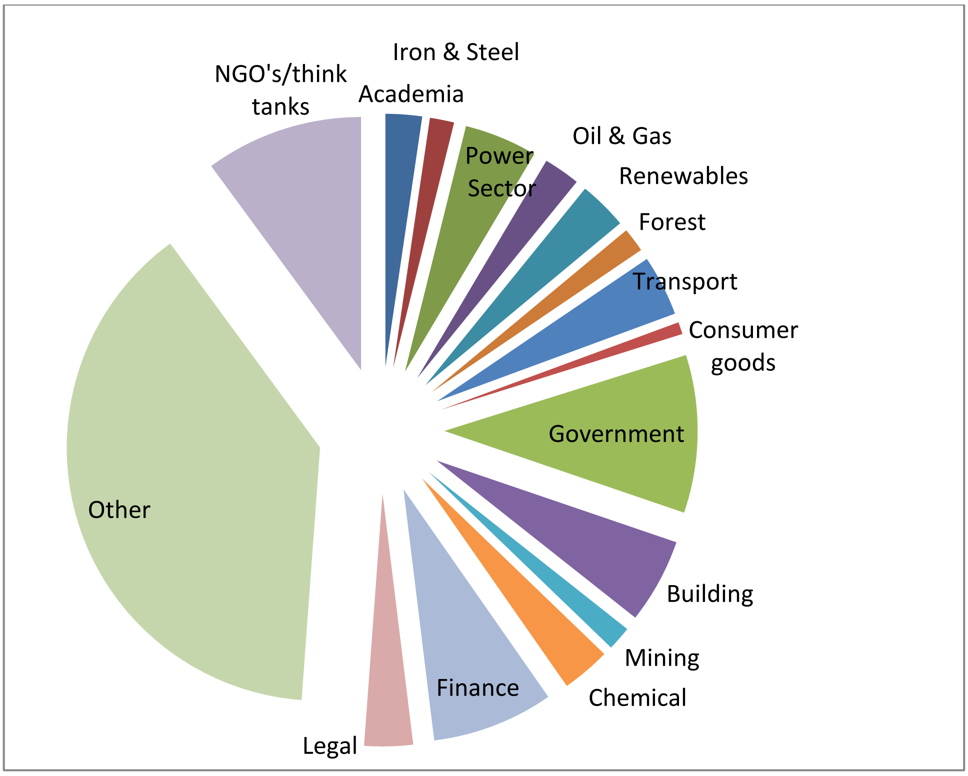
Introduction

This report provides a summary of the workshops held in Beijing, Hong Kong, Sao Paulo, Washington DC and Brussels.

The workshops normally conveyed between 40 and 50 participants and the discussions are organized in roundtables to encourage broader participation and engagement. Participants responded to a set of questions, reported back to the group and provided notes. These summaries are a reflection of those notes and not the views of the project partners.

The participants came mainly from the private sector, but 10% of them worked in the Government and another 10% in NGOs and think tanks. The most important sectors were represented in the five workshops. However, the finance representation corresponds mainly to the workshops in Hong Kong and Sao Paulo. The category other represents mainly cross sectoral business organizations, foundations and business groups. A complete list of participants can be found at the end of this document.

Figure 1. Business and organizations represented in the workshops.



Report from the workshop in Beijing (26th march 2010)

In Beijing there were around 25 participants from 14 different sectors. Participants believe international engagement is important; however individual interest for engagement remains predominantly at the national level. Emphasis was placed on the need for capacity, education and sharing of knowledge at the national level between businesses and with government.

Engagement of Chinese companies in the international climate change process

In China there is a fundamental difference in how business interacts with government. Businesses simply implement government decisions. However, participants mentioned that changes have started and a policy dialogue is emerging, particularly between large private enterprises and the national government, and the government is open to broader dialogue with the private sector to understand how policies can be operationalized.

The private sector in China is very diverse and with different risks and opportunities: state owned enterprises (120 business representing 70% of national GHG emissions), privately held businesses (national and international), and small and medium sized enterprises (SME). They engage differently with the government. Private enterprises are very dynamic and are increasingly important.

Participants believe the current climate change negotiation mechanism is complex, in particular for business. There are different levels of government, regional groupings, and various stakeholders engaged with diverse interests. While this complexity is challenging, participants believe that private sector representation is important because they need to discuss their risks with government and convey their knowledge. Participants believed that the process could improve if companies would, in collaboration with governments, discuss concrete actions to address climate change.

The value of engagement and its benefits must be clear for the private sector to engage in a slow international negotiation process. Businesses tend to be more interested in implementation issues: capacity building, standards, on the ground actions, the provision of knowledge and solutions.

Business opportunities in addressing climate change in Asia

A number of priority issues were raised as the government and the private sector seek to address climate change:

- **Need to share business knowledge with government**. Private sector expertise is essential in the development of standards and policies. Government must understand how, from a technical perspective, what it means to make “low-carbon” products while maintaining a satisfactory level of quality.
- **Education and capacity building at the operational level**. Companies understand that the government requires a reduction in energy use, but many, particularly SME’s, do not know how to implement this mandate. Technologies exist to reduce energy consumption and GHG emissions, but there is often limited access to relevant information limiting the capacity to implement these. Further support by the government needs to be provided at the operational level. Partnerships between national and international companies can also support a transfer of knowledge and capacity.

- **Private sector engagement in standardization** (e.g. GHG measurement standards). The formulation and implementation of standards is an area where international engagement is important. For example, the Asia Pacific Partnership has conducted training sessions in China on international GHG measurement tools, in partnership with the WBCSD and the China BCSD. The identification of emission baselines for business is critical.

- **Focus on SMEs**. SMEs lack information and capacity to focus on anything other than business development. These companies are also vulnerable to rapid transitions in the economy given their specialization in specific products or technologies. As consumer demand changes rapidly, they risk becoming obsolete. Multinational business in China, who have greater access to technology, need to play a leadership role in working with their supply chains (mostly SMEs) and with clients to provide training, education, and best practice technology know-how. Financial support will be required to support SMEs in implementing climate change related policies.

- **Enabling investment environments for technology deployment**. Technologies are transferred through regular international business activity in China. To enhance this, the right enabling environment for technology deployment is essential. Reinforced investment and trade policies are necessary. Finance is available for energy technology deployment in China- funding here is mainly an issue for SMEs.

- **Urgency**. While new technologies have been implemented in the energy sector- the scale and pace of implementation is not enough to address climate change. While very rapid change occurs in the consumer market, this is not the case for many other sectors that require long-term investment, for instance in the energy sector and the building sector. The transformation is slow, due to the long life-span of infrastructure.

- **Address lack of incentives for companies that exceed targets**. For businesses that exceed required energy reduction targets, there is no trading mechanism that exists to reward such action. Trial trading systems are underway, e.g. the energy and environment stock exchange.

- **Education of the public about climate change**. Public education about climate change should be a priority. The risks or potential damage cause by climate change is not well understood. Financing to support enhanced public awareness could be effective.

General conclusions

It was acknowledged that the private sector has an important role to play in addressing climate change. Business in China is under policy pressure to reduce energy use and emissions.

Businesses were interested in policy dialogue with policy makers at the national level, but emphasis was placed on the need for capacity, education and sharing of knowledge at the national level between businesses and with government. While some participants expressed the view that international engagement was important, individual interest in engaging in policy dialogue remained predominantly at the national level. On the international level the private sector is more interested in implementation issues: capacity building, standards, on the ground actions, the provision of knowledge and solutions.

Report from the workshop in Hong Kong (29th march 2010)

In Hong Kong there were around 50 participants from 12 different sectors. The discussion was very rich and open. There is great interest in the private sector voice being represented at international level so that decisions taken do not stifle business but few concrete opportunities for the Asian business engagement were given. Engagement at sectoral level was also mentioned as effective.

Engagement of Asian companies in the international climate change process

Participants believed that engagement allows business to react to opportunities and threats and provides a channel for business to be heard. There was a belief that business needs to act quickly to maintain competitiveness and not wait for government to "get its act together" in processes that are too complex, lacking transparency and hard to influence.

There is a limited understanding of the UNFCCC process, though participants felt the process is not working and needs to be either completely re-worked or replaced. Only companies that operate internationally (e.g. shipping or aviation industry) engage in the international climate change process. Formal engagement in China and Asia is typically top-down due to the lack of tradition for businesses to engage in international policy debate before government does. Engagement increases at national level and is most intensive at the local level.

Participants believe that the private sector is interested in engaging but needs an independent body to represent it, though for example chambers of commerce, organizations such as the WBCSD or sector associations.

Business opportunities in addressing climate change in Asia

Participants consider energy efficiency (especially in the building sector or in manufacturing) and renewable energy and waste management as the biggest opportunities in Asia. Improving long-term efficiency has clear benefits in cost savings, compliance with future regulations, and improvement of processes and technologies.

In emerging countries the opportunities in climate change relate to growth prospects (need to build building, infrastructure, industries) where business can create new business models that increase shareholder long-term value and mitigate exposure to climate change.

Education was also considered an opportunity. Education creates awareness that will support the market demand of low carbon products and services. Climate change opportunities require new skills and jobs. A well prepared workforce will help increase productivity.

There are important business opportunities in the long term change towards a low carbon economy, but to achieve those changes Government incentives and new policies are essential. Carbon pricing was seen as the most efficient way to move towards a low carbon economy. Sectoral approaches were seen as a good first step in this direction. Also credits from forestry were mentioned because the most carbon dense forests are located in Asia.

Challenges in leveraging these opportunities

Participants believe that there are many barriers to achieve these opportunities. They highlighted the following:

- **Lack of regulatory frameworks.** Regulations are insufficient to drive a carbon market. The regulatory regime lacks clear policy direction and incentives, is slow in implementing legislation and lacks enforcement procedures.

- **Challenges for SMEs**. The Asian private sector is largely based on family-owned businesses and these SMEs often do not have the resources or capacity to implement actions to address climate change. However, participants believe that SMEs could be encouraged to change through pressures and influence in supply chain management.
- **Different business approaches.** There is a need to distinguish between multinationals that are taking the lead on climate change and those that are doing nothing. The level of engagement will differ when business have an internal "buy-in". Because not all business can be progressive it is important for active companies engage with smaller businesses to lead the change and educate them.
- **Level playing field**. Participants believed that there will never be a level playing field, even at national level, and that an international agreement is unlikely. This creates obvious competitiveness concerns. Participants raised concerns that they could not accept carbon restrictions if competitors are not subject to similar restrictions as they fear they will lose market share.
- **Capacity building.** In a relatively new and immature market there is a need to develop knowledge and skills adapted to the local circumstances. The lack of technical capacity and skills do not encourage senior management buy-in for low carbon investment.
- **Intellectual Property Right.** There is a challenge to promote technology transfer in developing countries while protecting the IPR.
- **Lack of incentives.** Even if the CDM is a good instrument but it does not drive fundamental changes. On the other hand the local stock exchange is not ready for implementation of carbon trading due to a lack of know-how. Some believe that at national level a hybrid version of cap and tax would be a better option. Government subsidies for low carbon solutions could stimulate demand. For example, in Hong Kong market demand for green offices is limited partially due to an unwillingness to pay more for the "green" element.

Policies to overcome these challenges include: development of climate change policy that incentivizes implementation; tax benefits to incentivize low carbon investments; stronger building codes and incentives for building energy efficiency; engagement of all government departments with a common goal on low-carbon policies; better communication on climate change policies towards a greater understanding of policy development.

An important section of the discussion related to economic incentives. Participants view them in two ways:

- Increasing energy prices to raise awareness or reduce the price of "green" products to stimulate market demand.
- Increasing funding to cover larger, meaningful and impactful projects.

Opportunity to engage in technology mechanism

- Market forces alone will not bring new technologies, government involvement is needed. Participants stated that governments should choose, fund and support winning technologies because the private sectors cannot alone bring all the investment. This results in projects being run by business with government support (technology demand needs to be stimulated).
- Participants felt that leadership should come from national governments choosing winners (national champions) especially in the energy sector. However, business should be part of the process of informing government technology choices.

- More funding is needed for education and research to develop new technologies.
- When it comes to private sector engagement, participants believed that representation should be by sector rather than geography because a sectoral approach is more focused and can prioritize better. As for the technology networks, companies believe that for large operations, there needs to be regional/sector center for representation.

Opportunity to engage in NAMAS

- NAMAs could help drive local and/or national competitive advantage. Targets are the primary driver for NAMAs, and a sector specific approach is urged.
- Stakeholder engagement is for good policy, because business brings efficiency and urgency. Businesses should collaborate to ensure broad engagement, in particular SMEs and companies that bring an understanding of the market and consumers.
- New forms of representation of Asian businesses might arise through electronic media or shared platforms. This would allow companies or individuals with expertise to engage at low-cost.

Opportunity to engage in finance mechanism

- Participants noted that the **planning timeframe** for governments is based on a political cycle, whereas for many businesses the timeline is much longer. Therefore some businesses are moving ahead of government out of necessity.
- Participants believe that a global carbon price that provides certainty to the market can leverage financial flows to clean investments. However, they are concerned with the uncertainties of the carbon markets. There was a general assumption that the model will be a cap and trade, the alternative is tax. The difficulty lies in determining how a carbon price will be set and some participants believe that until reduction targets are defined there will be no carbon price.
- The amount of money needed is staggering: private funding is waiting to see if public funding will happen first before deciding to invest. An international regime could create guidelines that allow project evaluation and assessing the environmental impact. A roadmap that shows where the funding is going could provide the mechanism to decide programs support. Funding could be linked to maintaining criteria set by the international regime. Funds should be used to lower the risk of financial institutes that support the projects.
- As regards private sector engagement, industry regulatory bodies could bring representation that will facilitate their involvement. By engaging on the financial mechanisms, the private sector could have a role, as experts, in designing the fund and funding mechanisms.
- Participants noted that absence of financial companies from the workshop indicates that they do not see commercial opportunities.

Report from the workshop in Sao Paulo 14th April 2010

In Sao Paulo there were around 40 participants from 14 different sectors. The participants were very active and engage in activities related to sustainable development. Engagement of the private sector was seen as an opportunity and as a need to align government and private sector agendas that will lead to the necessary action.

Engagement of Brazilian companies in the international climate change process

Participants were more concerned with engagement at the national level, discussing the need for coherent public policies and better interaction between government and the private sector on climate change issues. Some believe that more interaction with local government is essential, as a starting point. Companies are willing to engage (very participative culture), but they do not yet have the appropriate mechanisms to engage with governments (nationally). With the National Plan in place the private sector is currently identifying ways to engage in the process. This is an interesting and closely related process, and a close exchange of ideas between the projects would be beneficial.

Participants are aware of the UNFCCC process, but, in general, do not follow it actively. The private sector (PS) is interested in engaging more, however their role is limited to being observers even if PS could greatly contribute with its expertise and experience. Therefore companies are distant from the international process, particularly small and medium sized enterprises (SME). Also, companies feel discouraged when long discussions do not reach agreement.

Participants believe engagement is important so that discussions can translate into actions within the private sector. Because PS will be implementing the agreements and decisions to a large degree, they should have a more active voice in the process. There is more interest in following decisions that affect them such as the CDM Executive Board (EB) decisions and methodologies.

Participants recognize that business engagement should occur through an organization that will aim at defending the public good, not company interests, and that will capture both sectoral and cross sectoral issues. However, there needs to be incentives for business participation.

Business opportunities in addressing climate change in Latin America

Participants saw two drivers in Brazil for sustainable development: societal demand and new business opportunities (notably in renewables and biofuels, but also in other sectors, like banking).

- Participants felt there are great opportunities for business in the creation and improvement of products, in energy efficiency measures and diversification of energy sources. It was emphasized that both efficiency measures as well as the extension of renewable energy supply will benefit energy security in Latin American countries.
- There are opportunities to reduce emissions in the entire industry supply chain, from raw material extraction, to processing, sale and consumption. Companies believe GHG accounting and life cycle accounting is key to identify new business opportunities for the reduction of GHG emissions.
- Participants discussed opportunities in the area of waste treatment in a Latin American context, with the use of the resulting biogas in energy generation, as well as direct socio-environmental benefits. Raising consumer awareness about sustainable products and processes was seen as an important element to provide new business opportunities. The development and implementation of certification processes could support this.

- Some companies see sustainable development as a business opportunity where they have a competitive advantage. Providing a price for carbon and creation of carbon markets is key to create new business opportunities: new clients, new investments and new markets.

Challenges in leveraging these opportunities

The main challenges identified by the participants were the risk of carbon leakage and lack of SME perspective, education and public policies:

- Some companies fear carbon leakage will harm their industry competitiveness (some even favor BTA and trade barriers in products that do not comply with environmental standards). To solve this, companies are interested in developing sectoral approaches.
- Participants believe the perspective from SMEs is missing. In these companies there is often lack of technological capacity and also limited capital available for new investments. However, they recognize that to make technologies accessible is not always a matter of price in Brazil, it is very important to have adequate supporting infrastructure.
- Education of society is also essential. Education is needed on the benefits of sustainable development in the short term as well as in the long term.
- Participants believe that clear and coherent public policies are needed and that they should align at local, national and regional (Latin America) levels, to avoid divergent requirements at different levels. There is also a need for positive incentives (credit lines at a better rate for sustainable activities etc). Some participants believe that there should be mandatory rules for certain technologies (standards). The PS should be involved in the development of policy making and norms that affects them.

Opportunity to engage in technology mechanism

Participants feel that Latin America is weak in the development of process technology, due to the absence of business culture. However, Latin America has strong expertise in renewables. Government policies are needed to enhance this expertise and fill the gaps. There needs to be government focus on the main areas of interest with new legislation and enforcement procedures. Brazilian technology R&D requires financing and subsidies for basic research and collaboration with other networks, because these links are still limited.

In relation to the engagement of business in the UN process, participants feel that companies could participate in some meetings. However, meetings that concentrate on "process" rather than action, or never-ending negotiations, undermine future PS involvement. Participants agreed that it would be a feasible option that the PS could participate through an Advisory Board. The importance of open communications channel to present solutions and resources was stressed.

Opportunity to engage in CDM

The discussion revolved around the idea of national sectoral working groups of experts (selected by the sector companies). These could play two roles:

- To exchange experiences, analyze and translate CDM approved methodologies to the specific sectors (and propose new ones, if necessary), disseminate information on specific financing opportunities for CDM projects in the country, especially to smaller companies (top down).

- Form the basis for representation (bottom up) and liaison, both nationally with the government on the issues of defining baselines and additionality requirements, and internationally.

Regarding international engagement models, the discussion concentrated on how sectoral regional representation could be organized to represent the private sector in the CDM EB. Participants felt that regional business councils (like CEBDS in Brazil) could consolidate the concerns, questions and suggestions of the sectors/ businesses regarding CDM issues. These issues could be channeled to an international body (for example the WBCSD) on a sectoral level, which would, in turn, consolidate these issues.

Final representation at EB, with no specific attachment to any sector or country, would then be the voice of the PS. One idea was to have a formal meeting with PS representative and the EB at the beginning of every meeting. This representation would include a mandate to take on commitments on behalf of the PS and report back.

Opportunity to engage in REDD

Participants believe the role of business is to provide inputs and knowledge from their practical experience with forestry projects and pilot projects, which could benefit from the participation of local NGOs and universities. One challenge identified was the key role that farmers play on deforestation/or preservation, but the difficulty to involve them in any international process/mechanism.

There was consensus around the table that the government alone could not handle positive incentives for reducing deforestation. PS investment is needed as well as the creation of a market to spur private participation. Companies could play a role in developing technologies (e.g. a local steel company has developed a monitoring system for tracking deforestation).

Participants believe that the PS must engage in this area more than just as an observer of the process, especially now that the REDD mechanism is in the design phase. One possibility of engagement is to replicate at international level a "forestry regulatory agency" where the PS could be represented or be consulted as experts. This already exists at national level.

Different views existed between the participants between voluntary consultation (upon request) and mandatory consultation. Mandatory consultation could work as a guarantee that business would always be called upon to provide expertise on certain key issues. Voluntary consultation was seen as being more appealing to governments, while still providing an efficient way to give transparency and allow for active PS participation.

General conclusions

Most participants agreed that there are already many organizations that represent different interests (including PS interests). Participants agreed that there is no need to create new representative bodies and that PS participation could take place through one or more of these business associations.

However, the PS is not a homogenous group and no single approach exists for different sectors. The challenges of PS engagement is to manage the different views and interests among the groups for an effective representation at the international level; to decide which business organizations would be responsible for representing the PS; which companies or professionals would be nominated to make this bridge between PS and international processes; and ensuring that the person that represents a sector has the capacity and does not have a bias or conflict of interest.

Report from the workshop in Washington (27th April 2010)

There were more than 30 participants in the workshop. Most were from business and business organizations. There were also attendees from the ENGO sector.

Engagement of US companies in the international climate change process

Reflecting frustrations from COP15, participants highlighted the inaccessibility of the UNFCCC meetings and the international negotiations. The process was seen as obscure and hard to understand for organizations that do not have the resources to follow the negotiations in detail.

There is no formal or legitimate role for business and businesses are relegated to "side events" and "lobbying" activities. Much of the time spent at COP15 was spent by business "talking to each other" rather than engaging actual delegations. Yet, positively, business interest in the process is high.

There was no single voice for business at COP15, this is a challenge and it is probably unrealistic to think there could be "one voice" as there is no appropriate conduit for this. Different sectors have different exposure/interest. Participants also noted that the UNFCCC process is slow, making it hard for the private sector to engage effectively – to do so requires a large time commitment, with uncertain and unclear payoff.

The international negotiations are dropping off the radar of the US, as focus on domestic legislation becomes stronger. This is reflected in many countries where business puts its effort into influencing national governments rather than the international level. National networks often have a far greater legitimacy and involvement with policy makers. The relationships between national business and their governments are often even stronger in developing countries.

There is little understanding within governments about what drives the business view on international negotiations versus the political side. But businesses are different, looking for a price on carbon, long term investment playing field, market mechanisms businesses had little chance in the current process to participate or influence outcomes.

The question was asked whether the private sector has a role in the UN process as it is a negotiation between countries, and many delegations represent the business views from their countries. Although the negotiations are fundamentally a political negotiation, participants believed that the private sector does have a legitimate role.

However, for private sector input to be effective, business needs to be invited to participate and their input be valued by the government. If the majority of countries are not convinced that business involvement is important, then it will be hard to be heard.

How can business engagement be more effective?

Business organizations are often seen as amplifiers of "party positions" and not representative of pure business views. It was felt that business needs to own and manage its own representation and input under a process of self-selection, to have ownership and acceptance.

There is a need for capacity building in the business community. Too many do not understand the context and process of the UNFCCC, and, therefore, are not effective. Business has to explain why it has a special role, especially compared to other observer groups.

In other contexts, business input has been effective where governments have given businesses a standing and official place, for example the OECD, international labor organization, APP.

Providing input in a more formalized way will be more effective. Business needs to define how it might plug into new mechanisms. The World Bank CIF funds are a good example of process for private sector inclusion. It is seen as transparent process designed and ensured e.g. by the WBCSD, but it is only an observer process, there is only limited business input.

Some international business organizations are also focusing on a strategy of targeting key countries. It is easier to narrow the target and fixed goals than focus on a broad international group.

Lower level discussions can be a better arena for input, compared to high level process. For example, input into contact groups. Workshops can also be important, but they must be limited workshops, (i.e. 50 people max) to be effective. When very specific issues are discussed, business involvement becomes easier and more effective.

There was a feeling that roadmaps, particularly sector roadmaps, are an effective way to bring business together around consistent messages. Comparison was drawn with the REDD agenda where there is currently significant civil society engagement, including a formalized process, but there is nothing comparable for the private sector.

Opportunity to engage in technology mechanism

Business representation in technology transfer is vital, challenging, but should not be impossible to achieve. Business should be there to provide a reality check to what is discussed and proposed, because business knows best.

It was generally agreed that there needs to be a structure with a focal point that has the ability to bring in voices from a roster of experts. The focus would be less on content, but rather process, transparency, involvement.

The challenge of competition and objectivity was noted. Businesses need to be proactive on this issue. It is often more difficult for smaller companies. Having a business organization fronting the discussions was considered preferable to having a company represent all business. The example of WRI representing the NGO community was used. This focal point would pulls together experts on specific questions from a roster.

The selection of representatives would be challenging, but there are processes and structures that exist to do this and these should be built on.

Transparency was also highlighted as a key need to ensure all businesses can be involved and break down the “old boys club” that is perceived.

The need to engage developing countries (both government and business) was highlighted as important given the lack of trust by many developing countries of developed country business. They need to be involved and their interests considered.

Opportunity to engage in REDD+

Participants reflected that the rational for engagement is (i) lowering compliance costs; (ii) buying offset credits; (iii) developing projects. Another motivation relates to carbon footprinting and CSR – though the thresholds for engagement here are higher.

The notion that REDD+ should only be financed by public sources was dismissed as unrealistic – at least from the US perspective. Markets are considered a reality and forestry and land-use assets are considered as the most important offset category.

There is insufficient engagement of the private sector in the formulation of a REDD+ mechanism at the international level. Business prefers to engage nationally. However, there was a clear preference for international standards and an international REDD+ mechanism over a purely US-defined one. Arguments included: more liquid market, uniform standard that allows internationally operating companies to apply the same rules for offset credits, credibility and capacities of host countries should not be stretched by using multiple standards

Property rights and human rights issues make REDD+ even more complicated. The US private sector is missing the regulatory framework for offsets and therefore business is facing risky investments. Private sector would prefer international offset rules to domestic offset rules since at present it seems that international rules would be less restrictive than possible US domestic offset rules as proposed in the Waxman-Markey Bill.

Business should engage in innovative implementing partnerships/PPPs; testing of rules and standards is essential to know what works and what doesn't. International organizations should/could facilitate such partnerships.

The idea of a stakeholder advisory panel for REDD+ was welcomed, although the group did not discuss the selection of business representatives for such panel.

International processes focus too much on NGO involvement, but often leave the business sector out. That applies also to REDD+. This should be corrected by outreach to private sector representatives to contribute to the REDD+ discussion in the same measure as other non-state actors.

Participants agreed that the private sector is not well organized when they want to express their views. They should be more aggressive on creating the relevant rules. Industry wants to know what legitimate carbon offsets are in the forestry and agriculture sectors nationally and internationally. There has not been a concrete discussion on the organization of private engagement concerning REDD+ issues. The incentive structure for private sector is not clear.

Opportunity to engage in CDM offsets, NAMAs, future mechanisms

Offsets were seen as important, along with a single international or a couple of large domestic/regional markets. However, in terms of how these offsets would be supplied, most of the group felt that CDM "was dead" and largely irrelevant for the US. This was influenced by negative press in the US and claims that "CDM promises" have not been met. It was also suggested that the political environment in which the CDM was negotiated has changed, and there is resistance to sending large amounts of money to China. There may be a case for supporting poor developing countries, but anything that sends US money to the BASIC countries would be politically difficult in the US.

The participants concluded that it was inappropriate to develop a formal channel or single forum for private sector input and that there was no consensus around private sector views to be channeled into the negotiations. It was also thought that conflicts of interest were unavoidable, and that there should be no problem in allowing the private sector to provide ad hoc, self-interested input where it deemed suitable to do so.

Participants also thought that the climate change negotiations should be brought into regular trade, energy, and fiscal policy negotiations. It was felt that there may be a role for the private sector to act as a sounding board for policy makers to ensure policy that affects the private sector is realistic (but the group did not think this should be extended to active lobbying).

That said, the group did identify workshops and forums, such as this one, as a potential avenue for gathering private sector input.

Report from the workshop in Brussels (6th May 2010)

40 participants from 16 different sectors attended the Brussels workshop. The participants were very active and engage in dialogues with the public sector at European level.

Engagement of European companies in the international climate change process

There was a diverse degree of knowledge of the UNFCCC negotiations among participants. The majority of them viewed them as essential. The participation of many companies was not motivated by visibility, but for long term necessity for business, that will enable them to make better structured and actionable decisions**.**

There was a focus on the frustrations their companies or organizations felt with the current engagement. The voice of business had not been visible enough in the negotiations. There was regret that engagement tends to be business-to-business not business-to-government. The UNFCCC process is complex and difficult to understand and it is difficult to reconcile the logic between international and national activities or proposals. The fact that UNFCCC institutions are evolving is a good opportunity for businesses to try to establish a role in the governance structures. However, other expressed doubts over the effectiveness of the UNFCCC and suggested it might be better to engage with other forums (G20, MEF). If engagement is to be successful within the UNFCCC, it should build on existing structures and hooks within the UNFCCC.

Participants said that a clearer and more transparent multi-stakeholder process is needed. The experience of the EU multi-stakeholder forum was flexed as a good model to follow. The UN does not have same level of organization, or formalization of business participation. The EU consultation process allows access to the Commission, is managed in a combination of expert groups and informal meetings of sector groups. It is not formalized, but allows access.

Throughout the workshop, in both the general discussions and in the topic specific roundtables, a number of key themes came through very strongly:

The business contribution

Participants indicated that the business community involvement could help build bridges in international discussions and bring pragmatism. They need to be perceived as constructive. Participants believe there are two levels of engagement:

General information about the drivers for business decisions, the incentives that work, and the frameworks that influence business activities. This type of engagement could be channeled through business organizations or associations.

Technical information. On a more specific and technical level, engagement needs to be sector-specific. This is the case for CDM and JI or possibly new market mechanisms. Mechanisms for engagement should allow a group of sector experts**.** Some emphasized the need to contribute technical input for the implementation phase (setting standards, MRV, baseline setting, technology transfer), while others also defended the legitimate right to influence policymaking that will affect them.

Business is interested in, and is more effective at a more technical or at national levels then in international process

Incentives for engagement

The problem of current engagement needs to be addressed and seek ways to turn the process into an opportunity. It was discussed whether SMEs need other incentives and have different motivations to engage internationally. The conclusion was that there are no major differences to large companies; the main difference is in the capacity to participate. There are costs involved in business' engagement - financial and manpower. The investment needed to actively engage in such processes is relatively higher for SMEs in relation to their overall business than for large companies. The risk is that this only allows the big companies to participate.

In a similar vein, the involvement of developing country businesses was emphasized (on an equal basis as developed country business). There was also recognition that there might be a need for capacity building for developing country businesses.

Business representation

Sector specific issues are easier for businesses to focus on and engage in. But for business to be effective in more general policy discussions, where the attention span of individual companies is low it would need dedicated, committed individuals. Commitment to follow the discussions and to coordinate input and feedback, and to provide input based on agreed positions would be a challenging task. A new model for business would be required, not currently (completely) fulfilled by existing business organizations.

The question of how to address conflicts of interest was also raised. Existing examples, such as the IPCC could be looked to for examples of how to address these challenges. Essential to this also would be an efficient and transparent process. Using new technologies that could work with web tools, and video conferencing were cited as important to providing geographic linkages.

Engaging in a more structured process will require funding. This would be even more necessary if a formal business consultative process were to be set up. The setting up and running a coordinating/consultative system would require funds and human resources.

Lessons learnt from current engagements

One of the key messages was the need to manage expectations. It is important for business to know up front, what they can achieve through the engagement and what they cannot.

Participants highlighted a number if elements essential for success. Commitment from companies and individuals involved in engagement is essential to building relationships and trust. This implies a commitment of sources from companies (see above).

There should also be clear rules of engagement and a clear process for business to understand how to input, where this input goes and feedback on what the impacts are.

There needs to be learning from existing experiences such as the EGTT, BIAC, IEA (technical roadmaps) and APP. In the APP each sector has delegates composed 50:50 of government and business. It involves a close relationship by both sides in a sectoral context.

Other experiences mentioned include:

Consultation forum for the **EuP Directive**: this is a multi-stakeholder process, which is technical and sector oriented. Participants are from governments, NGOs and industry. Seats are granted for organizations, not individuals, and the organization sends participants depending on the topics discussed. This ensures real expertise is gathered.

The Basel Convention has both positive and negative examples. A positive example is the mobile phone initiative. The idea is to get companies across the whole life cycle together to analyze potential improvements in the product and processes.

Sweden has a reference group for CSR, which was highlighted as a good example. Information is provided in both directions, which provides a direct benefit for the participating companies.

FSC has a chamber-based voting mechanism that is generally perceived as a good model. The process includes 3 chambers (economic, social, environmental) that are each divided into two, reflecting north (industrialized) and south (developing country) members. One of the problems related to the decision making process is that each member has one voice, irrespective of the size of the company. However, it is generally seen as a good model for representative, bottom-up decision making, but is a long and cumbersome process.

Engagement in the development aid area have been less successful. Some of the main reasons include the difference in culture, the different language between businesses and NGOs, unclear and differing goals, and different time lines and speed of working.

Opportunity to engage in technology mechanism

Technology was identified as an area where business needs to have a role due to the importance of the topic to business, and vice-versa, and the fact that the modalities of a new technology mechanism are being negotiated currently. There is a need and opportunity for business input.

There was a strong feeling that governments lack an understanding of how technology transfer works for business and what technologies already exist. Participants were agreed that there needs to be a win-win from businesses engagement. A purely defensive approach would not be acceptable and there needs to be an image change with business viewed as a partner not as obstructionist. Two rationales exist for business engagement in technology issues, (i) knowledge that business has and can share, (ii) providing a positive and supportive approach to proposals for increasing technology diffusion.

There was much discussion on how business should coordinate itself for input to a technology mechanism. There was recognition that a limited number of seats would be available, and that there might need to be a role for a coordinator, or facilitator, of information.

Some of the mandates for input would be short and specific so flexibility in representation would be important. A coordinating body might gather/filter input and share in for dedicated website could be a cheap and effective solution

The need to have a roster of experts was discussed. There is already a roaster of experts selected by countries. This could be updated, with experts selected by countries and sectors. From this roster experts would be nominated for the different advisory panels. Participants saw the involvement of developing country business input as vital, and should be on an equal basis as developed country business representation.

There was a feeling amongst some participants that the technology discussions have been/are dominated by energy companies (especially in the EGTT discussions). All sectors need to be part of the discussions, a value chain approach is required. So any structured engagement must find a way to engage across sectors.

Opportunity to engage in NAMAs

The discussion is complicated given there is no clear definition of NAMAs. The concept of crediting was clear to all, and much of the discussion revolved around crediting issues, while the idea of funded NAMAs and how they can incentivize (or disincentives) business was less clear to participants.

One proposal was to focus on developing long-term strategies for developing countries and engage national stakeholders in this process. This would help business in defining their own strategies. Participants believed it is essential to stimulate engagement with developing country business over NAMAs. One specific proposal was to think about using modern ICT options (videoconferencing, web tools, etc.) to enable wider participation, especially from developing countries.

Another area of possible engagement is the standardization of global processes. However, most concluded that the majority of engagement in NAMAs would be at the national level where the direct impact on business is far clearer.

Opportunity to engage in CDM

The CDM has already provided a platform for private sector engagement, so lessons can be learnt from its successes and failures.

The CDM model is a regulatory model, and is different from other, "policy" focused bodies that might be created. Issues related to individual project should be left to those companies that own the projects. But there is also a role for business input to the model and structure. Practical workability and improvements are needed. The redesign of implementation is critical.

Two models were discussed by participants:

(i) National industry associations, bottom-up nomination of experts

(ii) A questionnaire approach to a broad stakeholder group. This is better from the perspective of representation, but would be likely to create less feedback and less transparency.

The involvement of developing country business was highlighted under the CDM as well, especially as the concept of NAMAs originated with developing countries.

List of participants

Beijing (26th March 2010)

- Mr. Heinz Zourek, DG Enterprise and Industry, European Commission
- Mr Zhai Qi, China Business Council for Sustainable Development
- ZHENG Shiwen, ABB (China) Ltd.
- Vanessa Kang, Alcoa (China) Investment Ltd.
- Emiel van Sambeek, Azure International
- Rudy Ho, Beijing Electric Vehicle NE Technology Development
- Liu Guangming, Beijing Zhongqilian Company
- Ma Xinying, Manager, China Ocean Shipping (Group) Co. Ltd.
- Peng Dezhi, Ciming Health Checkup Management Group Co.,Ltd

- Jan-Anne Schelling, DSM (China) Ltd.
- Shan Hongqing, Economic & Development Research Institute (EDRI)
- Dora Xu (Ms.), Europe-China Commercial Union
- Edward Ding, Europe-China Commercial Union
- Laurent Javaudin, EU Delegation to China
- Anne Sole-Mena, European Commission
- Marie Fan, China Region, Lafarge Beijing Representative Office
- Li Guanghai, Monitor Group
- Zhu Xiaoqing, Novozymes (China) Investment Co. Ltd
- Liu Xianfa PhD, Petrochemical Research Institute PetroChina Company Limited
- Gao Fei, PetroChina
- Jean Pasternak, Schneider Electric
- Weng Qiang, Department of International Cooperation, State Grid Corporation of China
- Dimitri De Boer, United Nations Industrial Development Organization
- Echo Jiang, Veolia Water Group Beijing Representative Office
- Deborah Seligsohn, World Resources Institute
- Adriaan Korthuis, Climate Focus
- Karla Lieberg, Climate Focus
- Niklas Hoehne, Ecofys
- Antonia Gawel, WBCSD
- Estelle Geisinger, WBCSD

Hong Kong (29th March 2010)

- Martin Putnam, Airport Authority Hong Kong
- Otto Poon, Analogue Holdings Ltd
- Mark Clifford, Asia Business Council
- Patrick Budden, AsiaNet Consultants
- Mara Chiorean, ASrIA
- Erik Floyd, ASrIA
- Rebecca Wright, ASrIA
- Alison McEwan, British Consulate-General Hong Kong
- Shan Lam, Carbon Care Asia Ltd.
- Beatrice Mok, Carthy Limited
- Janice Lao, Cathay Pacific Airways Ltd
- Georgina Macdonald, CCBF
- Bonnie Ho, CCBF
- Rachel Fleishman, CCBF
- Josie Close, City University of Hong Kong
- Christine Loh, Civic Exchange
- Anna Beech, Civic Exchange
- Andrew Brandler, CLP Holdings Ltd
- Jeanne Ng, CLP Holdings Ltd
- Derek Chalmers, Clyde & Co
- Jacqui Dixon, CSR Asia
- John Ma, Deloitte Touche Tohmatsu
- Ciara Shannon, Eden Ventures
- Robert Allender, Energy Resources Management
- Vincent Cheung, Environmental Protection Department, HK Gov
- Edmund Yeun, Environmental Protection Department, HK Gov

- Shirlee Algire, Gammon Construction Limited
- Dominic Yin, Greater China Environmental Protection Ltd
- Karin Ri, Hermes Fund Managers Limited
- Bill Barron, HKUST
- TC Yee, Hongkong Electric Co. Ltd.
- Anthony Tsui, HSBC
- Laura Barnes, Inspections, Audits and Assessments, Bureau Veritas Consumer Products Services
- Christopher Tung, K&L Gates
- Bruce Bergstrom, Li & Fung (Trading) Ltd.
- Kit Fong Law, MTR
- Meike Diemer, Noble Carbon Credits
- Hong Lee, Peterson Far East
- Christopher Ho, PricewaterhouseCoopers
- Margaret Brooke, Professional Property Services Limited
- Thomas Lau, Sino Land Company Limited
- William Hess, Standard & Poor's
- Catherine Simmons, State Street
- Nicolas Schmitt, Sustain Asia Ltd.
- Alanna Miles, Swire Properties Ltd.
- Douglas Woodring, Verte
- Anna Sole-Mena, European Commission
- Antonia Gawel, WBCSD
- Estelle Geisinger, WBCSD
- Adriaan Korthius, Climate Focus
- Nicholas Hoehne, Ecofys

Sao Paulo (14th April 2010)

- João Teixeira, Grupo Santander
- Maria Luisa Sequetin, Grupo Santander
- Tatiana de Oliveira Camargo, Grupo Abril
- Renata de Barros Deak, Itaú Unibanco
- Cenira de Moura Nunes, Gerdau
- Irene Wasilevsky, Buenos Aires Stock Exchange
- Ana Paula Grether de Mello Carvalho, Petrobras
- Julia Spinassé, Banco Bradesco
- Renata de Araújo Cardoso, Vale
- Matheus Bueno, Universidade Sao Paulo
- Melissa Sawaya Hirschheimer, Grupo Ecopart
- Mariana dos Santos Parra, Instituto Ethos
- Marcela Cotrim, Allianz Seguros
- Adriana Alves, Sadia
- Mauricio Born, Alcoa,
- Luiz Carlos Xavier, Braskem
- Gabriele Tusa, Menezes e Abreu Advogados
- Tatiana Bandeira Pezutto, Banco Bradesco
- Daniela Stump, Pinheiro Pedro Advogados
- Jorge Soto, Braskem
- Thomas Lucena, Shell
- Sueli Aparecida de Oliveira, BASF
- Vladimir Abreu, Tozzini Freire Advogados
- Roberta Paro, Fundação Dom Cabral, Altair Assumpção, Grupo Santander
- Florence Laloe, ICLE

- Maurik Jehee: Grupo Santander
- Marina Rossi, CBDES
- Fernanda Gimenes, CBDES
- Sofia Shellard, CBDES
- Thosmas Ufer, Co Criar
- Narjara Thamiz, Co Criar
- Estelle Geisinger, WBCSD
- Marion Vieweg, Ecofys
- Tchago Chagas, Climate Focus
- María Mendiluce, WBCSD

Washington DC (27th April 2010)

- Ricardo Nogueira, Leaf Clean Energy Company & Trading Emissions PLC
- Brad Sparks, KPMG
- Jeffrey Hayward, Rainforest Alliance
- Eric Holdsworth, Edison Electric Institute
- Richard Lattanzio, Resources, Science & Industry Division, Congressional Research Service
- Elliot Diringer, PEW
- Norine Kennedy, USCIB
- Richard Campbll, Congressional Research Service
- Jim Bruce, UPS Corporate Plant Engineering
- Jeffrey Potent, US EPA Office of Water
- Shari Brown, Weyerhaueser
- Duncan Marsh, The Nature Conservancy
- Lisa Jacobsen, Business Council for Sustainable Energy
- Andrew Mangan, US BCSD
- Andrew Portnoy, The McGraw Hill Companies
- Radha Kuppalli, New Forests Inc.
- Steve Engler, Deloitte
- Joseph Clayton, Outreach Strategies, LLC
- Tad Segal, Outreach Strategies, LLC
- Laura Tierney, Business Council for Sustainable Energy
- Trigg Talley, State government
- Amanda Vockerodt, State government
- Paul Bodnar, State government
- Alexander Ochs, Worldwatch Institute
- Robert Hilton, Alstom
- Ken Rubin, PA Consulting Group
- Nikoletta Nagy, European Commission
- Ira Feldman, Greentrack Strategies
- Charlotte Streck, Climate Focus
- Marion Vieweg, Ecofys
- Matthew Bateson, WBCSD

Brussels (6th May 2010)

- Niels Schreuder, AGC Glass Europe
- Emmanuel Hazard, AGC Glass Europe

- Jesse Scott, E3G
- Peter Natkanski, Syngenta
- Sandrine Dixson-Décleve, Cambridge University
- Patrick Verhagen, Holcim
- Valerie Ferret, 3DS
- Staf Laget, Umicore
- Stéphane Boucher, European Climate Foundation
- Jaap Strengers, European Climate Foundation
- Adele Naudy, Alstom Power
- Hans-Jörn Weddige, ThyssenKrupp
- Joachim Hein, Econsense
- Malvik Havard Vaggen, Statkraft
- Thomas Jostmann, Evonik
- Sylvain Lhote, Borealis Group
- Jean-Marie Chandelle, CEMBUREAU
- Alberto Glender, EMBAMEX
- Anne-Claire Rasselet, ORGALIME
- Alexis Wautot, Ernst & Young
- Michel Bande, Solvay
- Alessandra Borella, ENI
- Rosanna Fusco, ENI
- Teresa Lenz, EUROCHAMBRES
- Madeleine Cobb, Climate Group
- Damian Ryan, Climate Group
- Kazuhito Sakurai, METI
- Claus Beckmann, BASF
- Anders Nordström, ABB Asea Brown Boveri Ltd.
- Jean-Paul Peers, Siemens
- Cameron Ironside, Hydro Power
- Rémi Gruet, EWEA
- Andrei Marcu, Mercuria Energy Trading
- Jean-Yves Caneill, EDF
- Andrew Highman, UNFCCC
- Nick Campbell, ICC
- Miles Austin, CMIA
- Didier Herbert, European Commission
- Anna Sole-Mena, European Commission
- Matthew Bateson, WBCSD
- Barbara Black, WBCSD
- Marion Vieweg, Ecofys
- Moritz von Unger, Climate Focus
- Maria Mendiluce, WBCSD