

Private Sector and the UNFCCC: Options for Institutional Engagement

December 2010

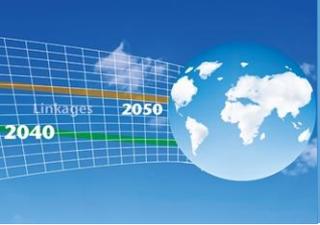


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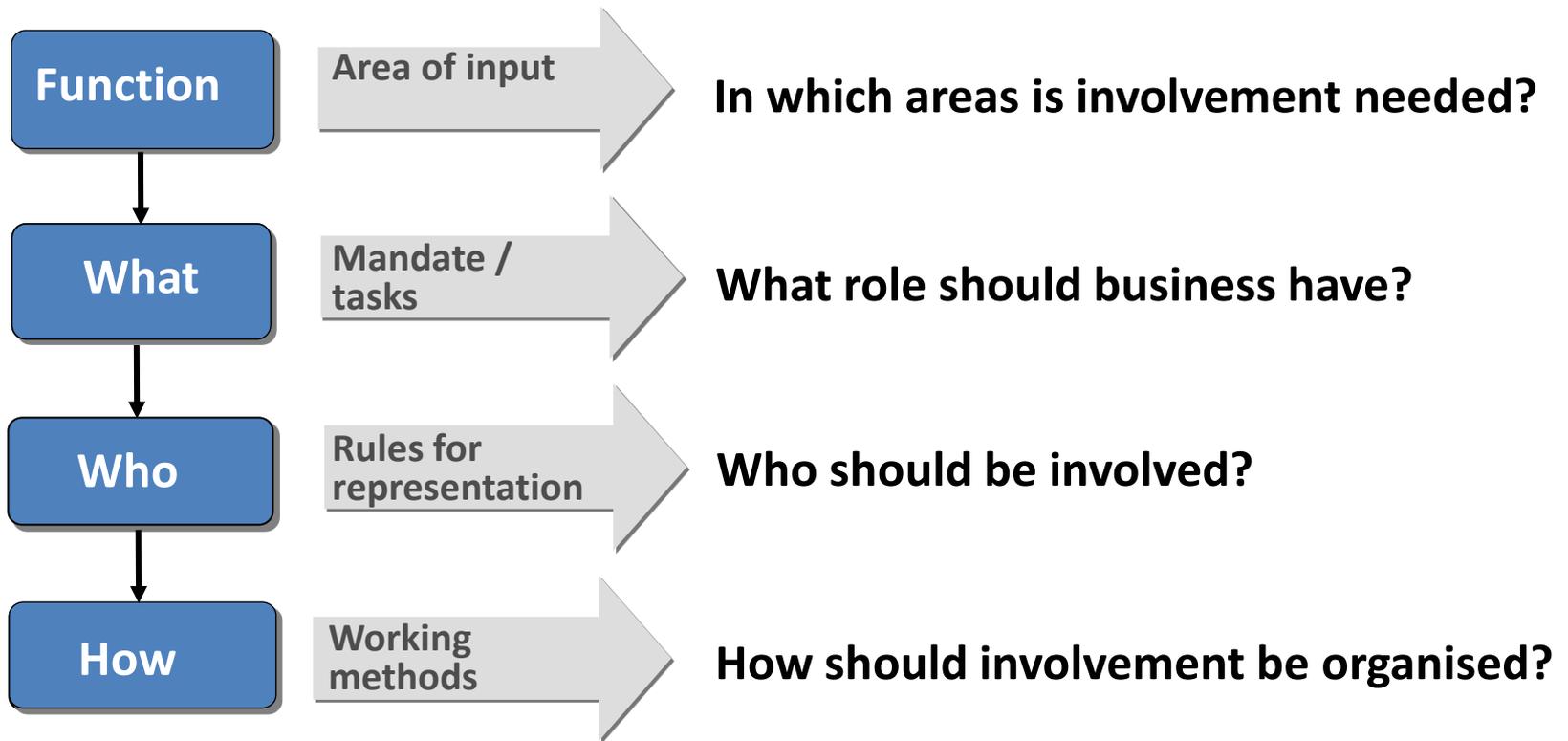
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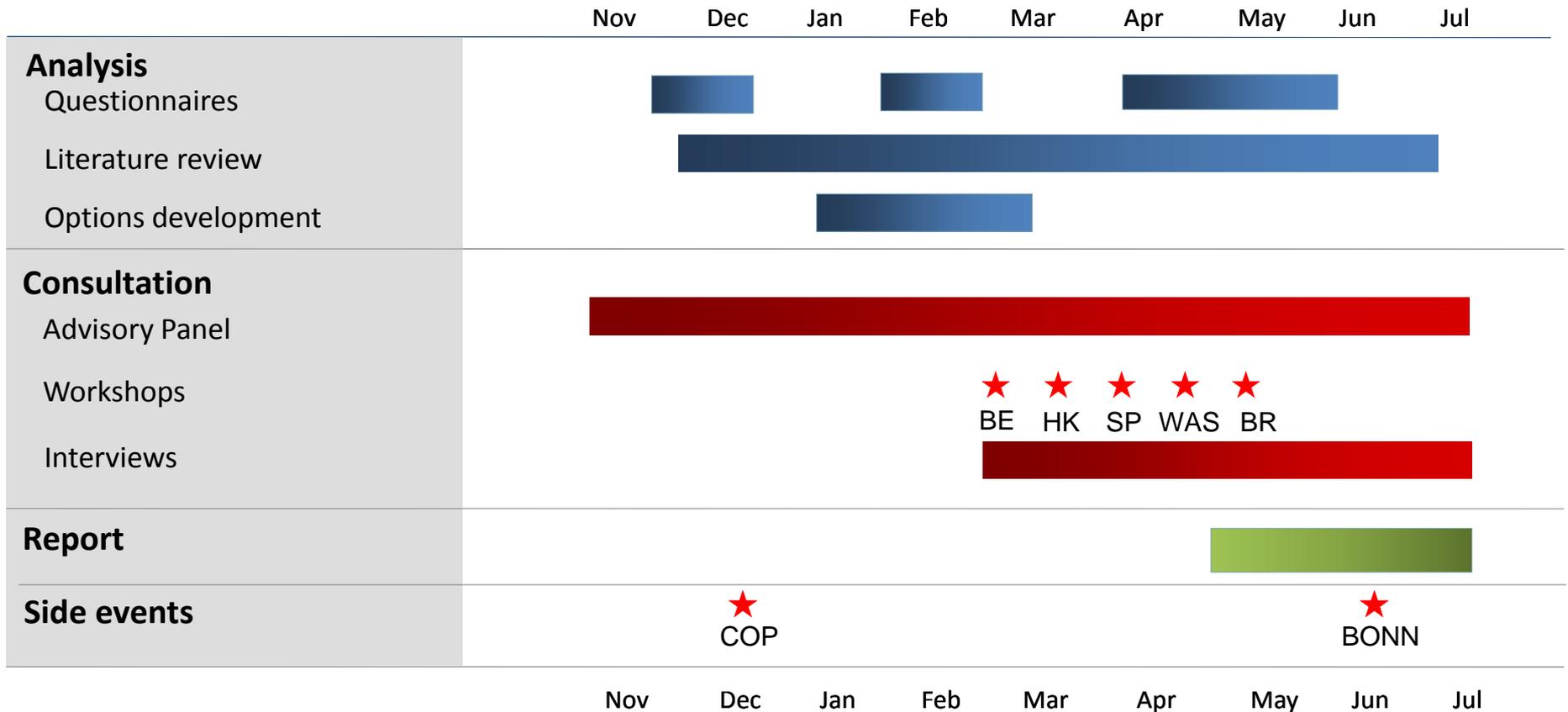
The study evaluates private sector engagement in the UNFCCC process and presents options for its improvement

Is business involvement needed? If so, why?





The project has involved a broad stakeholder consultation through an advisory panel, workshops and interviews



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Private sector and Governments face similar challenges

Private Sector

Main challenge: build trust, position itself as “solutions partner”

- Many voices
- Geographic differences
- Sectoral perspectives
- Competition
- New opportunities
- Lack of empowerment

Government

Main challenge: create an improved mechanism for effective input from diverse business participants

- Differing perspectives
- Geographic/regional perspectives
- National interests
- Need actions
- Need for fulfillment of commitments

Investment , diffusion and innovation



Emission reductions, development, survival



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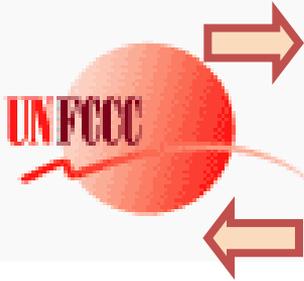
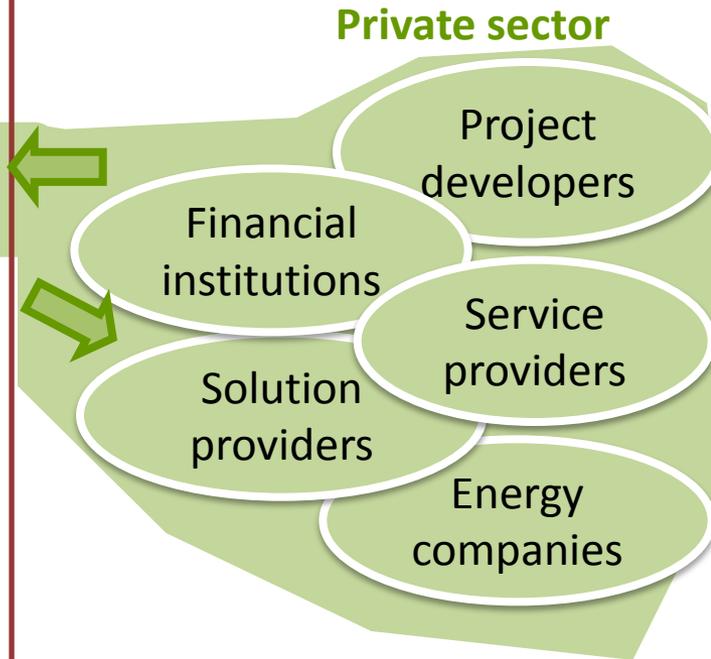
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The private sector engages in the UNFCCC process through the BINGO observer constituency

- Observer constituencies**
1. Business and industry non-governmental organizations (BINGO)
 2. Environmental non-governmental organizations (ENGO)
 3. Farmers*
 4. Indigenous people's organizations
 5. Local government and municipal authorities (LGMA)
 6. Research and independent non-governmental organizations (RINGO)
 7. Trade unions non-governmental organizations (TUNGO)
 8. Women and gender*
 9. Youth* (YOUNGO)



* Provisional constituencies



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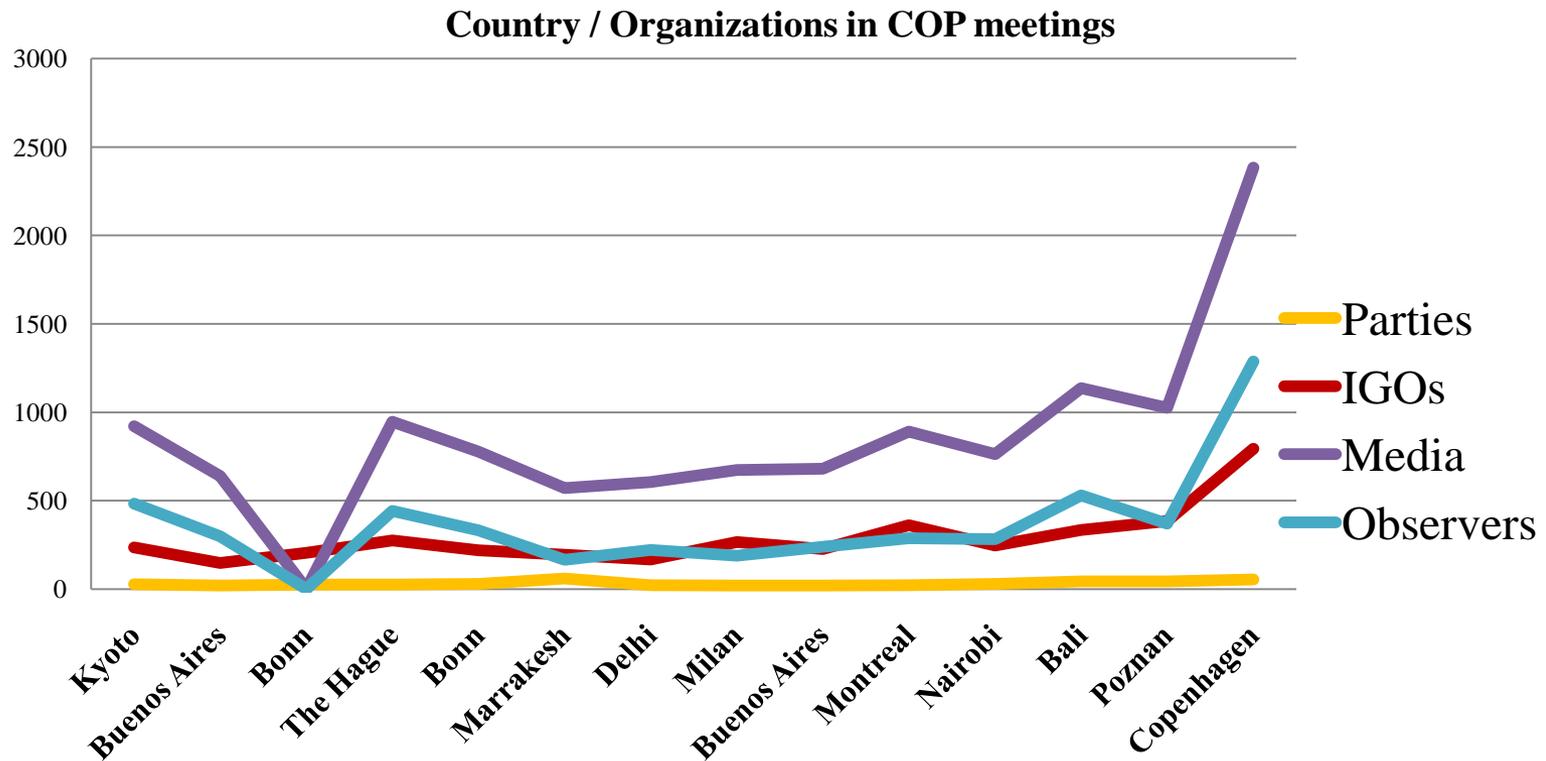


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The number of business organisations admitted in COPs have increased steadily



However, the actual input of the private sector has decreased because of the difficulty to channel different business voices into the process



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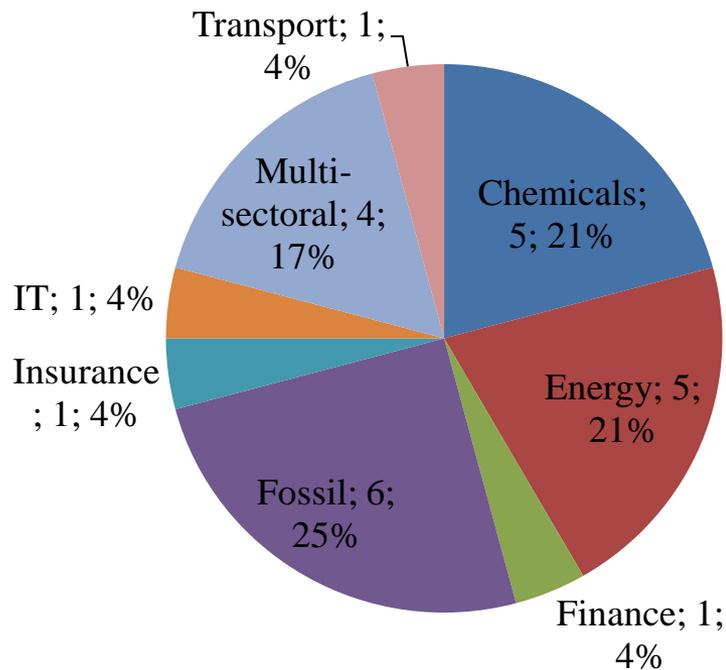
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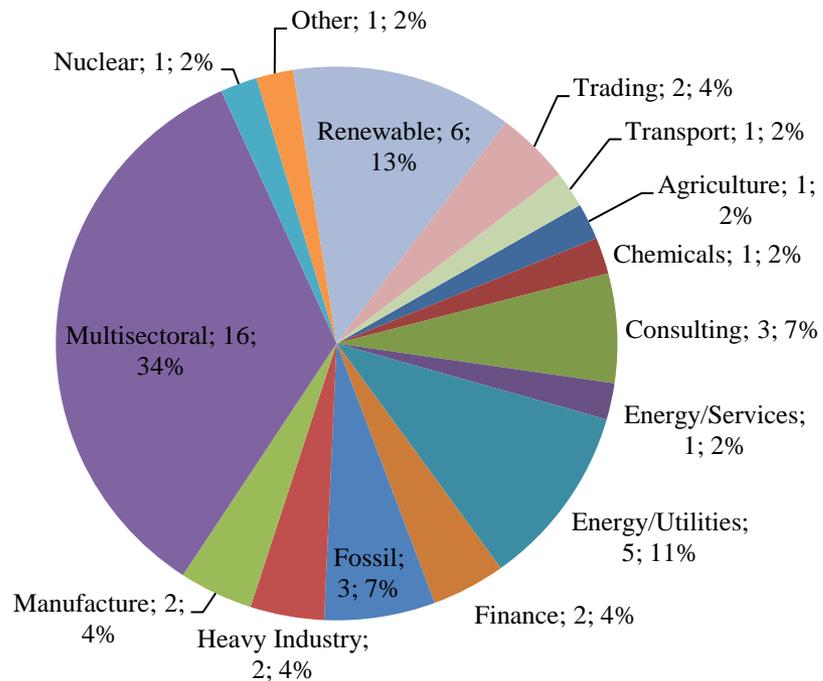
Sectoral participation has shifted from defensive to opportunity driven

Interim Negotiating Committee Feb 1995



Defensive

COP 13 - Bali



Opportunity



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Current engagement

Formal

- ✓ Attend plenary sessions
 - ✓ Access to all the documents.
 - ✓ May be invited to intervene ad hoc
- ≠ No interventions
≠ No opportunity to take the floor

Informal

- ✓ Side events
- ✓ Exhibits

Hybrid

- ✓ Secretariat coordinates meetings between observers & Executive Secretary and officials





An enhanced role for the private sector in the UNFCCC process could take many forms

Role

- Observer or advisory?
- Active or passive?

Who

- Individuals, companies or NGOs?

Type of engagement

- Formal or informal?

Options

- Status quo?
- Centralised body?
- Windows approach?
- Hybrids?

Coordinator

- UNFCCC unit?
- PS institution?

Other

- Terms of engagement (TOR)?
- Conflict of interest?
- Mode of operation?

**TAILORED
ENGAGEMENT**





Private sector engagement is frequent, usually bottom-up and without the right to make final decisions

Active

Passive

**OBSERVER
ROLE**

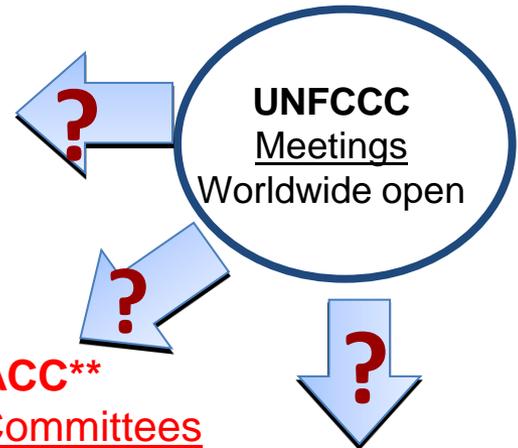
**TECHNICAL
ADVISORY
ROLE**

Climate Investment Funds (CIF)
Trust Fund Committees (formal)
 Worldwide Self Selection

Asia Pacific Partnership (APP)
Task Forces (formal)
 Governments

OECD BIACC**
Advise OECD Committees (formal and informal)
 National Business Associations

Montreal Protocol TEAP*
Advise MOP (formal)
 Governments



Institution Function
 Selection process
High engagement level
Low engagement level

* Technical & economic assessment panel ** Business & Industry Advisory Committee

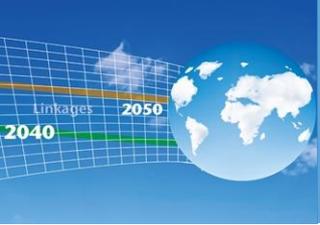




A mixture of representation will likely be the most effective option

- ✓ **Business organizations**
 - Provide a hub for companies, representative of business as a whole
 - Have a structured way to collect, store and channel information
 - Provide a suitable vehicle for an observer role
- ✓ **Companies** in their own capacity
 - Cannot provide representation of the business community
 - Lack capacity to organise and channel input from wider community
 - Suitable for an advisory/expert role
- ✓ **Individual experts**
 - Can be hired on an ad hoc basis to provide input on particular issues (eg. CDM Meth Panel)





Options for enhanced engagement

Modalities

Options

Hybrid

Formal

Status quo

Informal

Windows

**Windows &
UNFCCC**

Centralised

Phased in





...but both are needed

Informal

An informal dialogue provides **flexibility and vitality**

- Suitable for brainstorming and information sharing
- Can generate a high degree of trust and understanding between business and governments
- Often focused on specific topics
- Eg: Mexican Dialogues, EGTT government business dialogues.

Formal

✓ Formal processes provide **longer term solutions**

- New formal bodies on finance and technology would benefit from a formal advisory structure including the private sector





“Windows” approach – issue or sectoral

Several new coordination structures tailored to particular areas of engagement with a lead organization per area. Provides options to engage informally and then formally as the process matures. Maintains focal point structure to provide general coordination

Advantages

- **Recognition** by the BINGO community because allows broad participation of expertise
- **Incentive** for business to be involved in topics relevant to their area of expertise
- **Flexibility** to respond to the needs and accommodate engagement opportunities
- Higher **acceptability** by Governments and business
- Parallel process of informal engagement **build trust** and help facilitate knowledge sharing and **capacity building**.
- **Speedily** set up to start running the process

Limitations

- Topic-by-topic approach risks losing sight of the **interconnections**
- Risk of **disagreement** on lead **coordination** in certain areas
- Tailored areas of engagement might not facilitate keeping an integrated **institutional memory**





Hybrid options

Windows approach with a coordinated entity in the UNFCCC

- ✓ Includes a coordinating entity within the UNFCCC Secretariat that manage the overall coordination with private sector and ensures effective coordination and institutional memory.
- ✓ Dedicated engagement areas would be created as windows (e.g. carbon markets, technology, etc) and managed by different business entities.
- ✓ Benefits of the windows model (recognition, broad participation, incentives for engagement, expertise, flexibility and trust building) strengthened with the UNFCCC.





Where could the PS engage?

Under the assumption of **coordination through the windows approach**, the private sector could have a role in the following crucial areas

Finance

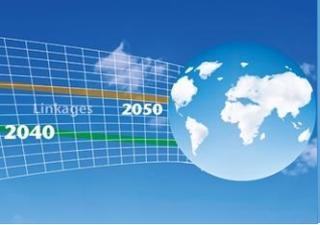
Carbon markets

REDD

Technology

NAMAS





Appendix

- Appendix



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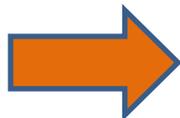
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ECOFYS



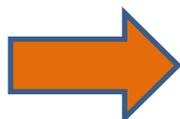
Governments and the private sector agree they need to work together to combat climate change

Rationale for private sector engagement with Government



- ✓ Understand the challenges
- ✓ Promote predictable and transparent policy frameworks
- ✓ Ensure that intergovernmental decisions are technically viable and financially feasible
- ✓ Offer advise on implementation
- ✓ Network with government negotiators and business representatives to engage in partnerships and gain access to new markets

Rationale for Governments further engagement of the private sector

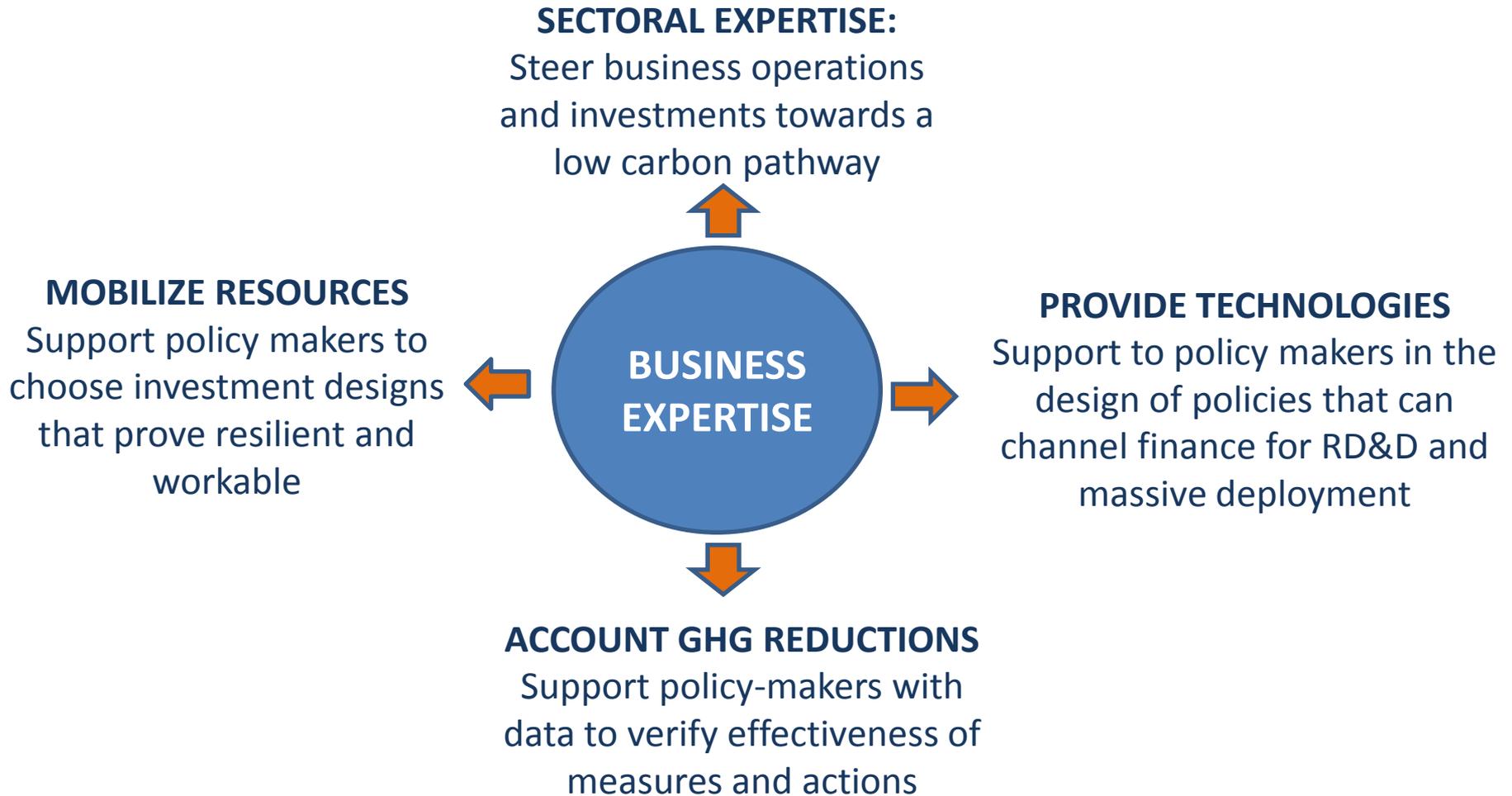


- ✓ Test feasibility of decisions at macro level
- ✓ Seek advice for specific technical issues
- ✓ Increase overall legitimacy of international rules
- ✓ Explore options and innovative concepts
- ✓ Improving government-business relationships





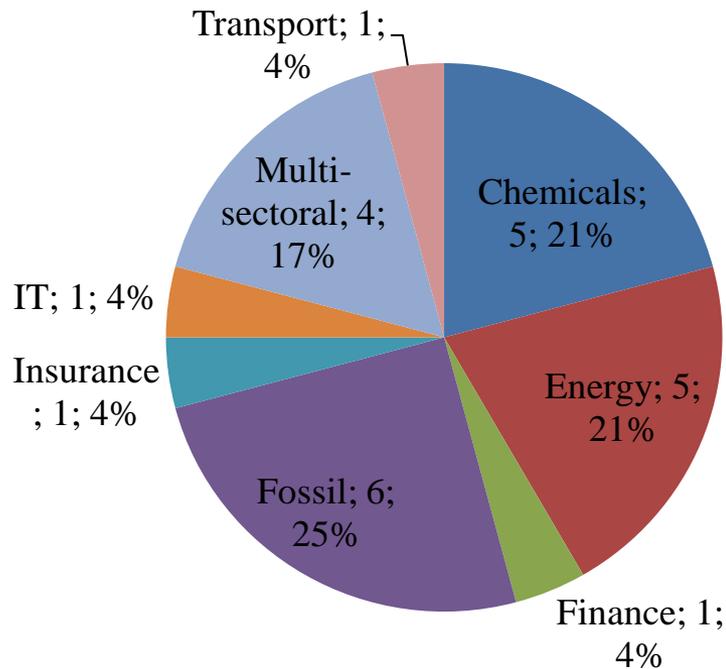
A well-designed business engagement process could improve implementation of climate policies





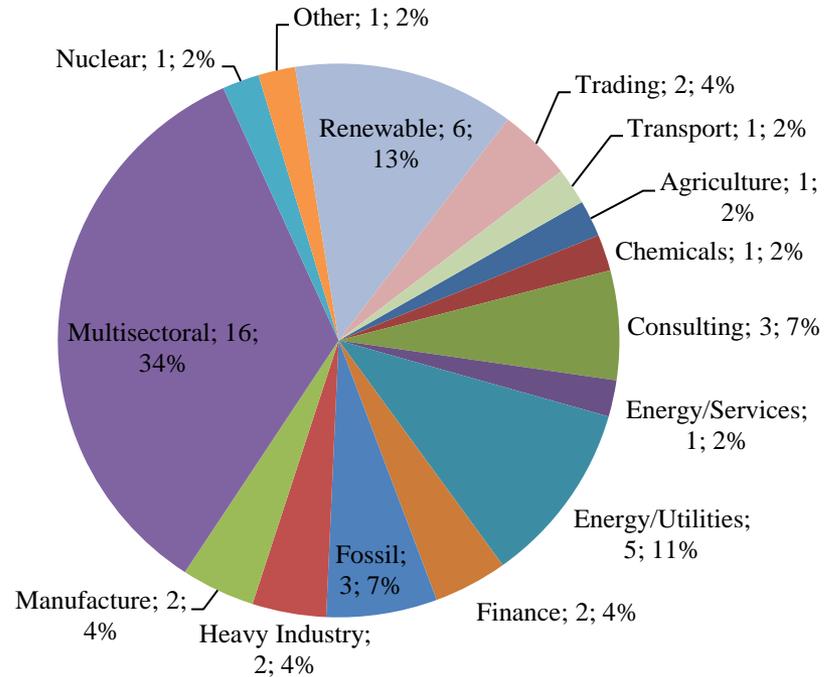
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A higher private involvement has been attempted in the past but it is more likely to succeed now

Private sector

Governments

PAST

- ✓ Some still negated the reality of climate change
- ✓ Not able to communicate the benefits of engagement
- ✓ Speaking from different perspective than Gov.
- ✓ Not aware of the process and its implications

- ✓ Little understanding of the value of engagement
- ✓ Little appetite to engage with PS
- ✓ Business seen as a “problem”

NOW

- ✓ Accepts the need to engage
- ✓ Provides a positive message of technological expertise and financial capabilities
- ✓ Better understanding of the implications of the process
- ✓ Seeks sustained engagement

- ✓ Better understanding of the role of business
- ✓ Recognize business as part of the solution
- ✓ Transition to a bottom – up action that require multiple solutions



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Single coordinating entity – centralised

Creation of a central body (new or offspring) acting as a clearinghouse for business input requests from the process, managed by the UNFCCC or a business entity.

Advantages

- Provide **consolidated** but multi-voiced input with more focus, ensuring cross linkages
- **Representation** could be an incentive to engage business
- **Platform for information sharing** and continuity.

Limitations

- One body could create serious concern and **tension** within the business community.
- Difficult that one entity could or is **accepted** to lead business voice
- The set up and operation require significant **funding**
- **Risks:**
 - Consulting with a limited number of people that becomes **unrepresentative**
 - **Low accessibility** by business, especially developing country.
 - **Inflexible** to the varying needs
 - **Monolithic** nature may deter acceptability by governments and the private sector.
 - **Watering down** of inputs when seeking consensus.





Carbon markets

Aim of engagement

- Refine and further develop the **CDM and JI**
- Design and define scope of **sectoral crediting and NAMAs**
- Define rules of **emissions trading** for the private sector

Role

- **Advisory role**- Private sector hearings, open and voluntary
- **Active engagement**

Selection process

- **Direct participation of companies:** in implementation where individual companies are directly involved
- **Business associations** at policy level
- **Individual experts** assigned a role on the different CDM bodies and panels. Codes of conduct and guidelines on conflict of interest would be defined

Institutional structure

- Appointed **focal point** organises regular interactive forums involving body members, verifiers, government representatives, investors and project sponsors
- **Business associations** channel business positions





Technology

Technology Mechanism



Business engagement

- Open call or roster of experts / geographic vs. sectoral
- Consulted on request / mandatory

Expert role

- Very active and ad hoc workshops
- Physical presence / web presence

Selection process

- Transparency
- Flexibility
- Independence

Technology Executive Committee

Business Engagement

- Active/ Passive Observer/ Experts
- Consulted on request / mandatory
- One or several observers

Observer role

- From active to passive

Selection process

- Legitimacy
- Representativity
- Transparency
- Flexibility





UNFCCC finance

High Level Panel
Study the contribution of potential sources of revenue for financing

Green climate fund
Support mitigation projects, programmes and policies in developing



Business role

- Informal engagement at national level
- Passive advisory role at international level

Business role

- Passive advisory role for input of expert knowledge
- Active role for specific questions
- Engagement on request

Enhanced business engagement

- Global briefings by the Advisory Group on climate Change Financing and work stream leaders
- Review and comment outlines of working streams, policy and technical decisions related to the fund
- Channel to allow input relevant to individual working streams
- Platform for information exchange to test new ideas





NAMAs

Aim of engagement

- Define content and funding of NAMAs
- Provide targeted sectoral expertise
- Provide information for setting sectoral baselines and defining appropriate national policies and frameworks
- Define appropriate rules for MRV

Role

- **Advisory role-** Sectoral experts asked to provide input
- **Active engagement-**
- **Mandatory engagement-** Specific requests for experts

Form of engagement

- **Establishment of guidelines and methodologies:** sectoral expertise required.
- **Review and matching of NAMA proposals:** use a roster of experts
- **Definition of methodologies:** Improve data through collaboration with stakeholders





REDD+

Aim of engagement

- **Ensure feasibility** of on-the-ground implementation
- **Share expertise** related to technical and fiduciary criteria and performance indicators

Role

- **Advisory role**- Channel technical inputs and share expertise
- **Active engagement**- have a say in agenda items
- **Mandatory engagement**- Provides a more stable channel for sharing experience and informing decision-making

Participants

- **Individual experts**- Technical and objective assessment is required
- **Companies**- Implementation of projects and independent verification and certification of results
- **Business associations**- Represent interests of private actors, help build consensus and channel input to REDD bodies

Form of engagement

- **Single advisory body for REDD**- Representing non-Party interests and expertise, including also community, indigenous people and NGO
- Regular **interactive forums** among stakeholders
- **Selection process** organised by the secretariat of REDD

