Private Sector and the UNFCCC
Options for Institutional Engagement

Final Report

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The **Competitiveness and Innovation Framework Programme of the European Commission** has funded this study aiming at defining and evaluating options for private sector engagement in the context of the UNFCCC international climate negotiation process.

The **World Business Council for Sustainable Development** (WBCSD)[1], **Ecofys** and **Climate Focus** were appointed by the European Commission in October 2009 to conduct an analysis of the current role of the private sector in the UNFCCC; how it interacts in other international government processes; a summary of the international stakeholder engagement process; and an evaluation of options for how the private sector role can be enhanced within the UNFCCC process.

This report does not contain specific recommendations, but is intended as input to support considerations of how more effective engagement with the private sector could be structured.

The views, options and analysis contained within the report reflect the outcome of nine months of research, and extensive stakeholder engagement, undertaken by the three partner organizations.

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[1] This report has been developed by WBCSD Secretariat, but has not been formally signed off by the member companies.

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Executive summary

Both governments and the private sector recognize the need to work together to combat global climate change. The ultimate challenge for governments lies in developing a global framework that will promote investments in mitigation and adaptation. Policymakers need to develop a delivery-oriented architecture, supported by policies, measures and rules that promote real emission reductions, in a cost-effective, economically-feasible way. Governments also recognize that the private sector, with its capacity to invent, adapt and invest in clean technologies, is a critical agent for the transition to a global low-carbon economy. The private sector will provide most of the investment needed to move industries on a low-emissions track and will catalyze the development of new technologies, knowledge and know-how.

The private sector is ready to support governments in this effort. Increasingly, businesses realize they need to prepare for and adjust to domestic and international carbon constraints. They recognize the opportunities and challenges that are best addressed through the creation of incentives under a transparent, stable and cost-efficient international framework. Companies are increasingly factoring climate-related issues into their investment decisions. Business also recognizes the opportunities provided through national and international climate regulation.

Governments need to design a new structure to facilitate the engagement of the business sector and maximize its energy and innovation. Negotiators under the UNFCCC—a government process—currently talk more frequently *about* business than *with* business. The expertise and interest of the business community is not, as yet, reflected in the procedures of the process—at least not on the level necessary for effective interaction. There have been attempts over the years to include private sector considerations, but these initiatives have not resulted in any formal or systematic way of tapping the much-needed private sector expertise.

Study overview

This study evaluates private sector engagement in the UNFCCC process and other international processes and presents options for improved engagement. It reviews the existing business engagement practices in the UNFCCC process, and evaluates the lessons learned and the areas where the private sector could engage more constructively. This study also reviews business engagement models outside the UNFCCC. To evaluate the views of stakeholders on private sector participation, the study provides a summary of outcomes from five global workshops and surveys. Finally, the study proposes options for private sector engagement in the intergovernmental process, and the principles and criteria that need to be considered. Illustrative options for private sector engagement in the UNFCCC process are also provided.

Private sector engagement is essential for success

A well-designed business engagement process could allow the private sector to offer its particular expertise to the UNFCCC process in a number of ways:

- **Share expertise.** The private sector can advise government negotiators and national experts on the conditions favorable for leveraging finance, deploying technologies, and implementing national and sectoral low-carbon development plans. It can call on extensive sectoral knowledge and expertise to steer business operations and investments toward a low-carbon pathway.
- **Mobilize resources.** As an essential actor in mobilizing finance, business expertise is crucial in establishing the appropriate investment structures and in targeting investments in

mitigation and adaptation. Financiers and investors may help policy makers to choose investment designs that prove resilient and workable.

- **Provide technology.** Properly-designed policies can channel finance into low-carbon technologies that are in the research and development phase, as well as into technology demonstration and deployment. Business will be crucial in providing low-carbon technology, introducing them to the market and transferring the know-how to build and operate the technology, where needed.
- **Account for GHG reductions.** Business is instrumental in providing the means to gather, collect, and process information and accurate data, and to verify measures and actions. However, business needs to be involved in establishing and understanding what data is needed and how measures and actions can best be verified.

Business understands that international climate policies can influence their operations in several ways, and seeks to turn them into opportunities. International standards, rules and commitments lead to domestic emissions-constraining policies, which can take the form of energy efficiency standards, renewable energy quotas, carbon taxes and emissions trading schemes. More directly, business operations may be affected by new market instruments that allow for their direct participation in treaty compliance at the international level, financial flows from international funds and markets, and agreements promoting technology transfer and deployment.

Businesses come in all shapes and sizes. There are many business voices, geographic differences, and sectoral perspectives, not to mention considerable competition between companies and organizations. A key challenge for governments lies in creating an improved mechanism for effective input from the broad variety of business participants. Allowing for greater private sector involvement will require governments to manage and deal with a range of issues:

- Balancing the requirement for meaningful business participation with the need for an expeditious, effective governmental decision-making process;
- Managing controversies or frictions that may arise from a new (or enhanced) set of relationships, such as between the private sector and political actors, between the private sector and other civil society groups and among the private sector itself;
- Ensuring balanced input between more and less powerful groups, such as small- and medium-sized enterprises (SMEs), trade unions, small developing countries, local communities and social networks;
- Addressing the risk of lobbying that naturally and legitimately stems from business participation. Companies will always defend their perspectives, with some having more resources to advance their positions than others.

Governments should establish mechanisms to ensure adequate levels of engagement for different private sector interests. Any enhanced mechanism or forum for business must be designed with clear boundaries defining the level of engagement. Rule-making and ultimate supervision of implementation will remain the sovereign privilege of states.

Evolution of private sector engagement under the UNFCCC

Current rules enable observers, including the private sector, to interact through non-governmental organizations (NGOs) within the intergovernmental process. Observer organizations, accredited by the Conference of the Parties (COP), have increased their participation over the years. Indeed, NGOs attending UNFCCC sessions outnumber government delegates by a wide margin, with a range of business representatives in their ranks. In particular, under the Kyoto Protocol, there are four main areas where the private sector engages within the existing processes: the Clean Development Mechanism (CDM) in non-Annex I countries, Joint Implementation (JI) in Annex I countries, the Compliance Committee and the Adaptation Fund. The greatest interest for private sector engagement lies in the CDM and JI, which create direct business incentives.

Current stakeholder processes within the UNFCCC only allow observers to have a passive role. There are no comprehensive/systematic stakeholder processes in place and the modes of involvement, in some cases, are seen to be inadequate. Business is rarely approached as a stakeholder within formal international engagement processes. Informal processes are currently more relevant than formal processes for influencing decision-making at the international level. One exception is the Expert Group on Technology Transfer (EGTT), where discussions are under way to formalize the current and future informal involvement.

Although the UNFCCC process allows for a robust observer community, the current opportunities for engagement do not allow the private sector to contribute to more informed decision-making in the areas that require private sector involvement for successful implementation. The full benefits of business participation have not yet come to fruition, particularly as the current format for business participation lacks coordination, direction and output. Formal opportunities for engagement are provided by the UNFCCC, and through the application of UN procedures. Deepening the involvement of business observers to a more meaningful level will require additional action by parties.

Lessons from other intergovernmental processes

Substantive engagement of the private sector, even through formal channels, is not new in intergovernmental processes. Valuable lessons and examples exist. The private sector engages, formally and informally, in several intergovernmental processes and bodies. In general, under multilateral environmental regimes, the private sector has been granted limited formal avenues for communicating with the international institutions and bodies that create and implement rules.

Most structures for engagement are designed to allow the private sector to provide technical or scientific expertise. The Climate Investment Funds (CIF), a collaborative partnership among multilateral development banks; the Intergovernmental Panel on Climate Change; the Montreal Protocol; the Organization for Economic Co-operation and Development through its Business and Industry Advisory Committee; and the Asia-Pacific Partnership on Clean Development and Climate all provide structures that directly engage the private sector.

Engaging stakeholders in an international consultative process

In preparing this report, the project organizers convened **stakeholder workshops in Beijing, Washington, Hong Kong, Sao Paolo and Brussels.** Workshop participants included business representatives, government officials, experts and NGO representatives. The questions focused on why business should engage, in which specific areas, how engagement would take place and who would be represented. Participants held a common view that two levels of participation are needed for business:

- **A general role** for interacting with the process and providing business views on cross-cutting and general issues. A focal point or selected representative could engage in general discussions, after compiling input from business through, for example, national or regional business groups.
- **An advisory role for technical and sectoral issues**, such as through an advisory board or roster of experts to advise technical meetings.

A general view among workshop participants, as well as from an online survey, was that business involvement is currently more effective at the national than at the international level. There is a perception that engagement nationally is more timely, more concrete, closer to implementation and organized in a way that allows the private sector to add value—as issues have a more direct and tangible impact on individual companies. Engaging in international processes, especially the UNFCCC, is seen to have too little impact on decisions and often reflects the views of the 'lowest common denominator.' However, there was unanimity in acknowledging that a higher level of greater international involvement by the private sector was necessary.

Private sector participation will help to ensure that businesses are committed to finding solutions that help meet climate mitigation and adaptation goals. Businesses wish to ensure that policies do not distort business/competition and set realistic goals and political instruments. Private sector engagement in all areas of the UNFCCC process is seen as important, from high-level policy-making, development of tools, implementation, Measurement, Reporting and Verification (MRV) to compliance. A clear preference was given to mandatory consultation processes and expert meetings.

Options to enhance private sector engagement

Enhancing private sector participation in the UNFCCC process will enhance the likelihood of achieving successful and sustainable policies to address global climate change. As governments seek to build a new international framework for cooperation, they should also strive to incorporate mechanisms that make more efficient use of the considerable expertise and skills available from the private sector. A number of options for enhanced engagement—for organizing and channelling private sector inputs—could help make implementation more effective.

An enhanced role for the private sector in the UNFCCC process could take many forms. These could include becoming a more *active observer* or an *advisor,* providing governments with specific business perspectives and know-how. An advisory role, if effectively designed, could help UNFCCC negotiators channel greater technical expertise into their discussions and add value to criteria-setting by ensuring that the mechanisms and standards developed at the international level can be implemented on the ground. This role could be filled by a business association, by a private company or by an individual expert and would be tailored to fit the specific needs, as no single solution fits all. A mixture of representation would likely be the most effective option and provide the needed flexibility.

An enhanced role for the private sector in the UNFCCC process will require effective coordination. Coordination will allow information to be channelled effectively between the private sector and the UNFCCC. Coordination will help establish a platform for information exchange, and, perhaps most importantly, ensure transparency and trust—both within the business community and between the private sector and governments. There are several options, either within the UNFCCC institutional framework (e.g., within the UNFCCC Secretariat) or outside (e.g., an external business organization), to enhance coordination of private sector engagement with the UNFCCC and the Kyoto Protocol mechanisms:

- *Status quo:* Under the current form of engagement, a recognized business and industry constituency actively participates in the process. Maintaining this approach will not incur additional costs or time delays. However, business input remains generic, scattered and provided through an *ad hoc* process led by a small group of companies and individuals.
- *Single coordinating entity*: This would be an enhanced status quo option, with the creation of a central coordinating body—either a new body or the offspring of an existing body. Under this option, a single entity coordinates all engagement needs and private sector inputs (such as statements, expert reports, and workshop organization). This option could provide advantages such as improved efficiency, better expertise, broader representation

and more institutional memory. However, it might not be flexible enough to adapt to the varying needs of the process and to the various interests of the private sector. Indeed, for the business community, it could prove more divisive than unifying.

- *Windows options (issue-based or sectoral approach)*: This option provides a tailored arrangement per area of engagement, with the form of involvement varying according to the different area (e.g. carbon finance mechanisms, REDD, technology, MRV). A competent lead organization would steer the engagement in each particular area, with methods of engagement and experts that vary as needed. Several areas could be dealt with simultaneously. The flexibility and specificity of this option provides incentives for engagment for both governments and the private sector. However, the topical approach risks losing sight of the interconnections between issues, and without some form of coordination, could create multiple and parallel engagement tracks.
- *Hybrid options*: Hybrids of each of these models should also be considered, as they could maximize the benefits of each option.
    - A hybrid option in the windows approach includes a coordinating entity within the UNFCCC Secretariat that would manage the overall coordination with the private sector. Then dedicated engagement areas would be created as windows (e.g. carbon markets, technology, etc) and managed by different business entities. This option could probably help to overcome the shortfalls of the windows approach in terms of coordination and institutional memory. At the same time, the benefits of the windows model—recognition, broad participation, incentives for engagement, expertise, flexibility and trust building—would be strengthened if the UNFCCC is involved.
    - A *phased approach* would be another hybrid possibility. This option would establish a coordination structure in a particular area (e.g. technology) as a pilot experience, with a view to expanding to other areas, thus ensuring a degree of coordination between the new engagement areas and synergy across them. However, this approach might take more time to develop, as it would need to create necessary competences for new areas of work.

An effective selection process for observers/advisors is an essential element of engagement. Options would be selected depending on the engagement area and its stage in the negotiations.

The communication and transparency to the wide business community, before and after engagement, is very important. The success of enhanced private sector engagement dependson establishing rules and procedures that guarantee a simple, dynamic, flexible, transparent and inclusive process. The process should seek to channel information—both top-down and bottom-up—between all relevant stakeholders. A key challenge will be to effectively bring in the private sector voice from developing countries.

Constructive private sector participation will be crucial in many key areas:

Carbon market mechanisms

Market mechanisms are essential for increasing the cost-effectiveness of emissions reductions and for providing opportunities for private sector investment in low-carbon technologies and products. Mechanisms such as the CDM and JI have already gathered broad participation and interest from the private sector. In addition, new and enhanced market mitigation mechanisms are currently being discussed by countries and experts, including the crediting of sector-based activities in developing countries (‘sectoral crediting’). The private sector has gained considerable experience in carbon finance and there is wide consensus that its engagement can continue to grow, both in intensity and in the quality of its interaction with the different bodies and panels.

In further refining and developing the market mechanisms under the climate regime, governments should recall an essential fact: the more constructive and inclusive the interaction between the private sector and the decision-making process, the more operational and implementation-oriented the mechanisms become. Business can effectively contribute to the further development of carbon finance by sharing its expertise in carbon markets, providing inputs to the further development of the mechanisms, and facilitating low-emission technology development and deployment.

Carbon finance mechanisms warrant the direct participation of companies, associations and technical experts. The *direct participation of companies* is probably more suitable for the questions of *implementation* with which these actors are directly involved (e.g., elaboration of methodologies, validation, review and approval of projects). *Business associations*, given they reprersent differentsectors and opinions, could participate *at policy level*, including in setting standards and guidelines.

The coordination of private sector input would vary depending on who provides the input, and whether the input refers to rule-making or implementation. Individual experts would likely be assigned a role on the different CDM bodies and panels. Guidelines on conflicts of interest and a code of conduct would help ensure that private and public individuals exercise their tasks in their personal capacity. Companies questioning or requiring clarification in relation to the Board rulings could channel their input directly or through an appointed focal point within the UNFCCC Secretariat and through hearings involving the Board or Committee.

As to the *broader institutional structure*, an appointed focal point (either the UNFCCC Secretariat or another entity) could organize regular interactive sessions between UN body members, representatives of governments and verifiers, and representatives of investors and project sponsors. Business associations may also help to establish active, advice-centered (on request or mandatory) engagement at the level of the Executive Board. A separate international selection process among companies listed as project participants in carbon finance transactions could be organized by the UNFCCC Secretariat in order to guarantee wide participation of stakeholders and, in particular, reach private actors from developing countries.

Technology Mechanism

The Technology Mechanism aims to accelerate technology development and transfer in support of action on adaptation and mitigation. The Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) has elaborated the functions and structure of a potential Technology Mechanism, which was endorsed by the Copenhagen Accord. Participation of the private sector in constructive and functional ways will be crucial for the Mechanism's success. The majority of resources and technological solutions are, or will be, provided by private firms. Their ability and willingess to interact and cooperate will, in large part, determine whether technology transfer will take place.

The Technology Mechanism as envisioned will consist of a *Technology Executive Committee* and a *Climate Technology Centre and Network*. Developing and transferring low-emission technologies involves many business actors that could engage informally and formally, as advisors or experts, in the Technology Committee or the Climate Technology Centre and Network. Expertise could come from: project development experts; technical assessment experts; project implementation experts; operational and maintenance experts; policy and finance specialists.

For representative needs, business associations or the UNFCCC may select—through a transparent and open process—observers and advisors. For targeted advisory engagement, specific Terms of References (TORs) tailored to the particular needs, would provide details on the role(i.e. description, responsibilities, duration, reporting, etc.).

Finance

Secretary-General's High Level Advisory Group on Climate Change Financing

While it is unclear how this group will evolve, there are a number of possibilities for engagement. Private sector representatives could share expert knowledge on financial mechanisms and the policy incentives required to drive private finance to developing country mitigation and adaptation actions. Contributions might include advice on existing barriers to investment, ideas on public-private investment structures to leverage private funds, and recommendations on enabling policy environments, among others.

Green Climate Fund

The Green Climate Fund is intended to support projects, programs, policies and other activities in developing countries related to mitigation including REDD-plus, adaptation, capacity-building, technology development and transfer. The Copenhagen Accord does not detail how the fund should be operated and governed. The role of the private sector could be more operational, for example, by evaluating project proposals, recommending detailed investment and policy models and providing regional and country-specific expertise. Project developers and technology owners could provide advice, at the technical level, on appropriate technology choices, infrastructure needs and evaluation of project proposals from a technical perspective.

Enhanced business engagement would be delivered through:

- Global briefings by the Advisory Group on Climate Change Financing and the leaders of its work streams
- Facilitation of review and comment process on proposed outlines of working streams and the policy and technical decisions related to the fund
- A channel to allow to individual working streams
- A platform for information exchange to test new ideas

Nationally Appropriate Mitigation Actions (NAMAs)

NAMAs are not yet clearly defined—either in terms of what they actually are or how they will be funded. The Copenhagen Accord states that "internationally supported Nationally Appropriate Mitigation Actions (NAMAs) shall be registered and are subject to international Measurement, Reporting and Verification (MRV)." The draft AWG-LCA negotiation text calls for an independent expert panel for the development of National Communications and related reporting. Apart from this, no reference is made to possible involvement of expert advice in the definition of actions and methodologies.

There are a number of areas where business could be involved both at the *national level in developing countries* and at the *international level*. These include providing information on emissions and reduction at sectoral level, engaging in setting baselines or in defining criteria and guidelines for NAMAs. Here, input could range from providing expertise in reviewing proposals or support for matching proposals and funding at the international level.

REDD+ (Reducing Emissions from Deforestation and Forest Degradation)

REDD (or REDD+) aims to provide incentives to reduce emissions from deforestation and forest degradation in developing countries, through the mobilization of financial resources from developed countries. The motivation of the private sector to participate in a REDD mechanism is associated with financial rewards (e.g. from the generation of carbon credits or payment for ecosystem services schemes) or compliance with future legislation.

A REDD mechanism would likely see the *participation of individual experts, companies, and business associations*. Individual experts could be assigned a role where technical and objective assessment is required (for instance, setting performance criteria for REDD activites and social and environmental standards). Provided the private sector is allowed to interact directly with international REDD bodies on discrete projects and activities, companies could be involved in the implementation and approval of such projects. They could also provide independent verification and certification of results. Business associations could put forward common positions or facilitate discussions on specific issues.

Private sector expertise in designing and implementing an international REDD mechanism could be accessed through *a single advisory body for REDD*. The private sector could be represented on such an advisory body, jointly with community, indigenous people and NGO representatives. This panel would advise parties on technical (MRV, reference levels) and implementation matters (carbon market regulation, compliance). Private sector representatives would be coordinated by a body exercising the function of the secretariat of the international REDD mechanism or domestically by state parties.

Conclusions

Governments are seeking to take global climate cooperation to the next level and, if they are to achieve their objective, the private sector must be part of the process. International negotiations need to be informed about how market forces should be harnessed within broader, sectoral and economy-wide emission reductions. Timely involvement of the private (for-profit and not-for-profit) sector can be an important factor in bringing about successful implementation of an international agreement. A structured, real and effective form of participation is needed for the private sector to ensure that its potential can be translated into tangible results.

Efforts to move toward implementation require a more formalized way of engaging the business sector. The UNFCCC process currently witnesses a degree of informal business participation unique in international decision-making. But is there a better way to channel the talent and interest of business? The majority of financial resources and technological solutions are, or will be, provided by private companies. Therefore, their ability to interact and cooperate with government will, in large part, determine the level of success in building an effective international climate regime.

Current participation lacks coordination, direction and output; and does not have clear entry points into the negotiations. The question is no longer “whether business is active and engaged,” but rather “whether the engagement achieves the goal of informing the decision-making process to provide a workable institutional framework, armed with clear, viable, effective and efficient rules.”

1 Introduction

Both governments and the private sector recognize the need to work together to combat global climate change. Businesses are ready to join governments in this effort.

Governments need to design a new structure to facilitate the engagement of the business sector and maximize its energy and innovation. Indeed in recent years, governments have taken important steps in the right direction. However, as Governments are seeking to take global climate cooperation to the next level, the private sector must be part of the team. Furthermore, efforts to move more forcefully towards implementation will therefore require a more formalized way of engaging the business sector.

This study evaluates the evolution of private sector engagement in the UNFCCC process and other international processes and provides options for improving engagement. It begins with a rationale for private sector engagement, in Chapter 1. Chapter 2 reviews the existing business engagement practices of the UNFCCC process, the lessons learned and the areas where the private sector could engage more constructively. Chapter 3 reviews other business engagement models outside the UNFCCC. Chapter 4 provides a summary of outcomes from the five workshops and the surveys to collect feedback from global stakeholders. Chapter 5 proposes several options for private engagement in the intergovernmental process, and the principles and criteria that need to be considered. Illustrative options for private sector engagement in the UNFCCC are also provided. The study concludes with recommendations for future action.

1.1 Private sector engagement

1.1.1 Definition of the private sector and engagement

This study focuses on the role of the **private sector** in the intergovernmental negotiating process on climate change. The private sector—the part of the economy run for private profit and not controlled by the state—includes a wide range of interests and views. It includes, for example, utilities, energy- and carbon-intensive industries, investors, banks, technology providers, project developers, auditors and consultants. For this study, the private sector also includes business organizations or associations. While these groups are not-for-profit organizations, they represent the interests of their respective constituencies.

This **engagement** of the private sector—the way in which the private sector interacts with the various stakeholders—is vital for achieving successful and sustainable results in the UNFCCC process. The private sector will be the engine to drive the transformation of the global economy to deliver its goals, in the areas where it has unique expertise. With such a range of actors, there is no single private sector voice. Any new engagement process therefore needs to take this into consideration and be tailored accordingly.

1.1.2 Rationale for private sector engagement

Intergovernmental negotiating sessions are not just for governments. On the contrary, non-government representatives (NGOs) attending UNFCCC sessions outnumber government delegates by a wide margin. Observer organizations fill the conference halls by the thousands, with a wide range of business representatives among their ranks. Although lacking a formal role, the business sector participates in the UNFCCC sessions to:

- Track and report on developments in the intergovernmental process;

- Network with government negotiators, business representatives and other observers;
- Participate in a wide range of informal events, including ones on current thinking in the process, recent research results and the latest and technological developments;
- Advocate for specific issues, actions and outcomes;
- Showcase the work of their business.

Business can contribute formally or informally; its views can directly or indirectly influence international negotiation processes. Feedback on the effectiveness and efficiency of implementation of an international agreement can be solicited from business representatives directly through international procedures or indirectly via national governments. Business will always use informal ways to make sure its voice is being heard. There are, however, a series of arguments that support a direct and formalized means for engaging business in the UNFCCC-led processes. **Such a new business enagement model can compliment existing and enhance new, informal ways of engagement.** A new approach to engagement could help to:

- Enable business to offer advice on proposed frameworks desgined to create private sector investment incentives
- Ensure that intergovernmental decisions can be implemented effectively and efficiently;
- Promote predictable and transparent policy frameworks;
- Contribute sectoral expertise and engage in partnerships with governments to implement sectoral mitigation plans;
- Support the international framework in delivering overall optimal results and support individual countries in achieving their specific goals.

Active engagement in the climate negotiations is clearly in the best interest of business. The private sector will implement many of the measures and provide most of the investment needed to graduate industries to a low-emissions track and catalyze the development of new technologies, knowledge and know-how. While business can identify strategies and procedures to deal with climate change, it requires reformed and new policies to promote investments in mitigation and adaptation. Business requires solid, efficient and feasible policies: solid by promoting real emission reductions; efficient by instigating action at the lowest costs; and economically feasible by creating the conditions to attract private sector capital and expertise.

Business understands that international climate policies can influence their operations in several ways, and seeks to turn these policies into an business opportunity. For example, international policies lead to domestic emissions-constraining policies, which can take the form of energy efficiency standards, renewable energy quotas and emissions trading schemes. More directly, business operations may be affected by new market instruments that allow for their direct participation in treaty implementation, financial flows from international funds and markets, and agreements promoting technology transfer and deployment. Placing the private sector participation in the process could give them more ownership of the process and might trigger further engagement towards a low carbon economy and speed up its development through bottom up action. *Table 1 illustrates the potential contribution of the private sector.*

Government representatives also benefit from effective engagement with the private sector. By consulting with businesses, governments can:

- Test the feasibility of their decisions at macro level and better assess whether they will successfully lead to a reduction of GHG emissions;
- Seek advice for specific technical input in carbon markets, sectoral mitigation schemes (forestry, cement, aluminium, etc), technology mechanism, financial arrangements, etc.;

- Increase the overall legitimacy of international rules and decisions;
- Explore options and innovative concepts to guide/inform decisions to facilitate the transition to low-carbon development choices;
- Develop and maintain a credible, representative and public opportunity for business input, thereby improving government-business relations.

A well-designed business engagement process could allow the private sector to offer its particular expertise in a number of ways:

- **Sectoral expertise.** The private sector can use its extensive sectoral knowledge and cross-sectoral expertise to help steer business operations and investments toward a low carbon pathway.
- **Mobilize resources.** As an essential actor in mobilizing finance, business is crucial in establishing the appropriate investment structures and in targeting investments in mitigation and adaptation. Fund providers and investors may help policy makers to choose investment designs that prove resilient and workable.
- **Technology provider.** Properly designed policies can channel finance into low-carbon technologies that are in the research, development and demonstration phase, as well as into massive technology deployment. Business will be crucial in providing low-carbon technology, introducing them in the market and transferring, where needed, the know-how to build, operate and finance the technology.
- **Account GHG reductions.** Business would be instrumental in providing the means to, collect, process information and accurate data, and to verify measures and actions.

Table 1 illustrates how different business groups may contribute to the international policy and decision-making.

Table 1: Potential contribution of private sector groups

Private sector groups	Level of impact	Level of contribution	Potential Contribution in International Policy/Decision-making
Energy providers Electricity generators, traders, oil & gas	**high**	**high**	- Technical expertise on technologies, in particular low carbon technologies and practices - Institutional expertise on carbon markets (ETS schemes)
Mining and minerals Raw resource extraction	**medium**	**medium-low**	- Technical expertise on technologies - Institutional expertise on markets
Heavy industry Steel, aluminium, cement	**high**	**medium-low**	- Technical expertise on efficient technologies and practices, - Institutional expertise on necessary frameworks/triggers for investment - Institutional expertise on carbon markets (ETS schemes)
Chemical industry	**high**	**high**	- Technical expertise on efficient technologies and practices, - Institutional expertise on necessary frameworks/triggers for investment - Institutional expertise on carbon markets (ETS schemes)
Technology manufacturers Power generation technology manufactures, energy efficiency technology providers…	**high**	**high**	- Technical expertise on efficient technologies and practices - Institutional expertise on functioning of markets especially for low carbon technologies

			- Knowledge of what is needed to incentivise and finance development, demonstration, and commercial investments in low carbon technologies
Consumer goods Products and services, retail goods	**medium**	**low**	- Technical expertise on efficient technologies and practices
Construction Commercial and residential buildings, developers of urban infrastructure, civil engineering	**medium**	**medium-low**	- Technical expertise on technologies
Transportation and logistics Road transport, rail, aviation, marine	**medium**	**medium**	- Institutional expertise on logistics planning
Information and communication technologies Telecommunication products and services	**medium**	**medium**	- Technical expertise on information technologies - Institutional expertise on networks
Financial Sector Banking sector, asset management, investors, insurance	**medium - high**	**medium**	- Financial expertise on financing options for low carbon technologies - Institutional expertise on carbon markets - Institutional expertise on adaptation risks
Professional and business services Consultants, Emission Trading, DOEs, certification market	**high**	**high**	- Financial, technical and institutional expertise on carbon market and other relevant instruments - Neutral position of consultants play active role in decision making process
Health care Health care providers, pharmaceuticals	**medium**	**medium-low**	- Institutional expertise on global health regimes (e.g. patent rights) that could be applied to climate change
Natural resources Agriculture, forestry and fisheries	**medium**	**medium-low**	- Technical expertise on adaptation technologies - Institutional expertise on environmental policy effects

The table illustrates the potential range of resources that the private sector could contribute towards providing the *solutions* to climate change can make the most valuable contribution. Some of these industries are currently relatively small and not well organised and may not yet participate fully in the current process, formally or informally.

1.2 Challenges of Private Sector Engagement

Private sector engagement in the intergovernmental process presents many challenges. While true of all forms of civil society engagement, the nature and drivers of the business sector present unique circumstances that in turn call for specific types of facilitation. The literature on the subject has analyzed these challenges from different perspectives (Pulver, 2003). They are summarised in figure 1.

Figure 1. Challenges

1.2.1 Challenges for the Governments

Businesses come in all shapes, sizes and sorts: many business voices, many geographic differences, and many sectoral perspectives—not to mention considerable competition between companies and organizations. A key challenge for governments, therefore, lies in structuring an improved mechanism for effective input from the broad variety of business participants. Allowing for greater private sector involvement will require governments to manage and deal with a broad range of issues. This includes:

- Balancing the requirement for meaningful business participation with the need for an expeditious governmental decision-making process;
- Managing controversies or frictions that may arise from a new (or enhanced) set of relationships, such as between the private sector and political actors, between the private sector and other civil society groups and between different views within the private sector;
- Ensuring balanced input between more and less powerful groups, such as small and medium businesses (SMEs), trade unions, small developing countries, local communities and social networks;[2]
- Creating means that distinguish lobbying from expert input. Companies will always lobby for their self-interest. Business input on the design and implementation of international rules needs to be differentiated from mere lobbying.

Hence, governments will have to establish mechanisms to ensure the adequate level of engagement for the different private sector interests for the particular need.

Any enhanced mechanism or forum for business must be designed with clear boundaries defining the level of engagement. Rule-making and ultimate supervision of treaty implementation will remain the sovereign privilege of State parties. International law making is still government-driven and the UNFCCC is no exception. Business lacks the legitimacy to have a direct role in the UNFCCC decision-making process. However, the private sector can provide essential advice to the political decision makers. Some processes (see Climate Investment Funds in Chapter 4) propose an active observer role in the meetings except when political decisions need to be made.

[2] See Sharma (2010).

BOX 1. Selection of the CDM Executive Board

Article 12 (4) of the Kyoto Protocol foresees the establishment of an Executive Board to supervise the CDM. In this role, the Executive Board (EB) makes decisions that have independent legal validity, including direct legal effects for private parties. The provision 12 (4) of the Kyoto Protocol leaves the composition of the Executive Board to a CMP decision. The CMP, in the Marrakesh Accords (Decision 3/CMP.1, para 7), decided that the Executive Board should be composed of 10 members from Parties of the Kyoto Protocol, nominated by regional groups of Parties to allow regional balance in accordance with UN procedures. EB members can be private individuals or government officials, as they all serve in their personal capacity. At the beginning of each EB meeting, the board members confirm the absence of conflict of interests. While financial conflict of interests or direct, personal interest in projects has not been a problem so far, political conflict of interest poses a problem where EB members approve CDM projects for their national government, represent that government in the UNFCCC negotiations and approve CDM projects through their participation in the EB.[3]

1.2.2 Challenges for the private sector

Challenges for private sector engagement in the intergovernmental process focus on three key areas: the relationship with the UNFCCC processes, the relationship within the business community, and the relationship with other constituencies.

Perhaps the greatest challenge for business is to position themselves as a "partner for solutions". This involves building trust between the private sector, civil society and governments. Key elements that will favour this confidence building include: ensure adequate representations (SME, developing countries, etc); provide channels for sharing information; coordinate business input in a transparent way (eligibility, making expert report public, etc); incentivize engagement and attract experts; move from process to implementation. This effort to balance many interests is not very different from the challenges facing Parties in international negotiations. Ultimately, both the private sector and governments face similar challenges—the key is developing an optimal format that helps them work together in a more effective manner.

Chapter 5 provides some recommendations on how the business input could be optimized.

[3] See more information on business engagement in the CDM in section 5.2.1.

2 Taking Stock: Private sector engagement in the UNFCCC

Understanding the structure and processes within the UNFCCC is important for the determination of appropriate engagement processes for the private sector. The following sections outline the structure of the UNFCCC system and analyse existing stakeholder engagement. It draws on lessons learned from a discussion on business involvement, which took place in the early years of the implementation of the Framework Convention.

2.1 Evolution of private sector engagement in the UNFCCC process

The participation of non-state actors in international environmental regimes has grown significantly since the 1970s. The 1992 United Nations Conference on Environment and Development (UNCED), in particular, represented a hallmark in the involvement of non-governmental actors in international law-making process. Currently, the overwhelming majority of multilateral treaties have in place procedures for formal recognition of non-state actors in treaty-based governance.

While states remain at the centre stage of international law, non-state actors play an essential role in international norm-setting processes. As a key component of legitimacy in global environmental decision-making, non-state actors today exert substantial influence in the development and implementation of international environmental law by channelling the views of a broad range of civil society groups, increasing overall transparency and accountability in international decision-making, and bringing in additional knowledge and expertise.

Participation of non-state actors, however, does usually not entail the right to vote or veto decisions. It also does not grant these entities access to all meetings of the parties, let alone give them the right to influence the agenda of any meeting. Key debates among state-parties are largely carried out in informal negotiating forums, most of which are closed to observers.

Most environmental treaties restrict the admission of non-state actors as observers to non-for-profit entities, including NGOs, Even though most environmental treaties (and in their rules of procedure) do not expressly limit the participation of non-governmental bodies to non-profit entities nor define the term “non-governmental organizations”.[4] The admission process for observers under the UNFCCC and Kyoto Protocol is consistent with Article 7, paragraph 6 of the Convention and the established practice whereby observer organizations are requested to provide proof of their non-profit and/or tax-exempt status. The rationale for this practice, which is normal UN practice, is that for-profit bodies would be less harmonious with the UN.

A window that allows the COP and CMP to “seek and utilize, where appropriate, the services and cooperation of, and information provided by, competent . . . non-governmental bodies” exists under the Convention and the Kyoto Protocol[5], but this is rarely activated in any specific way, as it is focused on NGOs in general.

[4] For instance, Article 7.6 of the UNFCCC states that “Any body or agency, whether national or international, governmental or non-governmental, which is qualified in matters covered by the Convention, and which has informed the secretariat of its wish to be represented at a session of the Conference of the Parties as an observer, may be so admitted unless at least one third of the Parties present object.”

[5] Article 7, para 2 (l) of the Convention and Article 13, paragrapg 4 (i) of the Protocol

2.1.1 *What is meant by "private sector" engagement in the UNFCCC*

The private sector engages in the UNFCCC process as observers through not-for-profit organizations that have been admitted by the Conference of the Parties (the COP, the highest decision-making body under the Convention). This status is accorded through Article 7, paragraph 6 of the Convention and applies to sessions of the COP and the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (the CMP, the highest decision-making body under the Kyoto Protocol).

Individual companies have no direct access and have to channel their attendance and activities through organizations. Private sector interests are generally represented through business associations that have a proven climate change interest. Examples include the International Chamber of Commerce (ICC) established in 1946, the International Petroleum Environmental Conservation Association (IPIECA) in 1974 and the World Business Council for Sustainable Development in 1995 or new organizations that have been established to interact with the process, such as the Global Climate Coalition established in 1989 and deactivated in 2002 and International Emissions Trading Association (IETA) established in 1999.

Over time, the concept of "**constituencies**" has developed both as a management tool for the secretariat to channel input and communicate with similar interest groups, and as a way for the groups to better coordinate among themselves and share information. Initially, there were two groups–-the business and industry NGOs and the environmental NGOs. Over time, these have expanded to nine constituencies. (See Box 2).

BOX 2. Observer Constituencies

1. Business and industry non-governmental organizations (BINGO)
2. Environmental non-governmental organizations (ENGO)
3. Farmers *
4. Indigenous people's organizations (IPO)
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 constituency pending a final decision of their status before COP 17.

Each constituency has a focal point that serves as the facilitator during negotiating sessions and as a post-box between the sessions. In the case of the BINGOs, the ICC fills this role by organizing daily meetings during the UNFCCC sessions. It also coordinates input from business and channels communications with the secretariat. Input during sessions includes plenary statements at the opening or closing, or more focused input on specific agenda items, usually under the subsidiary bodies. It also includes coordinating representation at limited-access meetings or, as in the case of the Copenhagen Conference, for actual entry to the premises.

The constituency system provides the secretariat with an important tool to coordinate and communicate with large groups. From the BINGO perspective, the ICC role in organizing daily business meetings is critical—it provides useful updates and feedback from the previous day's negotiations, and provides networking opportunities. The ICC also has the complex and thankless task of coordinating the business community's substantive input into sessions regarding specific issues under negotiation, and determining who represents the business community in restricted meetings. This approach leads some researchers suggest that the BINGOs have been more focused with logistics than on strategy and tactics (Pulver, 2003).

2.1.2 What are the current possibilities for engagement?

The existing possibilities of engagement for the private sector in the bodies under the Convention and the Kyoto Protocol are identical to those of all admitted observer organizations.

The intergovernmental process on climate change, since 1995, revolves around the annual meetings of the COP and, since 2005, the CMP (both bodies meet in conjunction). The Subsidiary Body for Implementation (SBI)[6] and the Subsidiary Body for Scientific and Technological Advice (SBSTA), two permanent bodies, support the COP and CMP on matters relating to implementation and on scientific and technological issues respectively. Private sector involvement in these bodies has been limited to the passive observer role. An overview of the Convention bodies, the supporting bodies and their respective roles can be found in Figure2.

The Expert Group of Technology Transfer (EGTT) supports SBI and SBSTA on technology issues. The EGTT is made up of 19 Party-nominated experts, allowing regional balance and three observers from relevant intergovernmental organizations. NGOs were not included until 2010, at their third meeting. However, there had been more informal interaction with the experts of the EGTT prior to this. (See Box 3).

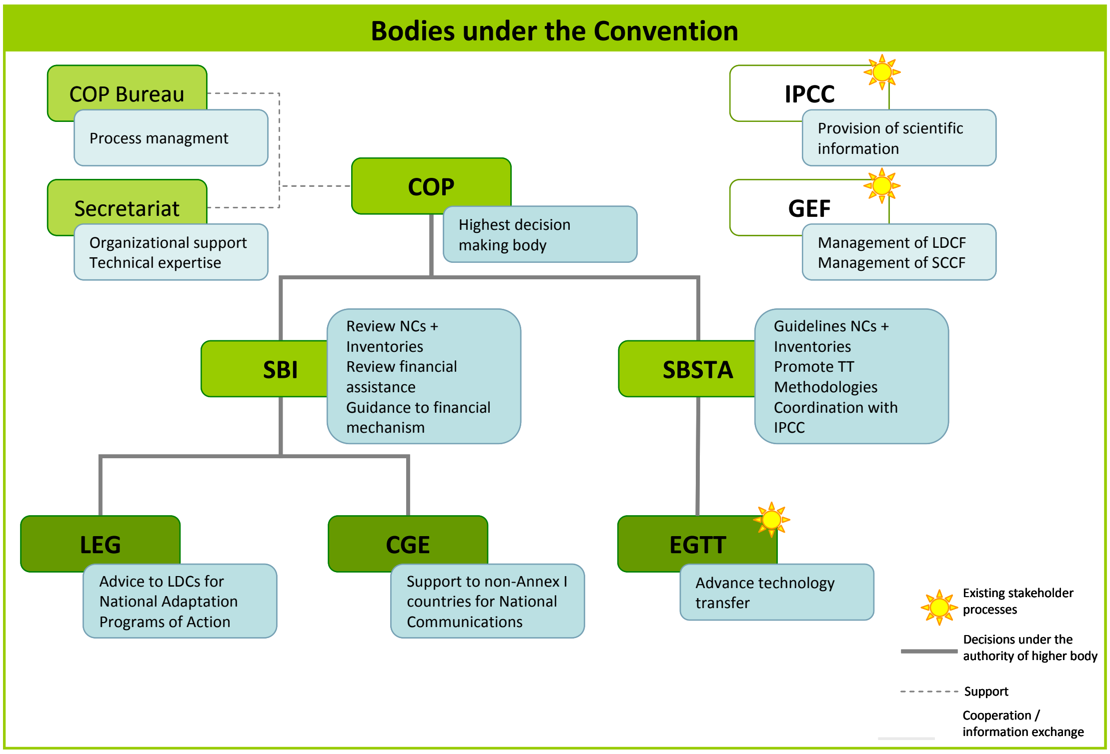
BOX 3. Private Sector engagement in the EGTT

An informal dialogue between the private sector and the EGTT began in 2009, lead by two global, multi-sectoral business organizations (WBCSD and ICC). To date, there have been four occasions, during which the engagement has evolved from an informal meeting on the margins of the EGTT to having a private sector item as part of the formal agenda of the EGTT at its meeting in Bonn in May 2010.

The topic of the dialogue is set by the EGTT and is focused on the EGTT work program. WBCSD with its member companies, and in collaboration with ICC, prepares materials for these meetings. These take the form of presentations, publications and think pieces. While this pilot engagement project has been successful and in many ways has created a milestone in the UNFCCC process, the dialogue has reached a point where it would benefit from further definition in order for the private sector to decide how it can most effectively sustain its participation. The opportunity of being an observer to this process and to be able to contribute to the technical work of the EGTT in a productive manner is seen as beneficial to the private sector. This potential window will need to be carefully managed to ensure a geographically-balanced representation, which is transparent, non-partisan, universally respected and inclusive.

[6] The SBI is supported by two specialized bodies: the **Least Developed Country Expert Group (LEG)** and the **Consultative Group of Experts (CGE)**. The CGE supports all non-Annex I countries in preparing their National Communications whereas the LEG assists Least Developed Countries in preparing and implementing National Adaptation Programs of Action (NAPAs).

Figure 2. Existing stakeholder consultation in the Bodies under the Convention.



Finally, the COP has assigned to the Global Environment Facility (GEF) the operation of the financial mechanism.[7] Under the GEF, non-state actors act at the implementing level (realizing small scale projects), as well as through advocacy activity within the Council and the Assembly.[8]

BOX 4. Stakeholder involvement in GEF

The GEF has a stakeholder engagement process with civil society representatives through an NGO network approach. The network is organized regionally with a Central Focal Point and a global Coordination Committee. There are different ways of interaction: NGOs act as observers to the GEF Replenishment process, they regularly organize consultations prior to the GEF Council meetings and participate as observers in the Council meetings.[9]

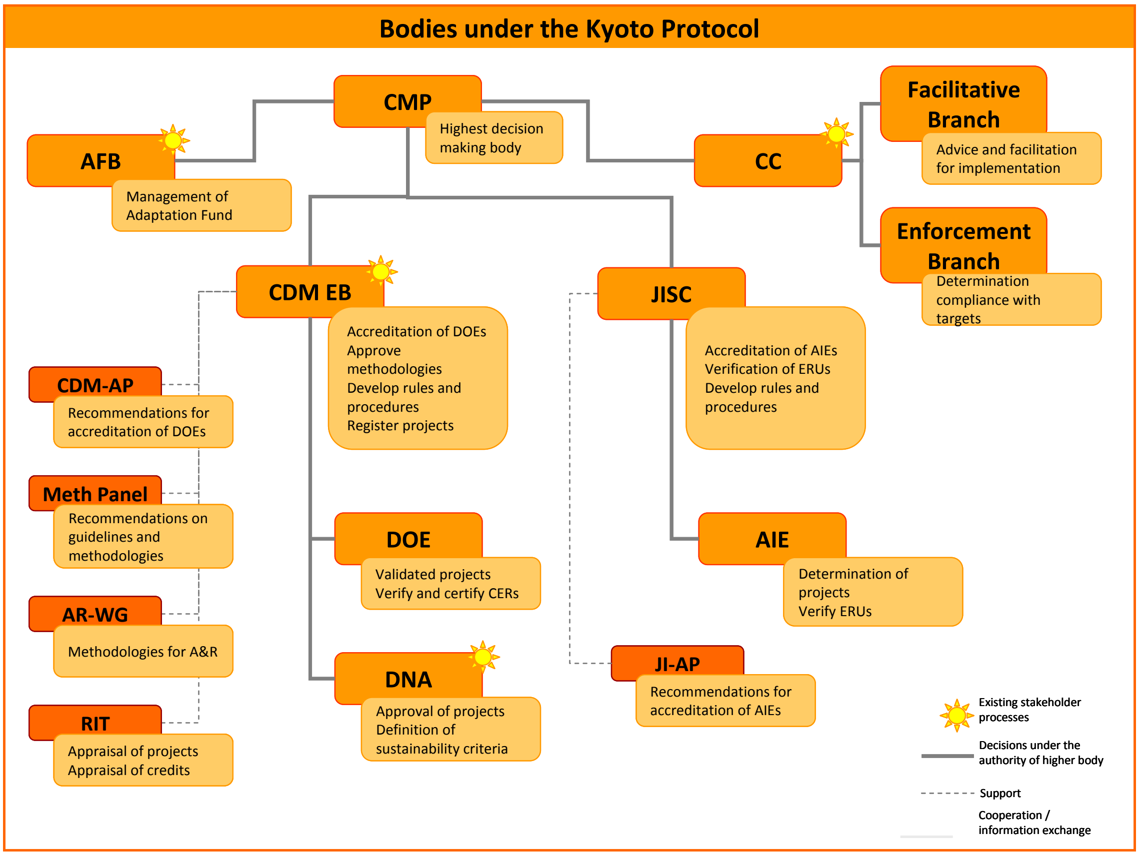
Under the Kyoto Protocol, the highest governing body is the CMP. Besides national means to comply with the targets, the Kyoto Protocol provides for three market-based mechanisms: International Emission Trading (trading of emission rights between Annex I countries), Joint Implementation (JI) (project implementation in Annex I countries) and the Clean Development Mechanism (CDM) (project implementation in non-Annex I countries). The project based mechanisms are each governed by their own institutional setup, which is similar, but not identical in structure. There are four main areas where the private sector can engage within the existing processes: CDM, JI, the Compliance Committee (CC) and the Adaptation Fund. However, the largest interest and possibilities for private sector engagement lies in the CDM and JI (see Figure 3).

[7] The GEF provides financial support to developing countries and economies in transition and manages two special funds the **Least Developed Countries Fund (LDCF)** and the **Special Climate Change Fund (SCCF)**.

[8] Boisson de Chazournes L. (2005).

[9] GEF-NGO Network (2008)

Figure 3. Existing stakeholder consultation under the Kyoto Protocol.



The CDM is supervised by the CDM Executive Board (CDM EB), which prepares reports and technical papers for review and adoption by the CMP, as well as registering projects and accrediting the Designated Operational Entities (DOE).[10] Each country participating in the CDM mechanism creates a Designated National Authority (DNA) to approve specific projects. Different working groups and panels support the CDM EB. The Methodologies Panel (Meth Panel) assesses new methodologies for baselines and develops guidelines. The CDM Accreditation Panel (CDM-AP) prepares the decision-making of the CDM EB regarding the accreditation of DOEs (see more on Box 5). The Afforestation and Reforestation Working Group (AR WG) makes recommendations for new baselines concerning afforestation and reforestation. The Registration and Issuance Team (RIT) prepares appraisals of requests for registration and the issuance of Certified Emission Reductions (CERs).

[10] DOEs are independent auditors which assess whether a project is in line with the eligibility criteria (validation), whether the project has led to a reduction in greenhouse gases (verification) finally the DOE certifies the emission reduction (certification).

BOX 5. Private sector consultations in the CDM

The meetings of the Executive Board are open to attendance only for UNFCCC accredited stakeholders and affected entities that are not able to attend these meetings (Streck, 2007).

The most extensive area where stakeholders are involved in the CDM is the approval process through the DNA and Executive Board, which requires local and international stakeholder consultation. However, there are no rules or standards on what information should be provided or how and when that information needs to be given to stakeholders (Eddy, N. and Wiser, G., 2002). There are no provisions to ensure that relevant project information is easily accessible and reaches stakeholders in a culturally appropriate way (Lövbrand, Nordqvist and Rindefjäll,2007). There is also little consistency on how stakeholders are selected and how comments are processed.

Therefore, the process does not ensure that all the relevant stakeholders are invited and there is little transparency on how comments are taken into account (Schneider, 2007). While this stakeholder engagement process on the local/national level takes place at an early stage of a project proposal, the commenting process integrated into the decision making of the CDM Executive Board is at the final stage of the procedure. On the other hand, the Project Design Document (PDD) is made publicly available through a website for limited time and international stakeholders are not actively approached, thus giving no possibility for representative input.

Private sector is the main source of development of baseline and monitoring methodologies. Stakeholder involvement is possible during that process. Comments can be made for one month when a new baseline methodology has been submitted to the Executive Board. Time constraints, for NGOs the lack of availability of technically experienced staff have resulted in a very limited number of comments in the past (Michaelowa, 2005).

Involvement of the private sector in the Joint Implementation (JI) is similar to the CDM.[11] However, the role of the private sector in the Adaptation Fund Board (AFB) is very limited. The latter allows for the participation of accredited observers in its regular meetings (and may include the participation of individuals).[12] Some engagement occurs in the facilitative and enforcement branches of the Compliance Committee (CC) (See box 6).

BOX 6. Engagement of the Private Sector in the Compliance Committee

"Competent intergovernmental and non-governmental organizations" are invited to submit relevant factual and technical information to both branches of the CC. Hearings of the enforcement branch are open to the public, unless decided otherwise, e.g. on request of the party.[13] While this, as well as publicly available information is a step in the right direction, it does not offer any options for active engagement. Both branches may seek expert advice and the Expert Review Teams (ERT), comprised of independent, nominated experts play a crucial role in the system (Ulfstein and Werksman, 2005).

[11] The Joint Implementation Supervisory Committee (JISC) has similar functions to those of the CDM EB: it supervises the JI, verifies Emission Reduction Units (ERUs), develops rules and procedures and accredits the Accredited Independent Entities (AIEs). The Joint Implementation Accreditation Panel (JI-AP) submits proposals to the JISC regarding the Accreditation of AIEs. Private project participations are represented through the JI Action Group and the Project Developer's Forum.

[12] See Rules of Procedure of the Adaptation Fund Board, Dec. 1/CMP4, Doc. FCCC/KP/CMP/2008/11/Add.2, Annex I, para 32.

[13] FCCC/CP/2001/13/Add.3

When comparing the level of engagement of the private sector in the different environmental treaties, it becomes clear that the international climate change regime goes a step further. The UNFCCC process understands the role that the business community plays in international regulation and supervision, and directly involves private and public entities in its overall compliance framework. However, the advanced level of engagement is restricted to the narrow instruments of the CDM and JI and still needs to be improved. In the bigger picture, the other bodies and processes of the Kyoto Protocol and the UNFCCC, the private sector remains confined to the role as observer.

However, even if the UNFCCC process is generally inclusive and allows for a robust and diverse observer community, the current opportunities for engagement do not allow the private sector to contribute to more informed decision-making in the areas that will require private sector implementation. The goals for business participation from a government perspective, as identified above, are not achieved and the format of participation lacks coordination, direction and output. Formal opportunities for engagement are provided by the Convention, the Rules of Procedure as being applied (the rules are "applied" since they are not formally adopted)[14] and through the application of UN procedures. Deepening the involvement of observers to a more meaningful level will require the acquiescence of the Parties.

The current rules enable observers, including the private sector, to have a variety of ways of interacting—through NGOs—with the intergovernmental process.[15] These interactions range from formal to informal and they happen in sessions (e.g. SBSTA, SBI, COP, etc) or inter-sessional meetings (e.g. EGTT meetings):

SESSIONAL MEETINGS

- **Formal:** The status of observer will generally allow non-state entities to (within the limits imposed by the treaty regime) participate in negotiation sessions and official proceedings of the COP and the subsidiary bodies. Observers may attend plenary sessions, sit in the designated areas and listen to the proceedings. They may neither make *ad hoc* interventions nor take the floor. They have access to all the formal documents. Observers may be invited by the Chairs to provide interventions based on a pre-registered request or invitation.[16] Observers may also attend contact groups which have been set up on particular issues e.g. the CDM, and again, depending on the issue and the Chair, they may ask to participate, provided that more than a third of Parties present do not object.

- **Informal**. The secretariat has made efforts to provide opportunities to enhance the participation of all observers through side events and exhibits. The primary tool is through the facilitation and coordination of side events which have provided a well-utilised channel for observers to test concepts, provide information, promote themselves, initiate discussions, and to provide a rationale for attendance. Side events have grown in popularity from having a handful of events at COP 1, staged primarily by think tanks, to 122 at COP 6, organized by the full range of observers and Parties, to over 300 side events at COP 13 in Bali. The exhibit displays by observers provide a further channel to exchange information and promote organizations.

- **Hybrid meetings.** The secretariat also coordinates meetings of the observer constituencies with the Executive Secretary and officials of the process. Over time, this has been reduced from one-on-ones to multi-constituency meetings in view of the large number of constituencies.

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[14] FCCC/CP/1996/2.

[15] An NGO is defined by three criteria: (1) it is not formed by intergovernmental agreement; (2) it has expertise or interest relevant to the international institution; (3) it expresses views that are independent of any national government (Betsill and Corell, 2008: 4).

[16] Accredited observers can participate, upon invitation of the president of the COP, in the proceedings of any session of direct concern to them, unless one third of the state-parties present object to such participation (FCCC/CP/1996/2)

Finally, sessions provide an unparalleled opportunity for the climate change community to meet. This allows the private sector many opportunities to meet government representatives, network, organize bi-laterals, external events, promote to a unique group.

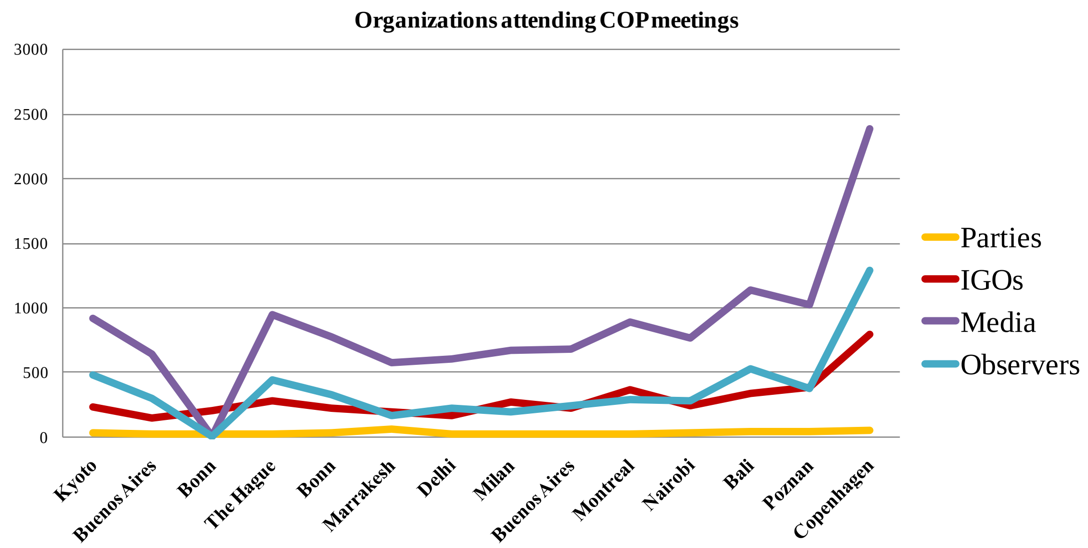
INTER-SESSIONAL MEETINGS

The two potential opportunities to attend inter-sessional meetings are attendance at specific workshops by invitation through the constituency facilitators and by the provision of submissions on specific topics that have been called for by Parties.

2.1.3 BINGO engagement over time

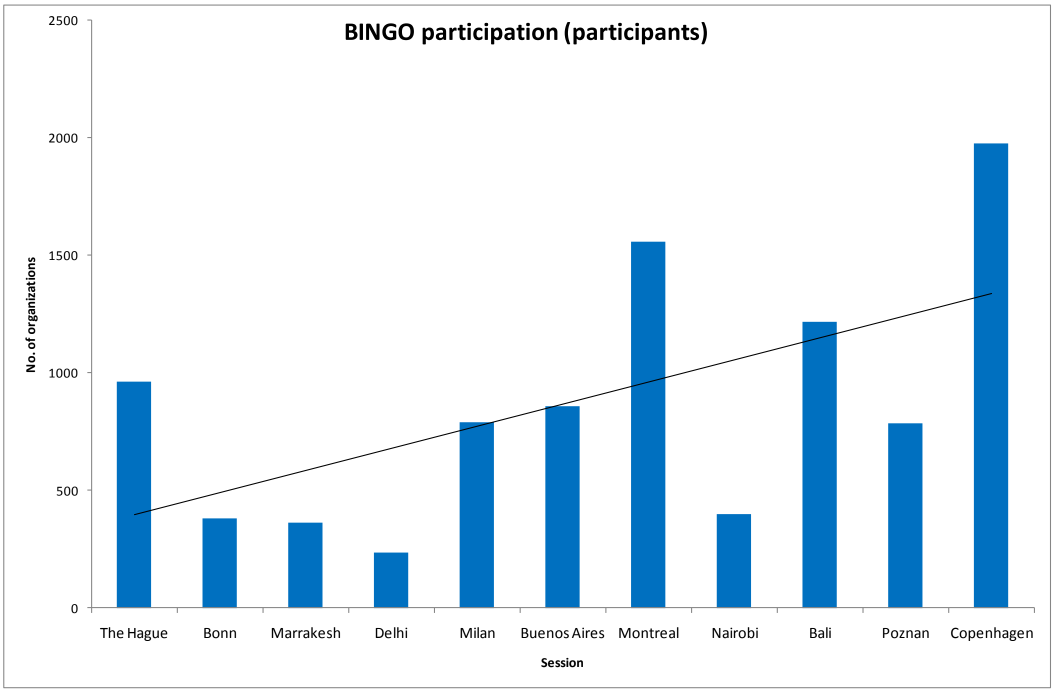
The private sector has been a constant presence at sessions of the UNFCCC from COP 1 in 1995 until today. Even from 1991, during the initial negotiations to establish a Convention, under the Intergovernmental Negotiating Committee, private sector representatives were in attendance.

Figure 4: Evolution of Observer participation in the UNFCCC meetings



Eleven business and industry organizations consistently attended the sessions from COP 6 to COP 15, six of these have followed the process since 1995 and three since 1991. The number of business organizations that have been admitted has steadily increased since 1995 (see Figure 4). COP 11 in Montreal following the coming into force of the Kyoto Protocol had three times the number of business and industry attendees compared to 1991. Copenhagen, where expectation for a global agreement was high, had five times the number. (See figure 5).

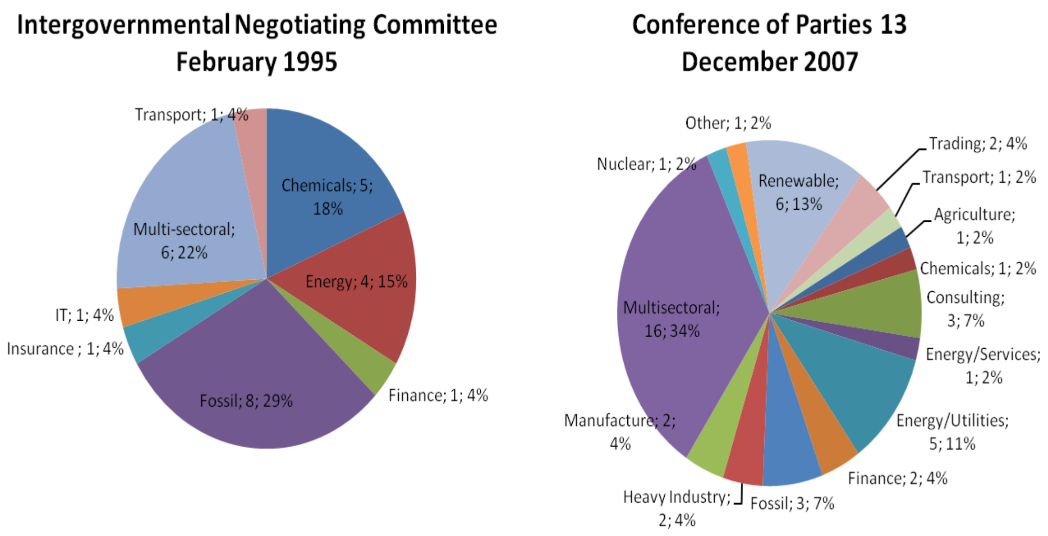
Figure 5. Evolution of the private sector participation in the UNFCCC COP meetings



The private sector responds to the political importance of sessions, hence the peaks at COP 3, 6, 11, 13 and 15—all politically significant sessions. In 1995, when the UNFCCC was adopted, over 70% of individuals represented the oil, coal, energy and chemicals sectors (figure 6). There have also been some dramatic changes, including the creation and subsequent deactivation of the Global Climate Coalition (1989 and 2002), a predominantly US multinational business lobby opposed to climate action. This organization eventually lost much of its membership following the IPCC reports in 2001 (these reports provided scientific backing on the severity of the climate change problem).

Private sector organizations have increased over time with new groups emerging in specialized areas and subjects (trading and markets) and quasi-private sector organizations being created (The Climate Group). In the latest meetings, the sectors attending the meeting have increased from 6 in 1995 to 16 in 2007. The current situation indicates a growth on the energy services, renewable, agriculture/forestry as well as finance and market sectors previously unrepresented. This could indicate a shift from a more defensive to an opportunity driven interest in the climate change arena, in addition to an increased business interest in climate change policy. Companies seeking for new business opportunities represent a large proportion of the participants and the call from the business group for more strong signals as an outcome of the negotiations shows how much the business representation has changed in less than a decade.

Figure 6. Breakdown by sector of the participants to the negotiations in 1995 and 2007.



However, over time, sheer numbers and the growth of constituencies have diluted the business voice. Although the private sector presence may have numerically increased, the actual input has decreased. This is a consequence of the difficulty to channel different business voices into the process. The constituency system functions on the basis of equity and hence the same opportunities are shared amongst a larger number. It does not provide for targeted, specific, accountable and credible private sector input. There is no current mechanism to consult with the private sector on specific topics, so that they can "inform" the process either on a regular or *ad hoc* basis. Neither is the private sector organized, at this point, to respond spontaneously to such a request and provide a representational, informed and accountable presence.

2.1.4 How do observer organizations influence the process?

Several researchers have analyzed the NGOs' influence in the negotiations. In general, they agree that the drivers that influence are (Corell and Betsill, 2008):

- The nature, history and framing of the issue under negotiation;
- The political opportunity structure;
- The NGO profile and coordination capabilities;
- The stage of the negotiations;
- The rules of access and procedures;
- The spill-over effects from other negotiations; and,
- NGO resources in issue-specific knowledge, membership base, access to decision-makers and financial resources, and "technological power", in the case of BINGOs.

NGOs' ability to influence the negotiations, to some extent, depends on the formal rules of access. Normally, these rules do not distinguish between different types of NGOs. Success in influencing the negotiations depends on the stage of the negotiations. Generally, the earlier NGOs become involved in the negotiations, the more likely they seem to influence the outcome. But depending on the stage of the negotiations, different types of NGOs will be more or less influential, since different sets of resources are valuable at different stages (see box 7).

BOX 7. NGO influence in the Cartagena Protocol

Under the Cartagena Protocol on bio-safety, environmental NGOs were comparatively more influential in the early stages of the process, where they could influence the agenda both through public pressure and through working with developing country delegates to educate them about the issues at stake. In contrast, industry organizations exerted more influence in the middle and late stages of the negotiations, working closely with some industrialized countries and using economic arguments on the agreement (Corell and Betsill, 2008).

Some groups, like ENGOs, have been more successful than BINGOs in influencing the process, mostly because they are more unified in their interest and dedicate specialized resources to influencing climate negotiations. The three main functions of the observer groups are:

- Provide access and information on the negotiations;
- Create a forum to aggregate policy stances and negotiate consensus among member organizations because consensus normally wields political influence; and.
- Channel the input of their constituency to the climate change negotiations.

The Climate Action Network (CAN) is the ENGO focal point since 1989 and has a broad and global membership. CAN provides a success-story for channelling input into the negotiations and projecting a united front (Pulver, 2003). Some of the reasons for this success may be that CAN has been very effective at organizing consensus on specific policy issues. It prepares a daily, widely-read newsletter (ECO) on the progress of the different negotiating groups and agrees on lobbying tactics for its members. This is possible because the lead climate campaigners from each of its member NGOs generally attend the COPs and all strategy sessions. CAN is thus able to make on-the-spot decisions for the network at each COP (Pulver, 2003).

In contrast, BINGOs cannot present these success factors because they have not been able to address the following key enablers:

- **Representativeness.** The BINGO group is often confronted with different interest groups (e.g. technological, sectoral, etc.), which creates tensions and makes it difficult for business associations to accommodate conflict between member companies and drive consensus.
- **Provision of resources.** The private sector does not provide dedicated personnel to follow the negotiations continuously, prepare reports and confer with others to elaborate a coordinated business strategy, except for a few individuals.
- **Authority.** Unlike ENGOs, business interests are related to more technical decisions as they relate to implementation. Individuals are not mandated to make decisions on behalf of their companies. Decision-making can only happen at the headquarters, after a careful analysis of the strategic and operational implications.
- **Strategic direction**. While ENGOs come to the negotiations with the open political purpose of influencing the direction of the negotiation, the BINGOs characterize their activities as tracking, reporting and advisory rather than exerting influence.

Giving the same observer status to all constituencies allows for overall transparency in the process and supports public awareness principles. However, it may not be the most effective way to channel relevant contributions to the process. Some analysts suggest that direct participation by the private sector in the negotiations has advantages for different groups:

- **Improve the flow of information into the negotiations process**, by broadening the range of business perspectives voiced in the negotiations.
- **Benefit the private sector**, which would benefit from directly participating in the climate negotiations, via increased flexibility for individual companies in formulating and voicing their positions on policy issues.
- **Help clarify specific policy positions** that would be beneficial for other observers (Pulver, 2003).

2.2 Why change private sector engagement now?

The call for a higher involvement of the private sector in the UNFCCC process is nothing new. Several attempts have been made in the past (see box 8).

BOX 8. Historic discussion on stakeholder involvement within the UNFCCC

In 1994, the delegation of New Zealand proposed to establish a "*Business Consultative Mechanism*" (BCM) to have "*positive interaction with transnational businesses*" that could allow "*the widest possible cooperation*"[17]. The Mechanism should ensure a "*closer dialogue with major business interests*" whose products or processes are associated with significant emissions of greenhouse gases. New Zealand suggested that on the UNFCCC side, a subgroup of officers of the UNFCCC would be responsible for managing consultations, with secretariat support. On the business side, flexibility of who would be involved was proposed, depending on the topic being discussed. Engagement with business "*at senior level*" was seen as appropriate.

At its first session, the COP requested the SBSTA to convene a workshop "*open to all Parties and interested non-governmental participants*" to "*discuss the need for, and possible scope, structure, membership and work plans of, non-governmental advisory committees and/or a business consultative mechanism*."[18] The workshop was held in 1996 in Geneva. Business and industry, municipal leaders and environmental NGOs presented their views on a consultative mechanism for non-governmental input to the UNFCCC.[19]

Following the workshop, the SBSTA stated that it recognized the importance of the role which the different constituencies can play in implementing the objective of the Convention. However, "*since consensus on mechanisms for consultation had not yet been reached by NGOs participating in the workshop, the SBSTA proposed that for the time being emphasis should be given to improving existing consultative processes*"[20]. The dialogue with NGOs was continued[21], Parties were requested to submit their views[22], however no progress was made.

Some business representatives defended the idea of creating a business consultative mechanism (BCM) to: increase dialogue with business organizations and governments; provide an avenue for communication and information exchange; and, provide parties access to business knowledge, skills and expertise with geographic and sectoral representation.

[17] A/AC.237/Misc.36 and A/AC.237/Misc.43

[18] FCCC/CP/1995/7/Add.1, Decision 6/CP.1

[19] FCCC/SBSTA/1996/Misc.2 and FCCC/SBSTA/1996/11

[20] FCCC/SBSTA/1996/13

[21] FCCC/SBI/1997/MISC.6, FCCC/SBI/1997/14, FCCC/SBI/1997/14 Add.1

[22] The SBSTA had requested the SBI, in light of the division of labour between the SBSTA and the SBI, to resume this process (FCCC/SBSTA/1997/4).

2.2.1 Why were initial proposals for a business consultative mechanism not accepted?

These ideas returned to the negotiating table during the June 2010 meetings of the subsidiary bodies in Bonn (see Box 9). An important question therefore is: why were these ideas not accepted when they were initially considered and how has the situation changed?

Some participants of those meetings and have been very active in the climate negotiations since then and there is a general conclusion that the reasons for failure were the following:

- **Business engagement was not high on the agenda**. In 1996, many other issues were on the agenda. First, the discussion on technology transfer divided developing and developed countries. The former pushed for the timely implementation of a technical panel, whereas industrialized country emphasized the need for a regulatory and enabling environment in these countries. Other contentious issues were the composition and competences of such panels. Hence, the disagreement on panels reduced the options for independent non-governmental expert advice. Second, preparations for the Kyoto Conference drew off the attention of government representatives. Upon request by the SBI, only two countries (Egypt and Uzbekistan) submitted views on an engagement mechanism, revealing the low priority of the topic. The ICC recommended, for this reason, to postpone the discussion on a BCM until after Kyoto.[23]
- **Opposition from environmental NGOs**. ENGOs and, to some extent, municipal leaders opposed a mechanism, which would provide business a privileged access. The BCM was commented by ENGOs as follows: "*It is (…) beyond the environmental NGOs' comprehension why a mechanism for only business NGOs, which allows only them to submit their views in an unfiltered manner to the Parties, is currently part of the Secretariat document. We would like to believe this element of the paper is an unnoticed error and will be deleted immediately*".[24] However, both ENGOs and municipal leaders were in favour of strengthening existing involvement mechanisms for all stakeholders by concentrating on the question whether such a mechanism furthers the goals of the Convention.
- **No consensus -** The different NGO constituencies were heavily opposing each other and, even within the groups, no consensus could be reached. Some business NGOs for example preferred face-to-face meetings while other favoured communication via email and the Internet. Several businesses made specifications what such meetings could look like (regularly scheduled open meetings) or suggested the nomination of a single focal point (perhaps the ICC). However, they could not reach an, or any, agreement.[25]

In general, during those years, the private sector was not able to communicate and convince the Governments on the benefits of their engagement. Governments showed little understanding of the value of private sector engagement and business was often seen more as part of the "problem" (GHG emissions) rather than as holding keys to the solution.

[23] FCCC/SBI/1997/MISC.7

[24] FCCC/SBI/1997/MISC.7

[25] FCCC/SBI/1997/MISC.6

Box 9. Governments call for enhanced business engagement in the process.

During the June 2010 meetings in Bonn several Parties called for a higher engagement of the private sector in the process. For example "The SBI and the SBSTA recalled the conclusions of their thirtieth and thirty-first sessions that consideration should be given to establishing an effective means of engaging the private sector more fully in the process. They welcomed the continued dialogue of the EGTT with the business community that took place in conjunction with the groups meetings and encouraged the EGTT to continue this dialogue, ensuring balanced representation of business from developed and developing countries."[26]

The Umbrella Group defended a more robust engagement of the private sector in the process during the bilateral meeting between this group and business.

Parties presented some of the proposals on how this engagement could take place during the Side Event on "Option for institutional engagement of the private sector in the UNFCCC process". The delegate from Mexico defended an informal process of focused dialogues to pave the way to a more formal engagement (See Box 13 on the Mexican Dialogues). Japan mentioned their concept for a formal recognition in an advisory group, based on the lessons learned from the Asia-Pacific Partnership (see Box 17 for more details).

2.2.2 How has the situation changed?

Negotiators in 1996 had to design an entirely new system, even as some observers still strongly negated the reality of climate change and the need for urgent action. This situation has changed fundamentally. As governments are now negotiating framework new and more ambitious international framework, it must be recalled that considerable experience has been gathered since the 1990s and this experience should be reflected in any new international framework. Not only is the private sector today better able to communicate a positive message of expertise and capabilities, it also better understands the intergovernmental process and its implications for business. Business has also accepted climate change as a reality and therefore has accepted the need to engage.

The process has seen many significant changes in recent years. General engagement mechanisms for the different constituencies have been established, which reduce the fear that individual groups could be left out. Panels and working groups (e.g. the EGTT) work actively with different stakeholder groups. Both Governments and other constituencies have a better understanding of the potentially positive role business can play. They recognise that business is part of the solution to climate change mitigation and, to a lesser extent, adaptation. Within the intergovernmental process, the purely top-down approach of the past is slowly complemented by a bottom-up approach. This approach requires multiple actions because no single solution fits all. Therefore, multiple inputs are seen as an appropriate mechanism to trigger action. For the same reasons, the distrust between the different NGO constituencies has diminished. Recognition of the different observer roles in the process and a precise definition of the competences, duties and responsibilities could be essential to building trust among groups.

The Subsidiary Body on Implementation (SBI), at its thirty-second session in June 2010, recognised the value of the engagement of observer organizations and acknowledged the important role of civil society representation in the intergovernmental process. The SBI agreed to continue discussions on this issue at its next session in Cancun, with the objective to reach conclusions on ways to enhance

[26] FCCC /SBI/2010/L.3

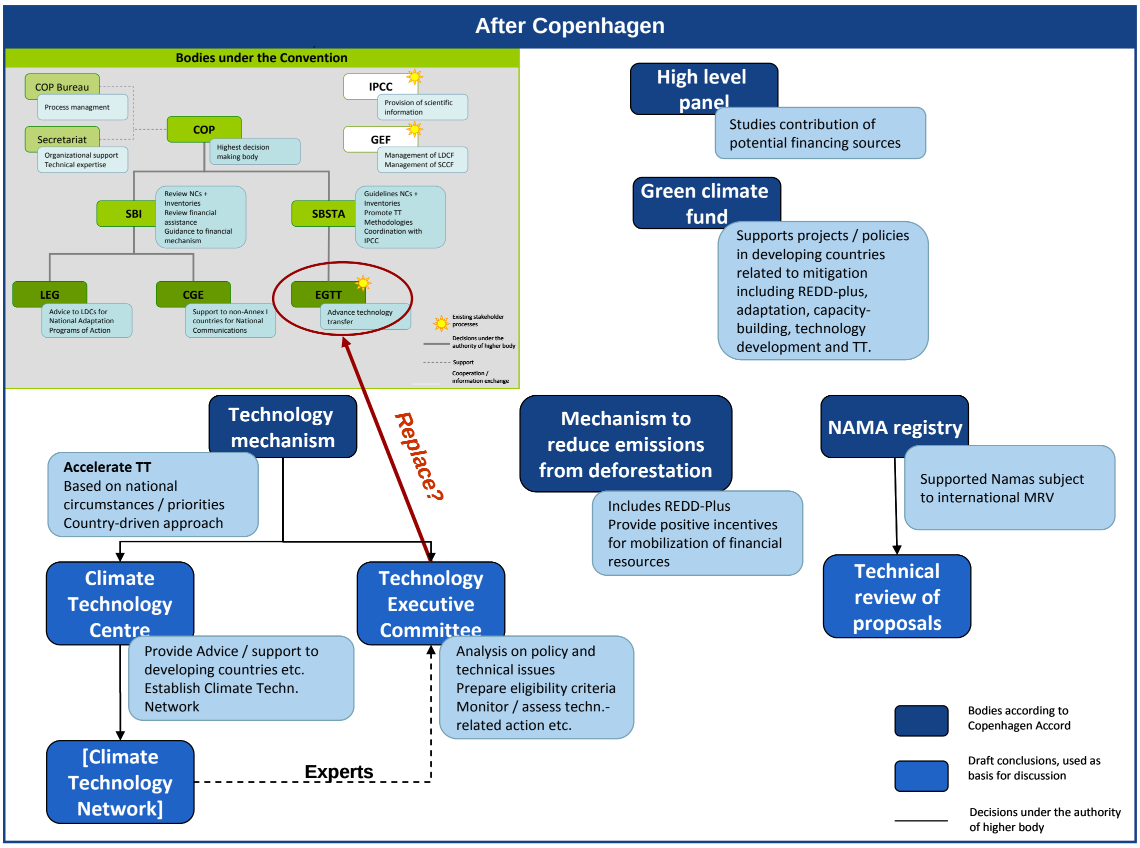
the engagement of observer organizations. The SBI also invited Parties and observer organizations to submit their views for inclusion in a synthesis report.[27]

2.2.3 Where is engagement needed: mapping future areas of private sector engagement under the UNFCCC

Copenhagen did not deliver certainty on the future architecture of the climate regime. The Copenhagen Accord—the key outcome of the negotiations at COP 15—was not adopted by the COP. Instead the COP "took note" of the Accord by way of decision 2/CP.15. While a disappointment, this outcome leaves open the opportunity for a more thoughtful discussion of enhanced private sector engagement—and the envisaged arrangements—in any new mitigation mechanisms. Some areas hold tremendous potential for enhanced engagement for advancing overall implementation and warrant further consideration by both governments and the private sector.

While the legal status of the Accord is weak, it nonetheless provides political guidance and proposes a number of new bodies and mechanisms, which are included in the current negotiating texts. At the most recent negotiations (June 2010), the two *ad hoc* working groups negotiating a future climate change regime—the Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA) and the Ad Hoc Working Group on Further Commitments for Annex I Parties under the Kyoto Protocol (the AWG-KP)— provided texts on the status of their discussions, which provide further information on the possible future climate regime. *The potential institutional architecture, where win-win opportunities could exist, by enhancing the engagement of the private sector, are summarized in the figure 13. More detail is provided in chapter 5.*

Figure 7. Potential bodies in the future climate regime.



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[27] http://unfccc.int/resource/docs/2010/sbi/eng/l21.pdf

As governments seek to strengthen the international climate change regime and take steps toward full implementation, the timely and more effective engagement of the private sector will be a critical factor in achieving real and lasting success. The private sector—with its technical know-how and expertise—will be essential for any successful implementation of the mechanisms emerging in any future international climate agreement. This includes, among others, the implementation of NAMAs and REDD+ activities, the provision of finance, development and deployment of technology, assisting in MRV and certification of results, and direct participation in market-based mechanisms created by, or as a result of, the international climate regime.

2.3 Summary and evaluation of existing private sector engagement

Current stakeholder processes within the UNFCCC are mainly passive. There are no comprehensive/systematic stakeholder processes in place and the modes of involvement, in some cases, are seen to be inadequate by stakeholders. Business is not actively approached as a stakeholder with formal engagement processes on the international level. An exception is the EGTT, where discussions are under way to formalise the current informal involvement in the future. Generally, it can be concluded that informal processes are currently more relevant than formal processes for influencing decision making at international level.

As part of our analysis, we have classified the engagement processes according to:

- *Issue*: mitigation, adaptation, financing, technology
- *Role of stakeholders*: what is the role of the engaged stakeholders in the process
- *Process*: what is the process of involvement, e.g. hearings, participation in meetings, etc.
- *Stakeholders*: who is involved, e.g. business, NGO, indigenous peoples groups, etc.
- *Time line*: at which point in the process does stakeholder engagement happen
- *Evaluation*: a brief evaluation of the engagement process

Table 2. Existing stakeholder engagement in the UNFCCC bodies

	CDM EB	GEF	AFB	IPCC	CC	EGTT
Area	mitigation finance	financing (mitigation/adaptation)	financing (adaptation)	scientific body: mitigation, adaptation	mitigation	technology, financing
Role	advisory, implementation	passive advisory, with windows of active engagement	passive advisory	active advisory	passive advisory	passive advisory (to SBSTA and SBI since 2007)
Process	commenting process; stakeholders not actively approached	through NGO-network 1) meeting (GEF-NGO consultation) 2) meeting (GEF Council meeting)	commenting process; stakeholders not actively approached	scientists writing of document summarizing science	1) attend hearings of enforcement branch 2) submit technical information to both branches 3) committees may seek expert advice	1) workshops in developing countries on technology 2) informal dialogue of EGTT with stakeholders (2009 with business community)
Stake-holder	UNFCCC accredited NGOs, stakeholder, parties, Project participations, DOEs	GEF accredited NGOs, research institutions, community groups	UNFCCC accredited NGOs, stakeholder, parties	mainly scientific experts but also consultants, industry	"competent" NGO	upon request: consultations are undertaken with business and representatives from international organizations (e.g. IEA, WIPO)
Evalu-ation	very active participation, mostly through informal channels, currently undergoing a reform process to formalize communication between project participants and EB	for 1): forum for exchanging views for 2): interventions (verbal statement) no business, rather NGOs.	new process	important institution for UNFCCC, rather balanced outcome as many participants, however slow process	stakeholders have opportunity to influence thinking	World Bank, IEA and Asia-Pacific Partnership have increased their work on low carbon technology and innovative financing of these as a response to EGTT

3 Engagement of the private sector in other processes

The importance of business NGOs in the UNFCCC process has increased tremendously over the last decades. Climate change is a broad cross-cutting theme that influences—and is influenced by—a broad range of policy fields and addressed by a number of other multilateral processes. This section provides an overview of the type and scope, as well as the frequency and depth, of private sector engagement in other intergovernmental processes. The processes highlighted in this section are linked to the UNFCCC process, have had success in involving the private sector and provide useful lessons for enhancing private sector participation in the UNFCCC process.

3.1 Climate Investment Funds

The Climate Investment Funds (CIF) are a collaborative partnership among multilateral development banks[28] and countries aimed at supporting mitigation and adaptation activities in developing countries. It aims at bridging the financing and learning gap between now and a potential post-2012 international climate agreement. Created in 2008, the CIF is composed of two main trust funds: the **Clean Technology Fund (CTF)** and the **Strategic Climate Fund (SCF)**. The latter is composed of three different sub-programs: the Pilot Program for Climate Resilience (PPCR), the Forest Investment Program (FIP), and the Scaling up Renewable Energy Program (SREP). The CTF and the SCF are governed by their respective Trust Fund Committees that oversee operations, provide policy direction and set strategic priorities.

Type and Scope of Private Sector Engagement

Under the CIF Trust Fund Committees, civil society, indigenous peoples and the private sector are given the role of observers. In the meetings of the Committees, observers will be able to: (i) request the floor during discussions of the Trust Fund Committee to make verbal interventions; (ii) request that co-chairs add agenda items to the provisional agenda; and (iii) recommend external experts to speak on a specific agenda item to the Trust Fund Committee or the co-chairs. Observers are however excluded from participation in the executive sessions, where political decisions related to investment plans and funding of specific projects and programs are taken.

With respect to business participation, all private sector observers have similar general capabilities although with specific technical expertise for individual funds, which overlap to a large extent between funds, e.g. CTF and SCF. Private sector observers are responsible for:

- Preparing for meetings and gathering input on the agenda items from stakeholders in their constituency and other business organizations;
- Representing the interests of these private sector stakeholders in the meetings, not just of their own organization;
- Disseminating information broadly to the private sector through existing channels; and,
- Organizing business representation at the annual meeting of “Partnership Forum”. The Partnership Forum seeks to facilitate and promote business consultations and maximize business contributions to the objectives of the CTF.

In addition, the role of the private sector observers includes:

[28] The CIF are funded through the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank and World Bank Group.

- Communicate to the Trust Fund the enabling frameworks necessary to develop private sector investment in low-emission development paths;
- Advise on the financial instruments that will be most cost effective to leverage private financing for the development of low carbon projects; and,
- Liaise and channel business perspectives to engage strategically with decision-makers and other stakeholders.

Composition

Observers to the CIF include United Nations bodies, UNFCCC, GEF, civil society, indigenous peoples and the two private sectors. Also recipient countries may be invited when the relevant Trust Fund Committee is considering its investment plan, program or project.

The WBCSD was asked in 2009 to design and facilitate the self-selection of private sector observers to the CIF. The self-selection process was directed at business associations that could be represented by individuals from their membership, to facilitate the broadest and most expert possible representation of the business community in the meetings. Box 10 describes the basic features of this process.

Box 10. Self-selection process of the private sector

The WBCSD developed a selection process to provide credible, accountable observers who could provide viable input to the CIF funds and feedback into the broader business community. The process included the following actions:

- **Creation of an Advisory Body:** In order to create a transparent, equitable and fair process, an independent Advisory Board (AB) was established to develop the criteria for selection and to select the observers. The AB was comprised of five respected climate, intergovernmental and business experts. The AB developed guidelines, and terms of reference and application procedures and deadlines for the respective funds. In view of the specialized nature of the FIP sub-committee, a separate FIP AB was established.
- **Communication:** The call for applications was distributed through WBCSD networks, Climate L, the business and industry organizations admitted to the UNFCCC, the ICC and the Administrative Unit networks. A specific web page was created and regularly updated with the relevant information for the self-selection process and on the funds.
- **Selection process:** Following the deadline, the applications were checked for eligibility, and organized and classified by WBCSD, acting as a secretariat to the AB. This information together with supporting documentation was shared with the AB, which then made its recommendations.

Frequency of Consultation / Participation

Observers' representatives normally serve a two-year term attending up to two annual meetings and the annual Partnership Forum. Observers are initially limited to serving one term only. Renewal of observer status following completion of the term will be subject to any revised terms of reference and guidelines and will be informed by the evolution of the CTF and experiences learned by that time. The CIF Administrative Unit covers the cost of travelling to the meetings for private sector observers from developing countries. This has been an incentive for them to come to all the meetings, while developed country business have not been as constant given the resource implications.

Conflicts of Interest

To avoid conflicts of interest that will compromise the independence of private sector observers, the individual selected to represent the business associations should not belong to a company that is benefiting, or is seeking to benefit, from significant funding or direct financial relationships with the World Bank and multilateral development banks. Candidates to the self-selection process are required to disclose current, pending or past contractual or direct financial relationships with The World Bank and Multilateral Development Banks.

General Observations

The role of observers under the CIF is qualified as being "active" rather than merely passive observation.[29] This is because observers under the CIF will be able to request the floor during discussions of the committee, request co-chairs to add items to the agenda, and recommend external experts to speak on a specific agenda item. This means that the observer's role under the CIF is wider in scope than under the UNFCCC regime. Nonetheless, some authors argue that stakeholder engagement under the CIF is flawed, as it has no established procedures for duly taking on board the views expressed by observers. The CIF stakeholder engagement process has also been criticized for its top-down approach and little support for the participation of national and grassroots groups (Sharma, 2010).

Limitations on private sector engagement in turn reduce the overall effectiveness—business can only be as effective as the process allows. The fact that observers are not allowed to join executive sessions curtails the ability of the private sector representatives to understand country positions and to provide advice to investment plans before they are decided. In addition, lessons-learned have shown that the self-selection process of observers requires considerable time for broad dissemination, explanatory communications, and selection of the observers. Creating an observer "pool" of knowledge across different fund programs, with each private sector observer being able to alternate across the funds could help increase the learning of the process and allow greater participation at individual fund meetings. The downside is that individual-focused expertise for any fund might be diluted.

Some other challenges of the self-selection for private sector representatives include:

- In general, the private sector is less attuned to the beginning of institutional processes and has high results-driven expectations for their time. Furthermore, the nature of the discussions—sometimes process driven, at others too general—limits the interest of business.
- The response from developing countries to the call for observers (even if funding was available) is low. This reflects the reality in the current business organization world where the developing country business organizations have a lesser global reach and are less familiar or interested in intergovernmental processes.

To optimize business influence, the private sector needs to dedicate resources to follow the funds and the processes supporting them. Private sector business individuals rarely have dedicated time to do so – unless they see that their inputs are valued. It could be more useful for a business organization if it can provide a "service" and create a mechanism to bring in private sector input.

[29] See paragraph 3 of "Guidelines for inviting representatives of civil society to observe meetings of the CIF Trust Fund Committees", available at http://www.climateinvestmentfunds.org/cif/CTF_Observers.

3.2 Intergovernmental Panel on Climate Change (IPCC)

The Intergovernmental Panel on Climate Change (IPCC) is the leading body for the assessment of scientific, technical and socio-economic aspects of climate change. Established in 1989 by the United Nations Environmental Program (UNEP) and the World Meteorological Organization (WMO), the IPCC produces a state-of-the-art scientific assessment on possible impacts of climate change and possible response options. The assessment does not include the mandate for new research, but collects existing research and provides an evaluation on the basis of these studies. The assessments of the IPCC are "*policy relevant but not policy prescriptive*".

The IPCC is open to all member countries of the United Nations (UN) and the World Meteorological Organization (WMO). At the top of the IPCC's governance structure is the Panel, which is composed of government delegations and holds annual plenary sessions to decide on issues such as the structure and mandate of Working Groups and Task Forces and the scope of the IPCC reports. Thousands of scientists contribute to the work of the IPCC on a voluntary basis and are supported in such tasks by the IPCC Secretariat.

The work of the IPCC is currently divided among three Working Groups, namely: (i) Working Group I addressing "The Physical Science Basis of Climate Change"; (ii) Working Group II addressing "Climate Change Impacts, Adaptation and Vulnerability"; and (iii) Working Group III dealing with "Mitigation of Climate Change". These Working Groups are assisted by a Technical Support Unit.

Type and Scope of Private Sector Engagement

The IPCC is designed to constitute an interface between science and policy. The purpose is to provide credibility to the scientific results to feed the scientific and technical information into the political processes. To assure this, an intensive engagement of the different stakeholders is essential. The process from the preparation of the chapters and the first round of peer review remains exclusively in the hands of scientific experts. A second review is open to any who may wish to comment.

IPCC assessments undergo a scientific and then a political review process. First, reports are written and reviewed by scientific author teams, which are nominated by governments. Second, the panel itself, which consists of government representatives, undertakes a political review including a line-by-line approval of the policy-makers summary of the report.

IPCC assesses scientific research, it does not undertake new research, it should be based on peer reviewed scientific literature and should only in cases of exceptions include "grey" literature, that is, not peer reviewed reports. The grey literature can be used if the authors provide it and if they justify the validity and importance of the information.

In research areas that are particularly relevant to business, e.g. mitigation potential in industrial sectors, much of the relevant information in not in the peer reviewed scientific literature. On the one hand the IPCC had been under criticism because of the use of grey literature, so for some topics grey literature has been used only to a limited extent. On other issues, grey literature was heavily used. For example, the transport chapter in the IPCC fourth assessment report is based on a study by the International Energy Agency, which was not peer reviewed.

Composition

Authors of IPCC reports are selected on the basis of their academic qualification, with consideration of geographical balance on the basis of nominations from a nomination committee. Private sector representatives can be nominated and can act as authors of the assessment reports.

The Bureau of the IPCC includes the chairman and the vice-chairs of the IPCC as well as the co-chairs and vice-chairs of three working groups, all of which have to be scientists. Coordinating lead authors and lead authors are chosen by the co-chairs and vice chairs of each working group under consideration of nominations from governments and participating organisations, and other experts (Siebenhüner, 2003).

Frequency of Engagement/Participation

Stakeholders can engage either as expert authors themselves or can provide comments in the review of a report. Participation of authors in the process has changed over time. There has been an attempt to include more scientists not only from developing countries, but also scientists and experts from the NGO community and industry (Farrell, VanDeveer and Jäger, 2001).

Every report undergoes three review rounds. The last review round is open to everyone, who wishes to comment. Authors are obliged to react to the comments and to document their respective actions. Stakeholders can also participate in IPCC Plenary meetings as observers, very much like at the UNFCCC negotiations. However, they play no active role on this level.

3.2.1 Conflicts of interest

There is no official procedure to treat potential conflicts of interest. Experts are selected on the basis of their scientific capacity and are expected to provide a neutral and unbiased assessment. The extensive review (three rounds) is intended to prevent any biases. Only in a few very special areas, participants from industry or other stakeholders may have particular knowledge that others do not have.

General Observations

Participation of industry and NGO experts in the author teams of IPCC reports has become a regular phenomenon. They provide unique expertise. This is only possible, since the extensive review process prevents biased assessments. The greatest impact on the final results can be observed when stakeholders participate directly as authors in the assessments. But the requirement to become an author is a proven scientific track record. Literature provided by the private sector can be taken into account in the IPCC assessments, most effectively if it is published as peer reviewed science articles. The impact of the observer role during the IPCC plenary is limited.

3.3 Montreal Protocol

The Montreal Protocol on Substances that Deplete the Ozone Layer (the “Montreal Protocol”) was adopted in 1987 to further articulate the provisions of the Vienna Convention for the Protection of the Ozone Layer. The aim of the Montreal Protocol is to progressively reduce the production, trade and consumption of ozone-depleting substances. The Montreal Protocol requires parties to phase out completely all major ozone-depleting substances by 2010 with the overall aim of restoring the ozone layer by 2050.

The Montreal Protocol’s supreme decision-making body is the Meeting of the Parties (MOP). The MOP is assisted by a secretariat on organizational matters and by assessment panels on technical aspects related to ozone depletion. Currently, the Montreal Protocol makes use of three assessment panels, namely: (i) the Technical and Economic Assessment Panel (TEAP); (ii) the Scientific Assessment Panel; and (iii) the Environmental Effects Assessment Panel.

The Montreal Protocol has been hailed as one of the most effective pieces of international legislation in contemporary law. The Protocol’s success has been partly linked to its capacity to closely engage the private sector in its implementation process (Sustein, 2007). Below is a brief assessment of how private sector engagement takes place within the TEAP.

Type and Scope of Private Sector Engagement

The TEAP consists of a permanent panel charged with the task of providing advice to the MOP in response to requests contained within decisions taken by the MOP. The TEAP mandate is to provide the MOP with technical and economical information on the various control measures established by the Montreal Protocol or make proposals for such measures. In this respect, the TEAP's terms of reference expressly state that the TEAP shall not "*evaluate policy issues or judge the merit of national implementation measures*" and "*furthermore, the TEAP does not judge the merit or success of national plans, strategies, or regulations*".[30]

The matters in which the TEAP advises the MOP are extremely specific and technical in their content. Usually the TEAP will, in responding to a specific matter, recommend to the MOP that it takes action on a particular aspect of implementation of the Protocol and, should the MOP adopt a decision on the matter, the TEAP is often requested to follow up with a report with further suggestions.[31]

Composition

The TEAP is composed of twenty-two members selected mainly from industrial consultancy and academic environment.[32] While TEAP members are affiliated to individual consultancy companies and (public and/or private) institutions, they are required to provide their expertise in complete independence and not to act as government representatives.[33] The TEAP members are grouped into three different categories: (i) co-chairs of the TEAP; (ii) co-chairs of the Technical Options Committees (TOCs); and (iii) six senior members selected for expertise or geographical balance.

State parties nominate the members of the TEAP. Final appointment is, however, left to the MOP. Requests of nominations are managed at the domestic level and their transparency depends on the common practice of each country. In an attempt to increase transparency, the TEAP adopted internal guidelines setting qualitative standards for the nomination of members by the state parties.

The TOCs primarily comprise experts from appropriate industrial companies alongside industrial consultants. The major role of the TOCs is to provide annual updates/progress reports on their areas of expertise which form part of the annual TEAP Progress report to the Parties. They also evaluate "essential use" request for the production/consumption of ODA and "critical uses" and quarantine, pre-shipment uses of methyl bromide. They are chaired by members of the TEAP. In order to respond to specific requests for information from Decisions of the Parties, TEAP forms Task Forces of appropriate experts. Such Task Forces produce reports that then form the basis of the TEAP Report to the Parties in response to the questions asked.

Frequency of Consultation / Participation

Meetings of TEAP take place once a year, where positions and outcomes of TOCs meetings are collected, harmonized and reported to the MOP. Some TOCs meet from one to three times per year,[34] however there is no definite and constant timeline of TOCs meetings. The frequency of meetings depends ultimately on the policy relevance of single issues dealt by the TOCs.

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[30] See TEAP Terms of Reference, para 1, UNEP/OzL.Pro.8/12, Annex V.

[31] See, for instance, Response by TEAP and its MTOC to Decision XX/4: Campaign production for some article 5 parties manufacturing metered-dose inhalers which use chlorofluorocarbons, October 2009, available at: http://ozone.unep.org/Assessment_Panels/TEAP/Reports/TEAP_Reports/teap-mtoc-report-2009_final-report-on-decision-xx4.pdf.

[32] The list is available at http://ozone.unep.org/teap/members.shtml.

[33] See paragraph 3.5 of TEAP's Terms of Reference, UNEP/OzL.Pro.8/12, Annex V, available at: http://www.unep.ch/ozone/Publications/MP_Handbook/Section_3.3_Annexes_Assessment_panels/TOR_of_the_TEAP.shtml.

[34] See http://ozone.unep.org/Events/Indicative_List_TEAP_TOCs_Meetings-2010.shtml.

TEAP members are required to provide their expertise with complete independence and neutrality. In the exercise of their functions, TEAP members are bound to several obligations from the Code of Conduct. This includes (i) performing their duties in a manner that conserves and enhances the public confidence and trust in the integrity, objectivity and impartiality of the TEAP; and (ii) not accepting "*transfers of economic benefit, other than incidental gifts*, *customary hospitality, or other benefits of nominal value, unless the transfer is pursuant to an enforceable contract or property right of the Member*".[35]

In addition, the TEAP's terms of reference expressly sets out the requirements relating to the disclosure of business and financial interests of its members, including any financing from companies engaged in commercial activities. To further stress and secure the independence of members' activity, it is expressly stated that TEAP members work on a voluntary basis and do not receive remuneration for their service. Only members coming from developing countries and economies in transition can be reimbursed for travel and per diem expenses.[36]

General Observations

The TEAP became an important forum of scientific and technical discussion for the protection of the ozone layer, the phasing out of harmful substances and the assessment of alternative ozone-innocuous solutions. However, the Montreal Protocol, in light of its very restricted scope, cannot easily be compared with the UNFCCC processes. Contrary to climate change, the depletion of the ozone layer is caused by a set of substances produced and used for limited purposes. This is not the case for GHGs, which are the result of many and widespread human activities.[37]

Some aspects of the role of private sector under the Montreal Protocol are not applicable to the UNFCCC regime. First, the limited number of interested business and industry makes the process of stakeholder's individuation easier. Second, given the possibility of alternative options to the use of covered substances, there is sufficient consensus among industry actors on the level of individual actions that can be taken both by countries and by industries (Levy, 1997).

3.4 OECD BIAC

The Organisation for Economic Co-operation and Development (OECD or the Organisation) was founded in 1960 by a limited number of countries and is aimed at the promotion of economic growth, financial stability, and globalization of trade.[38] In five decades, the OECD has broadened its membership to 31 developed countries[39] and extended its policy activity to a broad range of global issues, including the environment and climate change.

The OECD's institutional activity is shared between three main bodies: the Council, the Secretariat and the Committees embedded in the Secretariat structure. The Council is the decisional body of the Organisation. It comprises member countries at ministerial level, who seek to agree on general policy strategies by consensus. The Secretariat's main role is to support the activities of the Committees and respond to priorities established by the Council. The Committees, in turn, represent the linking element between the Organisation and member countries. There are currently about 250 Committees, working groups and expert groups where representatives of national governments contribute and cooperate with the Secretariat staff in specific areas of OECD competence.

The OECD started formal relations with representatives of the business and the labour fields around 1961. In 1962, the organisation formally recognised the Business and Industry Advisory Committee

[35] Section 5 of TEAP's Terms of Reference, Paragraph 3

[36] See http://ozone.unep.org/Assessment_Panels/TEAP/TEAP-Nominations.shtml

[37] Other authors attribute the success to a positive costs/benefits analysis. See Sunstein (2007), *supr*a note 3.

[38] The OECD substituted the Organisation for European Economic Co-operation: a managing institution of the Marshall Plan's aids after the Second World War.

[39] On 11 January 2010 Chile signed an accession agreement, becoming the first South American country of the Organisation.

(BIAC) as the body representing the interests of business from OECD member countries. The BIAC and the Trade Union Advisory Committee (TUAC) are the two "twin" advisory committees officially recognised by the OECD for the expression of civil society interests.[40]

Having more than fifty years of experience, BIAC can be deemed one of the first cases of business engagement in an international governmental organisation.

Type and Scope of Private Sector Engagement

The BIAC is the body that represents the OECD business community. It is an independent international business association whose main objective is to advise government policy-makers at the OECD. The BIAC is constituted outside the OECD governance framework, but its role is embedded within it.[41]

BIAC's role within the Organization is both political and technical. The political activity is mainly carried out through advocacy and publication of statements on specific issues. More than thirty policy groups[42] share policy work within the BIAC, resulting in numerous policy statements.[43] BIAC also prepares technical reports on relevant subject areas of the OECD (e.g. governance, economy, society and sustainability). In addition, BIAC provides oral responses to OECD working papers in process and remarks on aspects relevant to BIAC's members.

BIAC expresses its views both formally and informally. Formal political engagement takes place through the Liaison Committee Meetings,[44] which is opened to all member countries. In addition, BIAC participates in political consultations with Chairs and co-Chairs of the many OECD Committees. Informal technical consultations normally take place through exchange of views between specialised bodies of the BIAC and the OECD Committees and the Secretariat.[45]

The actual degree (full participation or not) and type (political/technical and formal/informal) of engagement between BIAC and the OECD Committees is decided by each Committee and varies greatly depending on the subject and interest showed by BIAC members.

Composition

BIAC's members are major business organisations of OECD countries.[46] BIAC also accepts large non-OECD industry associations as 'observers' and can be supported by Associated Experts (supranational business organizations).

Frequency of Consultation / Participation

Apart from annual meetings, which take place between the BIAC and the Council, there is no set timetable for BIAC's consultations within the OECD. It is not possible to number the many informal consultations taking place between single Committees and the BIAC. BIAC members are nominated to represent BIAC in the consultations with the OECD Committees based on sectoral and geographical representation.

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[40] The TUAC has the same role and institutional positioning as the BIAC. The TUAC provides advice through formal and informal avenues. In this way the OECD has levelled the playing field for fair representation of two interests that might potentially contrast: business and labour.

[41] The BIAC has been defined as a "non-governmental partner" of the OECD. See Salzman (2005).

[42] Policy groups are organized in six main areas: economy, governance, emerging economies, society, innovation, and sustainability: See http://www.biac.org/policywork.htm.

[43] See for instance a recent BIAC statement elaborated by the internal environment committee on OECD 'Green Growth' Initiative, April 2010, available at http://www.biac.org/statements/greengrowth/FIN10-04_GGS_key_messages.pdf.

[44] See Decision of the Council [C(62)45] on Relations with International non-Governmental Organisations, as amended by [C(64)181, C(66)144(Final) and C(89)15(Final)].

[45] An example of an informal technical consultation channel is the OECD Labour/Management Programme

[46] For an updated list see http://www.biac.org/members.htm#members.

Conflicts of interest

The OECD does not make public any guidelines or rules of procedure for the involvement of BIAC. Nor does the BIAC make public its internal rules to avoid conflicts of interests and organize participation in meetings with OECD Committees. The rationale for this might be that, given that the BIAC aims to express business interests, its role cannot be impartial but rather policy-oriented in any OECD activity.

General Observations

BIAC is the institutionalised channel for business interaction with OECD bodies. Generally, its role is remarkable due to its bottom-up activity, which engages with the OECD Committees in various levels (both formally and informally). BIAC's role is deemed essential within the Organisation, especially in "helping consultations with and between governments"[47] and ranges from formal to informal relations and political to technical advisory activity. Arguably, the most prominent feature of the BIAC engagement in the OECD lies in its advocacy role. Contrary to the technical and scientific nature of TEAP's advisory activity, BIAC's policy statements and informal relations with OECD Committees are aimed at influencing OECD work, resulting in proactive participation in policy decisions.

Moreover, the role of business in defining OECD policies is different from the parallel process within the UNFCCC. In the latter regime business-related international NGOs (BINGOs) have few opportunities for informal contacts with state representatives or bodies of the UNFCCC. The avenues for expressing policy statements are limited to responses to specific calls for inputs, to the observer status at COP/CMP meetings and to the organisation of side-events at the conferences. Another relevant difference lies in the structure of such engagement. Contrary to BIAC, BINGOs engaged in the UNFCCC are not represented by a unique association, but they express their individual views directly to the relevant UNFCCC bodies.

3.5 Asia Pacific Partnership (APP)

The Asia-Pacific Partnership on Clean Development & Climate (APP or the Partnership) is the result of the effort by seven states[48] of the Asian-Pacific region to establish an institutional framework promoting technology transfer, knowledge sharing and project cooperation in reducing carbon intensity and promote green technologies in several industrial sectors. The Partnership had initially been hailed as an alternative path to the one traced by the UNFCCC and the Kyoto Protocol. However, the main purpose and the wording of the APP charter[49] show how the intent is additional rather than substitutive of the Kyoto Protocol.

The institutional structure of the APP is based on the Ministerial Meetings and Policy & Implementation Committee (PIC). The Ministerial Meetings gather state representatives at ministerial level. The main function of this body is to supervise the overall activity of the Partnership and assess the outcomes and policy suggestions coming from the PIC. The PIC, in turn, is the executive body of the Partnership. Its main functions are directorial and organisational.[50] The PIC

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[47] See http://www.oecd.org/document/60/0,3343,en_2649_34495_1910965_1_1_1_1,00.html.

[48] USA, Canada, Japan, China, Republic of Korea, India and Australia

[49] APP Charter, paragraph 8: "The Partnership will be consistent with and contribute to Partners' efforts under the UNFCCC and will complement, but not replace, the Kyoto Protocol", http://www.asiapacificpartnership.org.

[50] According to the APP Charter, paragraph 4.2., the PIC is responsible "…for management of the implementation of the cooperative activities of the Partnership, and for engaging representatives of the private sector, as well as representatives of development banks, research institutions, and other relevant governmental, intergovernmental, and nongovernmental organizations…"

may constitute task forces and sub-groups as deemed appropriate to assist with the development of its work. While the PIC retains the general supervision of the work undertaken, its sectoral based Tasks Forces *de facto* undertake both the policy and project development functions of the partnership (Taplin and McGee, 2010).

Since its inception the PIC has created eight Task Forces. Each Task Force is responsible for an industrial sector and develops a specific action plan for that sector, identifying opportunities and implementing priority actions on clean development and climate. Currently these sectors are: aluminium, buildings and appliances, cement, cleaner fossil energy, coal mining, power generation, renewable energy and distributed generation, and steel.

Type and Scope of Private Sector Engagement

The APP recognizes that industry is a key player in technology development. Its knowledge of the relevant technical, political and economical barriers for the proper diffusion of green technologies is indispensable for the implementation of climate policies. For these reasons, representatives of the private sector form an integral part of the institutional structure of the APP within the Task Forces.

Task Forces are responsible for developing and managing action plans. An action plan should include (i) an overview of the sectoral opportunities for clean energy development (or the use of less carbon-intensive methods) and the existing sector-specific barriers in the different Partner countries; (ii) a clear set of objectives to be achieved by the Task Force; (iii) a profile of projects to be promoted and developed; and (iv) concrete milestones to measure achievement of such goals and projects.[51]

In order to manage actions plans and monitor progress towards goals, Tasks Forces have to prepare detailed project plans, identify participating entities and available resources, and develop concrete verification and reporting procedures. Tasks Forces are also responsible for reviewing action plan projects and proposing new ones. Finally, Tasks Forces also conduct strategic planning for further development of sectoral activities.

Finally, it is worth mentioning that all decisions and recommendations within the Task Forces are taken by consensus. However, if agreement cannot be reached, the matter is referred to the PIC.[52]

Hence, under the APP the private sector interacts directly with government representatives that are part of each Task Force. Private sector and government representatives act jointly to establish the Task Force's strategic goals and the range of projects and activities that are to be given priority within each sector (subject to the overview and final approval of the PIC).[53]

Composition

The Task Forces are composed of governmental and industry representatives operating in the relevant sectoral fields. To keep the number of members within the Task Forces manageable, countries can appoint a maximum of four representatives from both the government and the industry for each Task Force. A government representative nominated at Ministerial Meetings chairs each Task Force. The position of co-chair can however be occupied by either a government or industry representative.

The nomination of industry representatives to the Task Forces is based on a purely national process. The criteria and process applicable to the selection of private sector members is thus left to

[51] See for instance the Steel Task Force Action plan, available at: www.asiapacificpartnership.org/english/tf_steel.aspx

[52] See art. 4.1 of the Task Force Guidelines, available at : http://www.asiapacificpartnership.org..

[53] See the APP Action Plans Executive Summary, available at:

http://www.asiapacificpartnership.org/pdf/Projects/ExecutiveSummary%20_31%20Oct%2006_%20_2_.pdf consultation mechanisms established by Partner countries. The APP, however, sets forth some quantitative and qualitative guidelines applicable to the appointment of Task Force representatives: (i) each Partner country may only nominate up to four representatives for each Task Force, comprising a mix between public and private sector representatives; and (ii) industry representatives shall, to the extent possible, take into account the views of their industries in their respective countries.

The PIC's membership, in turn, is essentially restricted to Partner countries' representatives.[54] Members of the PIC have the right to participate as observers in Task Forces meetings and technical experts from countries can also be called to participate and provide their advice.

Frequency of Consultation / Participation

Task Forces are presumed to work ad interim until they achieve the goals set by their action plans.[55] Task Forces can flexibly choose the frequency of their meetings. Meetings can—and usually are—linked to PIC's meetings, which take place three times per year.

The Task Forces organize their own meeting and communication arrangements. This is normally done by the Chair in consultation with the Co-Chair and the other members of the Task Force. Agendas for meetings of the Task Force must be circulated at least three weeks in advance of the relevant meetings. The documents produced by the Task Forces should be forwarded to the Administrative Support Group (the administrative coordinator for communications within the Partnership) for circulation within the PIC and publishing in the APP website.[56]

Conflicts of Interest

There are no express provisions dealing with potential conflicts of interest stemming from the participation of industry representatives in the Task Forces. One reason for that may be that the APP is still in an incipient stage of implementation. In general, the work of the APP Task Forces is focused on capacity building, promotion of pilot projects, regional sectoral cooperation, with lower direct commercial gains.

The APP, on the other hand, shows greater concern in relation to intellectual property elements of the work performed by the Task Forces. The relevant guidelines for task forces establish that matters related to intellectual property shall be addressed on a case-by-case basis and in accordance with the purposes of the Partnership.[57]

General Observations

The private sector does not have a stake in the APP final decision-making process, which is attributed to Partner countries in the PIC and the Ministerial Meetings. However, industry representation remains crucial for the work of each Task Force. Through participation in the Task Forces, the private sector is capable of directly influencing the definition of the Partnership's goals.

Under the APP the engagement of industry representatives is not limited to technical inputs, but also includes the setting and promotion of relevant priority actions within each of the Task Forces. The Tasks Forces are in essence sectoral models for public-private partnerships built- in within the APP governance structure. By pooling specific sectoral private expertise with public policy development, the Tasks Forces can help promoting enabling environments for different technologies

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[54] APP Charter, paragraph 4.5.

[55] See Task Forces Guidelines, para. 3.1, available at : http://www.asiapacificpartnership.org.

[56] See Task Force Guidelines, para 4.1 and 4.3.

[57] See art. 7.4 of the Task Force Guidelines.

and increase collaboration between industry sectors and governments in the different Partner countries. Private sector engagement in the APP Task Forces is further facilitated by the use of a narrow task force mandate, with clear objectives and milestones.

It has been noted that "by directly addressing those actors that ultimately need to reduce their emissions to abate climate change - i.e. business and industry - it arguably addresses one of the weaknesses of the U.N. system" (Van Asselt, 2007). In fact, while under the UNFCCC regime, the private sector participates in the implementation of emissions reduction policies through the flexible mechanisms of the Kyoto Protocol, yet it does not have an active role in providing inputs on the actual content of those policies.

3.6 Summary of findings

Engagement of the private sector, even through formal processes, is neither new nor unprecedented in intergovernmental processes. The private sector engages—formally and informally—in several processes, including ones relating to climate change. Most structures for engagement are designed to allow the private sector to provide technical or scientific expertise, although in some cases, also allow for political or priority-setting inputs. A common characteristic on these engagements is their bottom-up approach (except for the CIF case), which shows that business has valuable sectoral expertise that can be effectively tapped by the different processes.

Each process, depending on its own structure and practice, has developed its own approach to nominating and funding representatives. However, not all processes have developed explicit rules for preventing conflicts of interests. Perhaps most important, four of the processes claimed a medium or high level of the engagement by the private sector. In all intergovernmental processes, the private sector does not vote, veto or make final decisions.

Table 3. Comparison of engagements in other international processes

	CIF	Montreal Protocol (TEAP)	IPCC	OECD (BIAC)	APP
Type of Engagement	As observers of meetings of the CIF Trust Funds Formal	Through a permanent panel built in the structure of the Protocol Formal	Through direct participation in the elaboration of IPCCC reports Formal (as expert authors)	Through an independent business association Both formal and informal engagement	Through "Task Forces" set within the institutional structure of the APP Formal engagement
Scope of Engagement	Share views and expertise	Technical advisory	Technical and scientific review	Advocacy (political) Technical advisory	Technical advisory Priority and goal-setting Monitoring of action plans.
Frequency of Engagement	Two annual meetings and the annual Partnership Forum	Flexible / as required	Flexible / as required	Flexible / as required	Flexible / as required
Representation	Two industry representatives in each Trust Fund	Individual companies and institutions (but input should be provided with independence and neutrality)	Qualified experts from countries, industry, and NGOs	Only business associations from OECD can become members of BIAC	
Nomination	Through self-selection process	Nominated by state parties (with intl. guidelines)	Nominated by a nomination committee and selected on the basis of academic qualification and geographical balance	Not explicitly defined	Nominated by partner countries and based on a pure national process (no intl. guidelines)
Treatment of Conflicts of Interest	Yes. Private sector observers should not belong to a company that is benefiting, or is seeking to benefit, from funding	Yes. TEAP members are bound by the rules of the Code of Conduct	Not explicitly defined	Not explicitly defined	Not explicitly defined
Funding	Funding available for travelling costs for observers coming from developing countries	Members work on a voluntary basis. Travel costs from developing country members are reimbursed	Experts work on a voluntary basis. Travel costs from developing country members are reimbursed	From BIAC members	From state parties
Perceived engagement level	**Low**	**High**	**Medium**	**High**	**High**

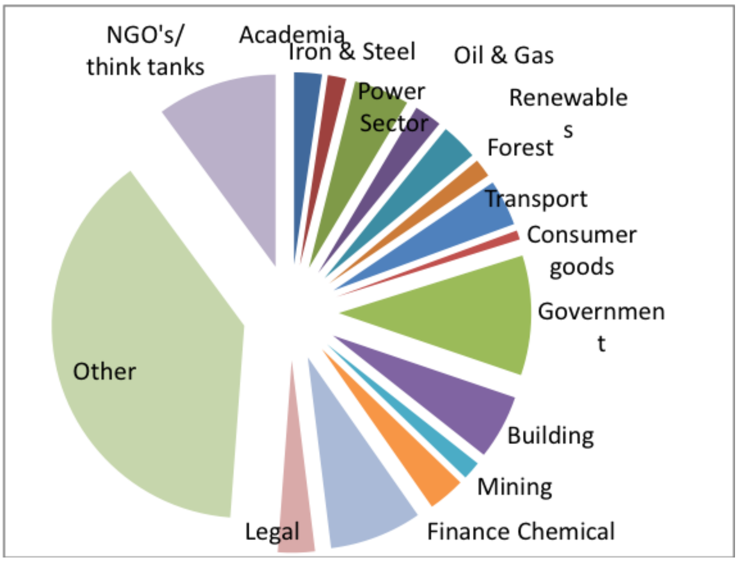
4 Taking into account the consultation process

In preparing this report, the project organizers convened international stakeholder workshops in Beijing, Washington, Hong Kong, Sao Paolo and Brussels. Workshop participants included business representatives, government officials, think tanks and others. The workshops conveyed 40-50 participants and used a roundtable format. The project partners developed questions and possible options for private sector engagement within specific areas of the international climate change policy process. The key questions focused on why business should engage, in which specific areas, how engagement would take place and who would be represented. These questions and options were then tested with expert and stakeholders during the workshops. The following summaries are a reflection of those notes and not the views of the project partners.

4.1 Key outcomes from the workshops

Workshop participants came primarily from the private sector, with roughly 10% from government and another 10% from NGOs and think tanks. The most important sectors were represented in the five workshops. However, participation of the finance sector was more strongly represented at 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 8. Business and organizations represented in the workshops.



All workshops followed a similar structure with roundtable discussions around priority areas for business and Governments in the international climate change process, proposals for private sector engagement at general level but also at detailed level. The illustrative cases presented in chapter 5 (and in more detail in the Annex) were distributed before the meetings to trigger debate. **The key findings from these workshops were as follows:**

A. Two levels of interaction are needed for business

Participants held a common view that two levels of participation are needed for business: (i) general, i.e. cross-cutting issues and more political issues, and (ii) technical issues. While the

Brussels workshop considered both types as important, Hong-Kong, Brazil and Washington tended to favour a technical role over an advisory role.

- **A focal point**, a business organisation, could engage in general discussions, after compiling input from business through, for example, national or regional business councils.
- **An advisory board or roster of experts** could advise technical meetings. These experts could be pulled together by an independent business organisation, or other means.

Participants in US and European workshops called for a formal place for business in international negotiations, and provided a number of examples where such structures have worked. This formality was not as important for the Brazil and Hong-Kong participants, while Chinese participants emphasized engagement through their national government.

Technology was hailed as a key area in all workshops. Participants in Brazil and the US felt REDD is a key area for technical advice. Both Brazilian and EU participants were interested in the technical discussions of the CDM, which did not attract American attention.

B. Effective engagement at national level and further engagement needed at international level

There was a general view that business involvement is more effective at the national than at the international level. This view is stronger in developing country workshops (China, Hong Kong, Brazil), where relationships between national businesses and their governments are different from industrialised countries. For example, in China many of the largest companies are state owned. At the international level, the American, Brazilian and European participants show a higher interest in business direct involvement than did Asian organisations.

There was a general perception of low business empowerment at the international level, especially for SMEs and businesses outside the energy sector. This is due to a lack of confidence in the system, which is too slow, opaque, inaccessible and with a political short-term view.

C. Similar priority areas for private sector and government action

Climate change policy was only seen as an opportunity in workshops in Brazil and Hong-Kong, with energy efficiency, waste treatment and renewable energies being perceived as the most important opportunities.

Common priority areas of government action mentioned were the creation of capacity mainly for SMEs, the introduction of incentive mechanisms to reward low emitters and the promotion of partnerships to promote R&D in low carbon technologies.

Workshops in Hong-Kong and Sao Paulo stressed the need to create: (1) a level playing field to avoid a loss of competitiveness for low-carbon emitters and (2) a demand for low-carbon products and processes. In Beijing, participants proposed the creation of standards for measuring GHG emissions and energy efficiency.

Regarding the policies that could trigger GHG emissions reduction, there was a preference for carbon pricing and markets, and sectoral approaches were considered as a good step forward in Brussels, Hong-Kong and Sao Paulo. Some other measures proposed were: tax credits for low carbon investments, energy efficiency standards, GHG accounting, credits for reduced deforestation and credit lines at better rates.

Table 5 shows how the participants responded to different themes in the five workshops. A detailed report of each workshop can be found in Annex 1.

Table 4. Comparative analysis of the outcomes of the international stakeholder consultation

THEME	Beijing	Hong-Kong	Sao Paulo	Washington	Brussels
International vs national or local engagement	Engagement at the national level is the main interest. Perception of low private sector empowerment at the national level, but this is changing	Engagement at the local level is the most intensive. No tradition in engaging in international negotiations before the national government	Engagement at the national level is the main interest However, strong interest in participating, as the private sector will be the ones implementing the decisions taken	Engagement at the national level is the main interest But business have a legitimate role in UNFCCC negotiations	Engagement at the national or technical level perceived as more effective than international engagement. Engaging at international levels other than the UNFCCC (G20, MEF) could also be effective
Barriers to business participation in international negotiations	Perception of low empowerment at the international level, which is considered too complex and slow.	Lack of understanding of UNFCCC negotiations, and perception that they are not working Short term approach of political agenda Lack of confidence that an international agreement will be reached	The private sector only has an observer role Slow and complex international negotiations	Slowness, complexity and inaccessibility of international climate change negotiations No formal or legitimate role for business Lack of government understanding of private sector role in CC negotiations	Lack of SME capacity to participate, therefore only large companies participate The UNFCCC process is complex and difficult to understand Difficult to reconcile the logic between national and international activities and proposals
Proposals to channel business participation in international negotiations	Proposal to channel business views through their national government	Representation by sector rather than by geography. Need of an independent body to represent the private sector, such as WBCSD or sectoral associations Use electronic media for business involvement	No need for additional bodies Avoid conflicts of interest This organisation should be able to capture sectoral and cross sectoral issues Business involved through an Advisory Board in technical meetings. Business participation channelled by regional business council that reports to an international body	Conflicts of interest will be unavoidable Formalised business input Business involvement in technical discussions "focal point" for discussion of technical issues, composed by a roster of experts A business organisation could front the discussions, and pull together experts from a roster to deal with specific issues Transparency is essential	Formal consultative process, clear and transparent, multi-stakeholder, multi-sector Two levels of business involvement: general and sector specific First level lead by business organisations, second level channelled through a group of sector experts Use new electronic technologies
Priority areas of general private sector involvement	Standard development Education to supply	Education to SMEs Design of the finance mechanism	Technology Contribution to the technical aspects of the negotiations	Technology Capacity building	Technology

THEME	Beijing	Hong-Kong	Sao Paulo	Washington	Brussels
	chain: SMEs				
Priority areas for government action	Capacity building mainly for SMEs Promote partnerships Implement mechanisms to reward the best Creation of standards	Create demand for low-carbon products and processes More funding for education and research to develop new technologies and for SMEs Institutional framework to fund low carbon projects and reward low emitters Create a level playing field to avoid loss of competitiveness	Financing for R&D and for technology collaboration. Create consumer awareness Create a level playing field to avoid the risk of carbon leakage and competitiveness loss Create capacity and awareness in SMEs		
Opportunities for PS involvement in specific themes			Technical discussions that directly affect them mostly carbon finance (CDM and REDD)	Design of REDD, as the CDM is perceived as "dead" and with not a lot of interest for the US.	Interest in engagement in NAMAs and the CDM
Proposals to incentivise GHG emission reductions		Carbon pricing as the most efficient way Sectoral approaches as a good first step Credits from reduced deforestation Tax credits for investments in low emission technology More stringent building codes	Certification schemes and standards GHG accounting Carbon pricing and creation of carbon markets Sectoral approaches to create a level playing field Education for society Credit lines at a better rate for sustainable activities	Carbon prices Long term investment level playing field Market mechanisms	
Private vs public role in technology diffusion		Governments choose, fund and support winning technologies The private sector runs the projects and informs government choices		Business knows better than governments what works	Business is better place to select technologies and run projects
Business opportunities from climate change policy		Energy efficiency in buildings or manufacturing Renewable energies Waste management	Energy efficiency Renewable energies GHG accounting to identify opportunities Waste treatment		

4.2 Results from the Surveys

During the project, the organizers collected an online survey and a questionnaire (see annex 1) where participants responded to some questions on engagement experience and engagement preferences.

4.2.1 Online survey

The project began with an online survey to get a first impression of the motivation and preferences from different stakeholder groups. The results guided the selection of the areas and the formulation of proposals.

Motivation only if more visibility of the results for the time and resources invested

The responses made clear that existing engagement is mainly happening at the national and regional level, and less at the international level. This is linked to the perception that involvement there is more timely, concrete and organised in a way that allows the private sector to initiate engagement. Results of engaging in international processes, especially the UNFCCC, are seen to have too little impact on decisions and often reflect the 'lowest common denominator'.

The main benefits for private sector engagement were to ensure that businesses are committed to finding solutions that help meet the goals, to make sure policies meet the required goals without distorting business / competition and to ensure goals and political instruments are realistic.

Both active and reactive engagement is needed

Participants in the survey generally saw private sector engagement in all areas of the UNFCCC process as important, from high-level policy making, development of tools, implementation, MRV to compliance. However, regarding the form of engagement, a clear preference was given to mandatory consultation processes and joint meetings.

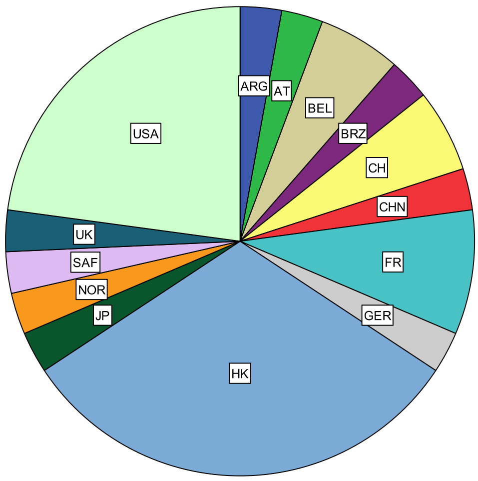
4.2.2 Workshop questionnaire

Mainly multinationals with a broad geographic spread

Most respondents (49%) represented multinationals, with the power sector being widely represented (39%) followed by chemicals (17%), transport and renewable (both with 11%). Business organizations (9%), civil society (14%) and consultancies (11%) also responded to the survey. There was no representation of SMEs in the sample.

Most of the participants that responded to the questionnaire were based in the USA (23%) and Hong Kong (31%), with a significant representation of companies from developing countries (Argentina, Brazil, China and South Africa represent 12% of the sample) and European countries (31,6%) and one representative from Japan.

Figure 9. Headquarters of the respondents.



Climate change is an opportunity for businesses

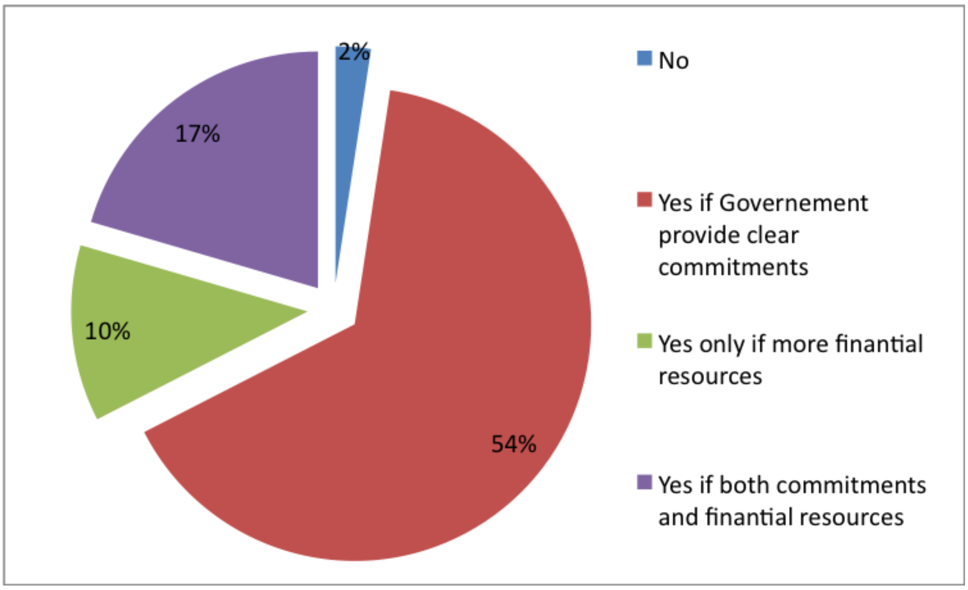
All responses consider that climate negotiations have an impact on the private sector, with 60% considering that they affect business both in the short and long term, and 40% considering that they will only have an impact in the long term. None of the respondents perceive climate change negotiations as a threat—they have, instead, become a business opportunity (78% of respondents).

The business opportunities to address climate change relate to receiving international finance, accessing low carbon technologies, partnering with other businesses, sharing information and best practice and developing new products. The main barriers for leveraging the identified opportunities are: the slow and inefficient international negotiations (84%); ineffective national policies (47%); and, an unattractive business environment (45%).

Strong signals by government are the key driver to implementation

The majority of respondents think that formal business engagement in the UNFCCC would benefit from the implementation of the agreements only if governments provide strong signals and commitment. The provision of financial resources by governments is considered of secondary importance, as compared to strong signals that reduce uncertainty for business.

Figure 10. Drivers for implementation



Enabling frameworks drive investments rather than finance

Respondents were asked to reflect their perceptions about how they thought the **financial funds** committed by the Copenhagen Accord would be distributed. In general, there is a lack of knowledge and confidence that business will benefit from these funds: 50% of respondents expect finance would be given to other countries, 53% show a lack of knowledge about their distribution and 28% believe that the collection of funds would not happen. Only 11% believe business would be a direct beneficiary. This reflects the lack of confidence on the commitments made at international level. As a consequence it will not be the main determinant of business decisions.

When it comes to analysing ways of **enhancing technology diffusion** most respondents believe the improvement of the enabling frameworks for investment in low carbon technologies is the most important (68%). The provision of financial resources to new technologies, enhancing carbon markets and including private sector advice was considered very important as well (scoring in around 55% of the cases each).

Engaging as a tool to understand government decisions

The main interest of respondents for engaging in the climate negotiations process is understanding how it will impact the activities of their organization and influencing government decision makers (87,5% of replies). Assessing business opportunities is also an important reason for involvement (65% of respondents). Only 7,5% consider that international negotiations on climate change are not important for business.

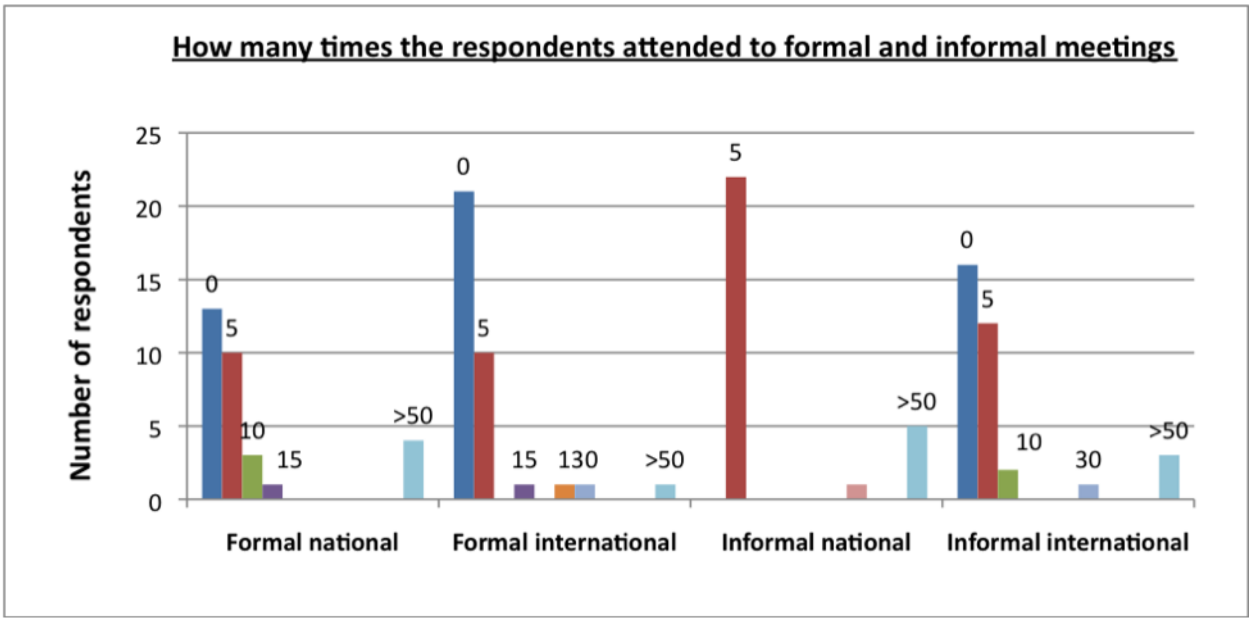
Informal consultations are sometimes preferred over formal consultations

55% of respondents have attended the UNFCCC negotiations (30% of them regularly), while 45% do not attend the negotiations but keep updated with their developments.

Engagement in **informal** consultation is more important than engagement in **formal** consultations, according to survey responses: 70% of respondents considered the engagement in informal consultations to be very important, very important the engagement in informal consultations, against 43% in formal engagement. Activity in formalized consultations is much more frequent at the national level, with an average of 10 per year[58]. International involvement is lower, with an average of 5 per year, followed closely by regional involvement.

Involvement in informal consultations is consistently higher than in formal consultations at the national, regional and international level. On average, organisations are involved 14 times a year in national informal consultations, 10 times per year in regional informal consultations and 8 times per year in international informal consultations

Figure 11. Engagement in formal and informal consultations



[58] Organizations responding "too many times to count" or >50 have been given a value of 50 times per year, which may bias the average

Formal consultations are perceived as more important when the issue is close to implementation

Respondents considered that private sector involvement is necessary in all the areas mentioned in the survey: policy design for high level decision making, market mechanisms design and implementation, technology mechanisms design and implementation, national implementation and MRV. When it comes to evaluating the best engagement method, in the high level areas (policy design and national implementation) formal and informal consultations are equally valued. In more technical issues (market mechanisms, technology mechanisms and MRV) formal consultations are preferred over informal ones. In the specific case of MRV, input on request is the preferred approach for private sector involvement.

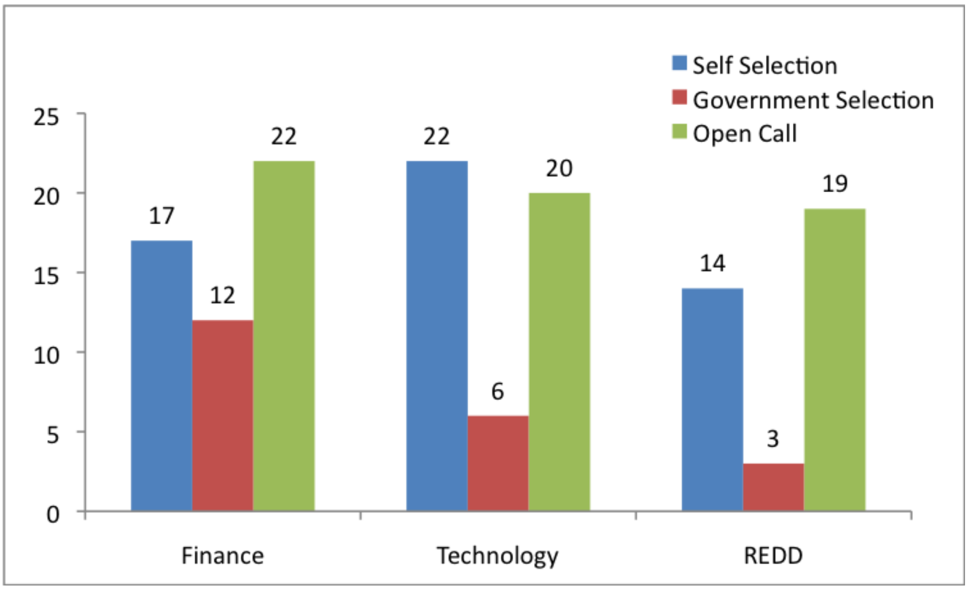
Active observer role in expert groups is the preferred engagement model

Respondents were requested to choose their preferred approach to private engagement in the finance mechanism, the technology mechanism and REDD+, with the possibility to choose more than one engagement model. In general, the preferred approach **was an active observer role in specific expert groups or advisory panels**. A passive observer role was the least preferred option in all cases. A roster of experts for predefined issues was the second preferred approach, after an active observer, for engagement in the technology mechanism. In all other cases, a roster of experts and an active role in general negotiations received the same evaluation, appreciation, valuation – punctuation is the wrong word!. The conclusion that derives from these responses is that the **private sector wants to be involved in areas that are close to implementation and where they can provide some expertise**.

Open call for applications and self-selection are the preferred selection route

Respondents were requested to choose their preferred selection method for private sector representatives in engagement for the finance mechanism, the technology mechanism and REDD+. An open call for experts was the preferred method for participation in the finance mechanism and REDD. For the technology mechanism, self-selection of representatives by the private sector was the preferred option. In all cases, the selection of experts by the government was the least preferred option.

Figure 12. Prefered method for the selection of experts or observers



4.2.3

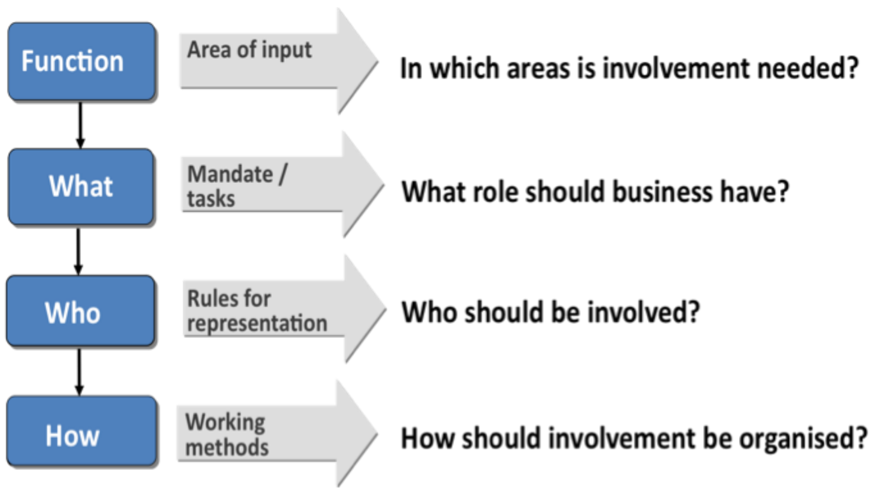
5 Enhancing private sector engagement in the UNFCCC process

5.1 Introduction

The consultation process under this project confirms that the private sector is prepared to take on a more active role in the UNFCCC decision-making process. The private sector has shown particular interest when the decisions are directly relevant to the implementation of mitigation activities (see chapter 4). Business recognizes that it can add value to the process by ensuring that the policy framework creates the right economic incentives for enhanced mitigation and adaptation action. Governments also recognize the need to involve business on key issues such as technology, finance, carbon markets, MRV and REDD+, which will need to be implemented, fully or in part, by the private sector (see chapter 2).

This chapter looks at the elements needed to enable enhanced participation by the private sector. *Figure 13 provides an overview of the key questions on effective private sector engagement.*

Figure 13. Key questions of the study.



Building on the areas where engagement is needed (described in chapter 2) and in light of the lessons learned in other intergovernmental processes (chapter 3), this chapter proposes different possibilities for organizing and channelling the inputs from the private sector. To complement these options, the chapter provides an illustration of the engagement options that might best address the need for enhanced private sector participation in the areas of carbon markets, technology, finance, NAMAS and REDD+.

5.1.1 What role should the private sector have?

The current role for observers in the UNFCCC process is predominantly passive. As the negotiations become more concrete in contemplating the implementation of mitigation and adaptation action, a more active participation of the private sector may be more appropriate. The role for the private sector is essentially a function of the expertise needed at any given stage of the international regime development. As other international processes have demonstrated, a wide range of practices and approaches can be used to achieve more active engagement by the private sector.

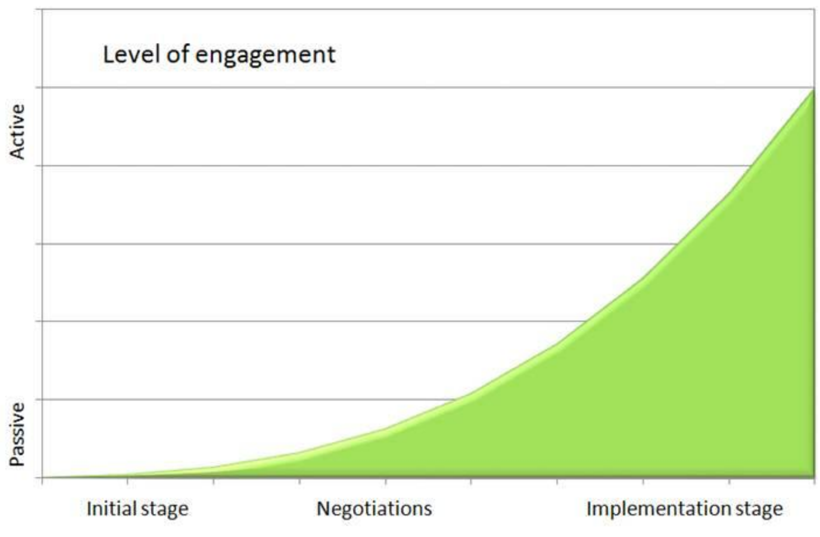
An **observer role** is most commonly seen where negotiations deal with regime building and where engagement of business tends to be more generic, passive and limited in nature. Observing international negotiations allows stakeholders to gain a better understanding of the process and provides transparency and legitimacy. An observer role is generally afforded to non-governmental actors at high-level decision-making bodies composed of senior government representatives (such as in the plenary meetings of the UNFCCC process). This limited level of direct interaction between international bodies (or delegations) and stakeholders relates to the sovereign nature of process and the limited level to which non-stakeholders can claim to be directly affected by a high-level regime building process.

A more **active role as an observer** gives the private stakeholders a voice and the ability to make comments without any formal decision-making powers. An example for such a role is the private sector representation in the Climate Investment Funds. The private sector is invited to participate in the operation of the funds as an “active observer”, which allows them to make verbal interventions during the meetings. Private sector representatives may also suggest adding agenda items or proposing experts to inform specific agenda items.

An **advisory role**, however, is needed when an intergovernmental process advances to the implementation stage. As the negotiations move from building consensus and formulating general principles to designing the process of implementation, the engagement of the private sector becomes more technical, more active and involve a greater cross section of business expertise. Engagement by the private sector under the Montreal Protocol TEAP, the APP and BIAC, for example, evidences a wider scope for requesting **expert advice**. Under these processes, where issues are sector (APP), technology (Montreal Protocol) or theme specific (BIAC), an advisory role from business is more appropriate.

An advisory role can channel greater technical expertise and add value to criteria-setting, ensuring that the mechanisms and standards developed internationally are in fact implementable. An advisory status is appropriate in particular where these mechanisms directly target the private sector as the provider of technology, finance or expertise. A greater level of involvement by the private sector requires governments to address the sensitive issues of equity in representation and possible bias stemming from commercial interests.

Figure 14. Typical evolution of the engagement as negotiations progress



BOX 11. Active or passive?

The role of the private sector will range from observer to implementer within the international process. Within these roles, there can be different degrees of involvement.

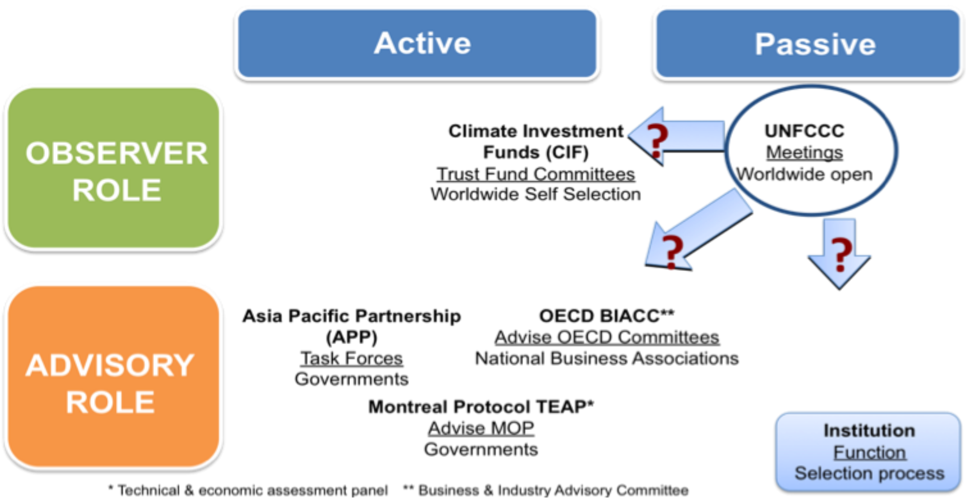
Less active participation, as is the case in the UNFCCC, is more fitting for higher levels of intergovernmental negotiations, as opposed to more technical discussions. A more active role, as in the CIF, provides for greater transparency and buy-in on rules that define the actual roll out of projects.

More active participation allows a greater role in defining the agenda and in decision-making. The closer the private sector is to actual delivery, the greater the advantages in allowing them to have a more active say, as is the case in the APP.

Within the UNFCCC, there is no specific role for the private sector, except through observer organizations and nominated experts (e.g. in the CDM Methodologies Panel). Nonetheless, the increasing interest in private sector involvement, as seen in recent proposals by Parties, indicates a greater appetite for enhanced engagement. As the process matures and further defines an international framework, the advantages of enhanced private sector involvement are clear. The private sector can help define the tools, set the rules, and ensure implementation.

The ultimate role will depend on how the private sector can best contribute its specific competences. The role for the private sector would not include the intergovernmental policy decision-making.

Figure 15: Different roles in different processes



5.1.2 Who should be involved?

Who represents the private sector in assuming the various roles discussed above? Standard practice is that representation comes from business organizations/associations, private companies or technical experts (individuals). The most appropriate representation ultimately depends on the focus and the assigned role of the private sector in the international process.

Business organizations provide a useful "hub" for companies and pull together a myriad of interests. Business organizations maintain secretariats that connect with their constituency through different channels (newsletters, working groups, teleconferences, reports, etc.). They also organize *ad hoc* workshops/consultations to provide a comprehensive and broad business response to a particular issue. Generally, the more sectoral or technology-specific the expertise of an organization, the narrower the mandate and representation it has. Business organizations also cooperate in sharing information, particularly where they represent a similar or overlapping membership. This is especially true in the UNFCCC process (for example, many companies belong to, and are active in, the ICC, WBCSD and IETA).

Companies engage either through business associations (as accredited members) or in their own capacity. Sometimes the international process will create a platform for engagement (such as the BINGO structure under the UNFCCC). Other times, individual companies can represent a business association in a meeting (e.g. CIF Fund meetings). Companies can also participate in their individual capacity, for example, as in the TOCs of the Montreal Protocol (although here company representatives are required to remain neutral in their advice) or at the implementation level in the CDM and JI under the Kyoto Protocol (undertaking projects and in certification of results under the direct governance of international bodies).

Individual experts also represent the private sector. They are hired on an *ad hoc* basis to provide their input on particular issues or nominated as a member of a technical body or panel (e.g. expert panels set up by the CDM Executive Board). It is common practice for experts to be consulted in their personal capacities for their expertise in a particular matter (e.g. Montreal Protocol). Detailed rules guard against conflicts of interests, and ensure independence and confidentiality.

No single solution fits all. A mixture of representation will likely be the most effective option. Business associations are often a suitable vehicle, particularly for an observer role, because they are more representative of business as a whole, they have a structured way to collect, store and channel information, and are often more generalists than issue-specific. Companies and experts do not provide overall representation of the business community and lack the capacity to organise and channel inputs from the wider community. This would make these private sector actors more suitable for an advisory/expert role. *Table 6 shows the advantages of each possibility.*

BOX 12. Further issues to be addressed

A key question is how to ensure balance in representation from the private sector. Participation is linked to the human and financial resources that companies decide to allocate to an issue. The developing country private sector and SMEs are often underrepresented in international associations and do not have the resources to be effectively participate in international processes. Nevertheless, some good examples of involvement exist. For example, ISO seems to enjoy an active participation from organisations of both developed and developing countries.

Clear and transparent rules to guide the relationship between the private sector and the international bodies, or among members (in case of business associations), are crucial for an effective engagement process.

The effectiveness of the “who” depends on the personal capacities of the individuals leading the engagement.

5.1.3 How should engagement be organised?

Currently, there are many avenues for informal and formal engagement of the private sector. As the complexity and relevance of the international climate change regime increases these initiatives grow, both Governments and private sector have an interest on **establishing a process for more effective business input and contribution to the process**.

A process for channelling private sector input at the international level should be able to attain recognition and acceptance be accepted by both governments and the private sector. To ensure effectiveness, such process should be organized in a manner that decreases the risk of scattered and diffuse inputs and, at the same time, allows for multiple contributions, taking into account sectors, geographic spread, and resources of private actors. Finally, it should be flexible, allowing for different forms of engagement and continued improvement over time, representative and transparent.

An effective approach to coordination of private sector input under the UNFCCC would support [these principles][aforementioned elements] by gathering support and organizing, collecting, and distributing information/input from the private sector to the relevant international bodies and by recognizing both formal and informal ways of interaction.

5.1.4 Informal vs. formal engagement

There are different models for informal and formal engagement. These have been reviewed in chapters 2 and 3. An ***informal dialogue*** provides flexibility and vitality and is best suited to brainstorming and information sharing. Such a process could indirectly influence and inform the formal process through individual participants or report directly into the formal process, provided that Parties had requested such input. Through informal discussions, it might become clear how and where it is better to engage the private sector. This would lead to an increase of informal and formal avenues of engagement.

Fujiwara and Egenhofer (2010) also believe on the idea of starting engagement with informal dialogues. An informal advisory body for on-going consultation and coordination between governments and industry sectors could remain informal yet structured and strategically targeted.

The lessons learned from the evolution of the private sector engagement in the UNFCCC and other processes suggest that informal dialogues can generate a higher degree of trust and understanding between business and governments (see box 13). Informal dialogues often allow for a broader discussion than formal processes and can run in parallel, and feed into the formal process indirectly. They allow flexibility by providing a de-politicized forum for frank, open discussion and a useable and shareable output.

The organization of this kind of dialogues would come from **Parties requesting input from the private sector on specific topics. Reporting back from the meetings** would allow *formal recognition* of the products of the *informal process* and allow specific consideration in the decision-making process.

UNFCCC organized workshops could be another venue for the exchange of information information. Private sector representatives could also be asked to present on particular topics or participate in discussions where private sector expertise is relevant.

A ***formal process*** requires a mandate to draw upon the private sector for a specific purpose agreed by Parties. For example, the private sector could provide expert advice through an advisory group to standing bodies of the Convention, such as a Technology Executive Committee or a Finance Board (more detail in section 5.2). Any formal advisory role will also need clear rules and responsibilities for exchanging information and addressing conflicts of interest.

A **combination of informal and formal processes** of engagement between governments and the private sector could provide an optimal approach for enhancing the role for the private sector in the UNFCCC process.

BOX 13: The Government-Business Dialogues

Since May 2009, the EGTT has been engaging with the private sector to discuss technology issues under their work programm including technology transfer, the role of intellectual property rights, the technology mechanism, etc. These meetings coordinated by WBCSD with ICC, have evolved from an informal dialogue to a more formalised role (see box 3).

More recently, in July 2010, a new initiative was launched by the Government of Mexico and business, around a focused series of Mexican Dialogues on carbon markets and new mechanisms, technology and finance. The dialogues intend to provide structured input into the formal process and could be the basis for developing a different approach for enhanced engagement of business in the process.

The dialogues are sponsored by a limited number of governments, in close collaboration with global, multi-sectoral business organizations. Business organizations are responsible for allowing an inclusive selection of business, an institutional platform, a transparent information exchange and stimulating broad involvement.

A combined informal/formal process has the advantage of speed, minimal cost, flexibility, accessibility to a range of expertise and development of broad ownership. It requires support, acknowledgement by governments, links to the formal process, acceptance by the private sector and low levels of funding.

While an informal approach can provide many immediate benefits, it should eventually be complemented by a longer term solution. As the climate process matures and the international climate architecture is being put into action, the informal process is likely to be insufficient. Any new formal bodies on finance and technology agreed under a new international framework would benefit from a **formal advisory structure** including the private sector, which could support viable decision-making and ensure readiness for implementation. As work progresses on carbon markets and new mechanisms, REDD+ and MRV, the private sector would provide technical input through workshops, dialogues, submissions and through expert panels.

5.1.5 Options for better coordination

In intergovernmental processes, coordination is essential for success. Effective coordination should: channel information from the private sector to the relevant international bodies and vice-versa (e.g. BIAC secretariat, ICC focal point in the UNFCCC process, etc.); establish a platform for information exchange; ensure transparency and inclusiveness; and create trust within the business community and between the private sector and governments (or international bodies). Good coordination includes the following functions:

- Facilitate the translation and interpretation of UNFCCC decisions into "business language" and provide effective channels to provide relevant business input in the language appropriate for the UNFCCC process.
- Enable mechanisms for the engagement that range from an inclusive selection process of observers, advisors and/or experts with clear roles and responsibilities to the preparation, if needed, of *ad hoc* consultations.
- Support implementation, for instance, by organizing capacity building initiatives, information exchange (e.g. best practices) and facilitating partnerships.

There is a general recognition among governments and businesses that the process should allow **for an enhanced role for the private sector, especially as we move towards delivering low emissions economy. When looking at UNFCCC the challenge is how to better coordinate a range of business**

voices. There are several options that could enhance coordination of private sector engagement with the UNFCCC and the Kyoto Protocol mechanisms.

Status Quo – Let it be/As it is	
Description:	Maintaining the current form of engagement as described in chapter 2. The BINGO constituency operates as a loose business grouping. Members of the BINGO constituency operate independently and without coordination of a business voice for input to the negotiations.
Advantages	• **Recognition**: There is current recognition and acceptance by the private sector and governments of a "BINGO" constituency. This approach minimizes the risk of backlash and disruption within BINGO community. • **Cost and time**: This option has no additional cost and no time delay for establishment.
Limitations	• **Coordination**: There is a scattered and largely uncoordinated approach for substantive input. • **Expertise**: The current format does not attract specific experts into the process from business. It is left to those who follow the UNFCCC process to provide sporadic input. This leads to generic input and a focus on ad hoc communications lacking strategy or long-term vision. • **Representation**: Even if it allows each organization its own voice, in reality, a small group, often unrepresentative of broader business opinion. This encourages individual lobbying, often with conflicting messages, and makes the recognition of a "business voice" internationally difficult. • **Efficiency of the process:** Limited effectiveness, given the low degree of coordination and limited organization. • **Trust building:** Limited transparency and legitimacy of organizations providing input into international processes. • **Institutional memory:** No consistent platforms for information exchange or storage.

Single coordinating entity – Centralised	
Description	The creation of a central body – a new body or the offspring of an existing body—to coordinate business input into the UNFCCC. A similar model was proposed in 1996 as a Business Consultative Mechanism (referred to in Box 8). The central entity would act as a clearinghouse for business input requests from the process. It could be managed by the UNFCCC or a business entity.
Advantages	• **Efficiency of the process:** Multiple business voices need coordination. A new, single entity could provide focus for input. • **Expertise**: Could provide consolidated but multi-voiced input to the UNFCCC process, including: statements, expert reports and submissions. A coordinated input would help ensure cross linkages between different

	issues. • **Representation**: If governments were able to identify a representative voice, there will be a greater incentive to engage business. This will in turn make businesses feel that their input to UNFCCC is valuable and effective. • **Institutional memory:** A single, well organized coordinating entity could provide a platform for information sharing and continuity.
Limitations	• **Recognition**: Establishing one body could create serious concern and tension within the business community. Deciding how to establish a coordinating entity could prove very divisive and thus impossible. It would be difficult to have one entity representing or acting as a lead voice or focal point for business. Business may take recourse to alternative processes that undermine the coordinating entity. • **Coordination**: Coordinating business input requires a robust and defendable process of selection of representative experts and companies. • **Representation**: A single entity that coordinates input risks ending up with a limited number of people being involved. They could be too focused on the UNFCCC process and disconnected from business demands and goals. This group soon becomes unrepresentative of the private sector and loses trust. • **Efficiency of the process**: A single channel to UNFCCC has a risk of low accessibility by many in the global private sector (especially developing country input). It risks being inflexible to the varying needs of the process, leading to too much internal bureaucracy and business infighting and not enough focus on engagement with governments. It could also lead to a watering down of the messages and input from business, as it seeks to create a consensus position. • **Trust building:** Risk of monolithic nature may deter acceptability by governments and the private sector. Could lack transparency and might engender distrust within the business community • **Cost and time**: The set up and operation of a new entity would require significant funding.

Windows option – Issue or sectoral	
Description	This option maintains the focal point structure to provide general coordination It provides opportunities to engage first informally and then becoming formal as the process matures. It facilitates the engagement in both general and detailed levels. The new coordination structures are tailored to particular areas of engagement (e.g. carbon finance, mechanisms, REDD, technology, NAMAs, MRV). A lead organization would be responsible for steering the engagement in a particular area. The methods of engagement and experts would vary accordingly. Disseminating information is vital to ensure transparency. Several areas could be dealt with simultaneously – with separate competent lead organizations.
Advantages	• **Recognition**: This approach would likely be acceptable to most in the BINGO community, as it allows broad participation of all the groups that have an expertise and are willing to lead the specific engagement process. • **Representation**: Private sector business would be incentivised to be

	involved in particular, relevant topics.. Providing coordination for each area will help in ensuring expert input and a broader engagement of relevant individuals (in contrast of having always the same players). • **Expertise**: Keeping the content topic-specific would help to coordinate appropriate subject experts from business and government. • **Efficiency of the process**: A windows approach can be flexible and accommodate a greater number of engagement opportunities as requested by either business or governments. • **Trust building:** Flexibility in responding to needs could lead to a higher acceptability by Governments and the private sector. Creating a parallel process of informal engagement between governments and business will build trust and help facilitate knowledge sharing and capacity building. • **Cost and time**: Speedily set up to start running the process
Limitations	• **Coordination**: The topic-by-topic approach risks losing sight of the interconnections between issues, and without some form of coordination, could create multiple and inefficient engagement tracks. There is also a risk that there will be disagreement on who might lead coordination in a certain area, resulting in multiple lines of business input on each topic. • **Institutional memory:** The development of tailored areas of engagement might not facilitate keeping an integrated general institutional memory.

5.1.6 Possibilities for institutional set up

A key question is who is in charge of private sector coordination. Analysis in chapter 3 shows that this is normally done in the institution in charge of the intergovernmental process (e.g. OECD BIACC) or in a private sector institution (e.g. ICC in the UNFCCC). If the UNFCCC process wants to enhance engagement with the private sector, there are two coordinator possibilities that apply to all the models identified:

- **A new department within the UNFCCC Secretariat and inside the UNFCCC institutional framework.** This option has the advantage of a broad geographical spread and a strong connection to, and understanding of, the UNFCCC process. The disadvantage is that it does not represent business and might have difficulties in attracting a broader participation of business experts.
- **An external business organization outside the UNFCCC institutional framework.** This option would establish an external business coordination structure. It would have a higher independence from the political process, could be implemented faster than the UNFCCC option and, if well designed, would be more representative of the private sector.

These possibilities have also been mentioned in a recent study (Fujiwara and Egenhofer, 2010) where they propose a consultative body based on a public-private partnership that could take the form of: an informal advisory body, an independent organisation financed partly from governments and partly from industry sectors and a UN body. They also believe that these models can constitute different phases of the evolution of the new body.

Hybrids of each model of engagement and coordinators would maximize the benefit of each option.

Hybrid approaches	
Windows approach with a coordinated entity in the UNFCCC	• An hybrid option in the windows approach includes a coordinating entity within the UNFCCC Secretariat that would manage the overall coordination with the private sector. Then dedicated engagement areas would be created as windows (e.g. carbon markets, technology, etc) and managed by different business entities. This option could probably help to overcome the shortfalls of the windows approach in terms of coordination and institutional memory. At the same time the benefits of the windows model- recognition, broad participation, incentives for engagement, expertise, flexibility and trust building – would be strengthened when involving the UNFCCC.
Single entity with a phased approach	• This approach starts focusing engagement on a particular area that expands to further areas and becomes after some time a single coordinating entity. This approach builds on early organizational experiences and allows coordination between different areas of work, creating synergies between them. This could be a more realistic step towards coordinating business input than trying to manage all of it through one coordinating body. However, this approach might take more time to implement, as it would need to create necessary competences for new areas of work. This could result in over-institutionalization and therefore reduce flexibility.

5.1.7 Selection process

In all models, selecting participants will be a challenge. The selection process for observer/advisor roles is an essential element of the engagement. Communication and transparency to the wide business community is very important.

Clear **terms of reference** should guide the selection process and provide detailed instructions on the role of the private sector, providing information on the responsibilities, potential conflicts of interest, the funding available, the communication channels, the reporting obligations, the possibility of holding ad-hoc workshops, etc.

A good example of the possible engagement opportunities on technology or finance would be the terms of reference for the Clean Technology Fund (provided in Annex 5). A platform for this information exchange (including a web page, exhibits, webinars, etc.) could periodically disseminate information to the broader business community. Elements that should be included in the terms of reference are:

- Description of the role;
- Responsibilities of the representatives;
- Term of the representation;
- Mechanisms to facilitate broader participation (SME, developing countries, etc.);
- Incentives for engagement;
- Provisions dealing with alternate members or replacements.

One of the greatest challenges is how to bring the private sector voice from developing countries to the table. This does not necessarily mean having them attend every meeting (other engagement options are available). Rather, it means effectively bringing in their perspective. Some processes (e.g. CIF) provide funding for developing countries observers and dedicated websites. Other processes allow a written communication for observers that are not able to travel.

BOX 14. Considering the sector perspectives

Sectors such as electricity generation, heavy industry, transport, buildings and forestry are responsible for most GHG emissions. These sectors have very different interests and are confronted with different barriers for implementation (see also section 5.2.4). Therefore engagement with the private sector would probably be more effective if it includes a sectoral component. Companies have an extensive sectoral knowledge and expertise to offer. Experience in the Montreal Protocol, the APP Task Force and voluntary private sector initiatives have shown that when addressing implementation, a sectoral perspective responds adequately to the needs of the processes and rules. A sectoral perspective brings the discussion to tangible issues such as specific low emission technologies and business best practice.

Global sectoral actions of the private sector could help the UNFCCC process advance implementation bottom-up, while action might otherwise be slowed down or blocked by national positions and negotiations.

The success of the engagement with the private sector will depend on rules and procedures that guarantee a simple, dynamic, flexible, transparent and inclusive process. There is a consensus that the process should channel information—both top-down and bottom-up. Even if a case-by-case approach is taken, the process should ensure synergies between the engagement exercises as to ensure cost effectiveness.

5.2 Changing role of the Private sector in the existing and new UNFCCC mechanisms

In this section we present some illustrative cases if the coordination of private sector engagement were to follow the **window approach**. We choose this model because it is the one that can provide a more focused engagement. However other hybrid models might also be able to coordinate these illustrative engagement examples. We try to answer questions on what role the private sector could play (or have) in some crucial areas for the private sector, who could be involved and how the engagement could be coordinated. *More detail on these is provided in Annex 4.*

Measuring, reporting and verification (MRV) is not considered as one of the examples. This is an area where the private sector expertise is very valuable and provide fundamental input, and the stakeholder consultation agreed that it is an area where more engagement is needed. We believe that MRV is a cross cutting issue that should be part of all the areas selected.

5.2.1 Carbon Market Mechanisms

Market mechanisms are essential for increasing the cost-effectiveness of emissions reductions. Emissions trading for the private sector has been implemented (the EU, New Zealand and regionally in the US) or is being set up or discussed (Japan, the US at the federal level, Australia, China, Mexico, etc). Such schemes are fundamental in providing opportunities for private sector investment in low carbon technologies and products. The CDM and JI provide opportunities for mitigation at the project-level and have so far gathered broad participation and interest from the private sector.

In addition to these project-based mechanisms, new and enhanced market mitigation mechanisms are currently being discussed by countries and experts. One widely researched proposal relates to the crediting of sector-based activities in developing countries ("sectoral crediting"). Sectoral crediting instruments could work either as an expanded version of the CDM or as a new market mechanism. They would address specific carbon-intensive sectors in developing countries and allow crediting of emission reductions achieved below a sector-reference level. However, the design, nature and scope of sectoral crediting remains largely undefined at the international level. Hence, for the purposes of illustrating how the described options could be applied to market mechanisms, the CDM becomes a more informative case study.

Box 15. Sectoral crediting

Much of the current literature on possible new market mechanisms for the post 2012 regime juxtaposes the two main proposals of NAMA crediting and sectoral crediting. Crediting on the basis of NAMAs grew out of the broader NAMA discussion which stems from a developing country proposal and which is seen as domestically driven. By contrast, sectoral crediting has been proposed by industrialized countries as a way for developing countries to participate in international carbon markets, thought sectoral mitigaton action particulary in energy intensive sectors. Technically sectoral crediting could be one option of NAMA crediting, if the host country decides to take this option.

Sectoral crediting has similarities with a "sectoral CDM": the performance of most installations in a given industry sector is measured against a single baseline, defined at the national level so as to take the specificities of each country's production systems into account, and reductions beyond the baseline are credited. As discussed above, the definition of NAMAs is so broad that a chosen NAMA could be the establishment of a certain performance standard for an entire sector. If this were the case, crediting with respect to the standard could be possible, whether it is called NAMA crediting or sectoral crediting.

Sectoral crediting includes the concept of "no-lose target" This concept emerged in the context of sectoral crediting but then spilled over into NAMA crediting. As originally proposed by Schmidt et al 2006, Ward et al 2008, the participating country would reach an established reference level through domestic efforts based on self-funded implementation of policies and measures. Then the country could be allowed to sell any surplus emission reductions which are certified to have been achieved beyond the reference level, but would have no penalty for not achieving that reference.

In the context of the NAMA discussion, crediting reference levels have also emerged. From the perspective of developing countries, unilateral, supported and credit generating NAMAs are three options for financing mitigation actions, and countries must have the freedom to plan for the various funding sources in order to optimize the funding received, the emission reduction impact, and the national benefits derived. In relation to this, industrialized countries have proposed an implicit sequencing of the funding sources and mitigation levels: first a developing country reaches a certain mitigation level for a given sector with its own budget, then it goes beyond that level with public international finance in order to reach its reference level. It is only those reductions that are achieved beyond the reference level that can be put on the market and sold. However, international public funding is admittedly scarce in comparison to the mitigation needs.

The objective of formulating no-lose targets is to ensure that mechanisms evolve beyond mere offsetting toward stimulating domestic action in developing countries. However, in agreeing reference levels much attention needs to be given to prevent creating perverse incentives. For instance, it may motivate countries to pursue a fairly modest reference level or to attempt to manipulate its business-as-usual scenario in order to maximize crediting. On the other hand, if a reference level is set at too ambitious level, it may eventually dissuade the country to pledge domestic mitigation actions Some developing countries have seen the no-lose target concept as a back door strategy for imposing emission reduction commitments. However, given that there are no penalties and that participation is voluntary, this perception seems little founded. On the contrary, participation is likely to trigger investments in energy efficiency and boost productivity.

NAMAs are discussed as main tool to stimulate, record and reward policy-based emission reductions in developing countries. In the future, they are likely to complement the CDM and sectoral crediting as instruments to channel finance to support developing country mitigation action. However, many challenging issues still need to be addressed.

The private sector has already gained considerable experience in carbon finance and is particularly interested in seeing the CDM and JI further developed and refined. It is also interested in actively participating in the design of sectoral mechanisms, to ensure that private sector investment opportunities are provided (e.g. through the "nesting" of project finance opportunities in broader sectoral accounting schemes). Currently, engagement comes in different forms and levels—from more passive observer status to increasingly active advisor roles to functional forms of genuine decision-making power. Each facet and level corresponds to the particular roles the private sector plays acting as project developers, investors, consultants, accredited auditors or other.

The more constructive and integrative the interaction between the private sector and the decision-making process, the more operational (e.g. the role of DOEs) and implementation-oriented (e.g. the role of project participants) the mechanism becomes. While the private sector does not have any direct role in taking CDM/JI decisions, business may effectively contribute to the further development of carbon finance by sharing its expertise on carbon markets, providing inputs for further development of the mechanism, and facilitating low emission technology development and deployment.

What role could be more appropriate?

There is an overwhelming consensus among companies and experts in the field that private sector engagement in carbon finance can still grow significantly, both in intensity and in the quality of interaction with the different bodies and panels of existing and future carbon finance mechanisms.

Considering the options for enhancing private sector engagement in carbon finance first requires a review of some of the current forms of interaction:

- **Observer or advisory role.** Given the direct impact the decisions of the existing CDM Executive Board, the JI Supervisory Committee and potentially other subsidiary bodies under the UNFCCC have on private sector interests, allowing for **private-sector hearings** in the decision- and law-making process seems appropriate. Hearings on mechanism design would be open and voluntary.
- **Active or passive role.** Active engagement of relevant parties would increase the legitimacy and transparency of the mechanisms. While the CDM Executive Board responds to unsolicited letters from project participants and issues random calls for inputs from stakeholders, there is not yet a dedicated channel of communication between the CDM Executive Board/ JI Supervisory Committee and project participants and stakeholders. As a result, in Copenhagen, the COP/MOP has called upon the Executive Board to establish modalities and procedures for direct communication with project participants. Reflecting the direct exposure of the private sector interested in internationally administered carbon finance mechanism (where the layer of national law protection is absent), the COP/MOP has mandated to the CDM Executive Board to put in place an appeals procedure for stakeholders directly affected by the Board's decisions and rulings.

- **Engagement upon request or mandatory.** On the implementation side, clearly determining focal points within the UNFCCC Secretariat for each programme or project, and establishing regular meetings (or conference calls) between the CDM Executive Board and the JI Supervisory Committee and the private actors involved in particular projects, could also increase the legitimacy of the process. Mandatory hearings should form part of due-process requirements in the administration of carbon finance mechanisms where decisions have a direct impact on private sector projects, property positions, and investments.

Who could be involved?

Carbon finance mechanisms warrant the direct participation of companies, associations and technical experts. The latter can (and do) participate in the CDM Executive Board, JI Supervisory Committee, based on nomination by Kyoto Parties and confirmation of the COP/MOP. Designated subsidiary bodies further nominate private experts to serve on the different panels and working groups that support the day-to-day activity of the Board and the Committee. The **direct participation of companies** is probably more suitable in questions of **implementation** with which these actors are directly involved (e.g., elaboration of methodologies, validation, review and approval of projects). **Business associations**, given their representational status and the capacity to bring in different private sector experiences and weigh different opinions, could participate **at policy level ,**including at the level of standard and guidelines setting.

How can engagement be designed?

The coordination for channelling input from and to the private sector would vary depending on who provides the input, and whether such input refers to rule-making or to discrete questions of implementation. For instance, **individual experts** would likely be assigned a role on the different CDM bodies and panels. Guidelines on conflicts of interest and code of conduct would help ensure that private and public individuals in fact exercise their tasks in their personal capacity (and not skewed to particular national or business interest).

Companies questioning or requiring clarification in relation to the Board rulings, applicable to projects and methodologies in which they have a material interest, could channel their input directly or through an appointed focal point within the UNFCCC Secretariat[59] and through hearings involving the Board or Committee.

As to the **broader institutional structure**, an appointed focal point (either the UNFCCC Secretariat or another entity) could organize regular interactive forums between UN body members, representatives of governments and verifiers, and representatives of investors and project sponsors. Business associations may equally help to establish the form of active, advice-centered (on request or mandatory) engagement at the level of the Executive Board. In any event, it is expected that they will be better able to channel representative and representational positions than any individual expert or firm. A separate international selection process among companies that have been listed as project participants in carbon finance transactions could be organized by the UNFCCC Secretariat in order to guarantee participation of stakeholders at the widest possible scope and, in particular, to reach developing country private actors.

5.2.2 Technology

Accelerated clean technology development and deployment is central to addressing climate change. This has been recognised by governments at the international and national level. The AWG-LCA has elaborated the functions and structure of a potential **technology mechanism**, which was endorsed by the Copenhagen Accord. Participation of the private sector in a constructive and functional way

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[59] Depending on the nature of the griefance, direct communication may be appropriate to avoid problems surrounding confidentiality of business information and trade secrets.

will be crucial for the mechanism's success. The majority of resources and technological solutions are, or will be, provided by private firms. Their ability and willingess to interact and cooperate will, in large part, determine whether technology transfer will take place. The nature of the technology varies between industry sectors. Some processes use proprietary technologies (e.g. aluminium), while others do not. This influences the policy choices for enhanced technology diffusion in developing countries.

The **Technology Mechanism** aims to accelerate technology development and transfer in support of action on adaptation and mitigation. The Technology Mechanism could consist of a *Technology Executive Committee* (that could replace the EGTT) and a *Climate Technology Centre and network* (see annex 4). Some of the functions currently in discussion in the negotiations for the Technology Executive Committee include: removal of barriers, collaboration, support and assistance, etc. On the other hand, a **Climate Technology Centre(s)** should be instrumental in **supporting implementation**, accelerating the diffusion of technology, providing technical assistance and training upon request of developing country parties. Furthermore, national and regional innovation centres, a climate technology network and roster of experts would also be established[60]. Governments, the EGTT and SBI have clearly recognised the important role of the private sector in this area (Box 16).

BOX 16. Improved engagement in the EGTT

At the latest meeting of the SBI in June 2010, Parties endorsed the EGTT's updated work programme, which includes working with the private sector in several areas. These include: collaborating on capacity building; identifying success stories in relation to financing technology transfer projects in non-Annex I Parties; identifying areas with the potential for enhanced cooperation between the UNFCCC, other MEAs and intergovernmental processes, and the business community; and preparing a stocktaking paper on the role of international property rights in technology transfer. [61] During the discussion, the importance of private sector engagement was stressed by a number of countries, including Japan, Australia and the US.

What role could be more appropriate?

Technology Executive Committee.

Private sector participation would be relevant in the design of mechanisms for enhancing technology development and deployment. The options to be decided include:

- **Observer or advisory role.** Assuming that the Committee steers policies of a general nature, private sector engagement may be limited to observer roles with limited active powers. In addition, for specific issues, engagement of experts may be recommended.
- **Engagement on request or mandatory**. The private sector is the most important actor in technology discussions and the engagement should be mandatory with specific request for experts for particular agenda items.

Climate Technology Centre and network

The private sector might **provide technical input** tailored to the design of the centres: by technologies, by sectors or by policy issues. The decisions to be made include:

[60] FCCC/AWGLCA/2009/L.7/Add.3

[61] FCCC/SB/2010/INF.1

- **Observer or advisory role.** Assuming the Climate Technology Centre has responsibilities in actual deployment and concrete implementation with direct impacts on technology providers/receivers, the level of engagement may range from observer to advisory.
- **Active or passive role.** Depending on the decision-making scope of the Centre, the private sector stakeholders engaged may either be active in general topics or passive when specific decisions are being made.
- **Engagement on request or mandatory.** Where engagement is active, mandatory consultation seems appropriate; where it is passive, engagement on request would be the most fitting form.

Who could be involved?

Global business has extensive knowledge across the entire cycle of technology development and deployment. Developing and transferring low emission technologies involves several business actors that could engage in both the Technology Committee or the Climate Technology Centre and network: project development experts; technical assessment experts; project implementation experts; operational and maintenance experts; and policy and finance specialists.

Technology Executive Committee

Representative forms of engagement seem appropriate at the Technology Executive Committee level, where discussion focuses on general matters and rule-making. Concrete arrangements may be established through either business association channels or by selecting from a roster of experts. For specific areas (individual) expert input could be more appropriate.

Climate Technology Centre and network

The Climate Technology Centres could rely on a mixed form of representation. When these are more general, a representative form may be most suitable. When they are concrete and concern specific stakeholders, direct involvement of firms/actors should be the principle.

How can engagement be designed?

For all representative needs, business associations or the UNFCCC may develop—through a transparent and open process—the selection of observers and advisors. For targeted forms of advisory engagement, individual selection through specific Terms of References (TORs) tailored to the particular needs, would provide details on the role: description; responsibilities; duration; reporting, etc.

BOX 17. Japanese proposal for an Advisory Group for Technology[62]

Some Parties have expressed their views on how to engage with the private sector to promote technology transfer. Japan proposed the creation of an Advisory Group for Technology Cooperation (AGTC) based on a combination of regional and sectoral initiatives to create “productive networks of stakeholders” for promoting technology transfer. Some of the principles for that engagement are: neutrality, flexibility, efficient and inclusive cooperation; creating public-private partnerships; producing tangible outcomes and optimizing the use of existing organizations.

The coordination model proposed creates Regional Technology Cooperation Centres, Sectoral Technology Cooperation Bodies and a Coordination Board.

[62] Presentation by Izuru Kobayashi in the UNFCCC Side Event organised by the Japanese delegation on “How to realise global emission reductions - using private expertise through public-private partnerships”, Barcelona, 3 November 2009.

- **Regional Centres,** in cooperation with private sector and other stakeholders, create rosters of experts and regional and sectoral task forces that would advise on particular technical issues per request and share experiences.

- **Sectoral Bodies**, with a Secretariat from existing institutions (e.g. IRENA for the renewable sector, World Steel Association for Steel Sector), provide sector specific advice to Regional Centres and develop and compile sector specific technology information.

- **The Coordination Board** is composed of 20 to 30 representatives (from industries, Parties, financial institutions and the regional and sectoral centre) and a Secretariat, sitting in the UNFCCC. The Board would manage and coordinate the activities of Regional Centres and Sectoral Bodies report periodically and provide input for deliberation to the COP.

This proposal was merged with the US proposal, "Hub and Corps" in Copenhagen and developed into an US-Japan joint proposal, reflected in the Copenhagen Accord as a "Technology Mechanism".

5.2.3 *Finance*

The Copenhagen Accord recognized the need for scaled-up, new and additional, predictable and adequate funding, as well as improved access for developing countries for enhanced action on mitigation. The Accord intends to establish a **High Level Panel** to *study* the contribution of the potential sources of revenue for financing[63]. The panel was destined to work under the guidance of the COP. Following the events in Copenhagen, the Secretary-General established a High-Level Advisory Group on Climate Change Financing (AGF) on 12 February 2010. The AGF has a term of 10 months and is to deliver a final report to COP 16 in Cancun. The Accord agrees that the funding will come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance. Disbursement of finance should be balanced between adaptation and mitigation. New funding for adaptation will be delivered through new arrangements, with a governance structure providing for equal representation of developed and developing countries. This is necessary, because earlier funding for adaptation was delivered through the Kyoto Protocol.

The **Green Climate Fund** included in the Accord was intended to support projects, programmes, policies and other activities in developing countries related to mitigation including REDD-plus, adaptation, capacity building, technology development and transfer. The Accord, however, does not detail how the fund should be operated and governed. The latest round of negotiations in June 2010 suggests that the fund should be operated by a trustee and supported by a secretariat.[64]

BOX 18: Private sector engagement in the High-Level Advisory Group on Climate Change Financing

The High-Level Advisory Group on Climate Change Financing (AGF) is due to complete its report by October 2010 to be presented to the COP at Cancun Mexico. The report will identify the potential of sources of public and private sector finance needed for developed countries to meet an annual US$ 100 billion target by 2020.

The AGF is formed by 20 members, including two Heads of State and Government as co-Chairs and others in their expert capacities, including ministers of finance and high office holders and experts on public finance, development and related issues. George Soros, Chairman of the Soros Fund

[63] FCCC/CP/2009/11/Add.1.

[64] Advance draft of a revised text (FCCC/AWGLCA/2010/8).

Management and Caio Koch-Weser, Vice Chairman of the Deutsche Bank Group, are the two experts selected from the private sector.

The AGF has organised its work in eight work streams – six focused on public finance and two focused on private finance. These are chaired respectively by Sir Nicholas Stern and Caio Koch-Weser. The two work streams on private finance are on **public finance leverage of private finance** and **carbon markets.** The work streams are currently defining their output and gathering data.

There have been three meetings to date, either at the Head of State or senior levels. The AGF has made two briefings to Parties at the April and June sessions of the UNFCCC in Bonn where there were extensive exchange of question and answers.

The outreach to the private sector and civil society has been foreseen through the United Nations Global Compact and the Non-governmental Liaison Service.

At the time of this report, it is unclear how the High Level Panel or the "Green Climate Fund" will evolve. Some general ideas about engagement possibilities are therefore presented.

What role could be more appropriate?

High Level Panel.

Private sector representatives could share expert knowledge on financial mechanisms and the policy incentives required to drive private finance to developing country mitigation and adaptation actions. Contributions might include advice on existing barriers to investment, ideas on public-private investment structures to leverage private finance, and on recommendations on enabling policy environments, among others.

Currently, the Panel only has a short-term mandate. Engagement with the private sector is very limited. However, considering that the Panel will likely continue in the future with a new mandate, some choices on business engagement need to be made:

- **Engagement at national level through governments.** A consultation at national level will be beneficial for dissemination of information and a common understanding of the private sector incentives for climate change investments. Informal workshops or round tables would be a useful tool for this purpose.
- **Passive advisory role.** At the international level, the role includes sharing and giving the possibility to provide written or verbal comments to the assessment and analysis being developed by the different working groups. However, for specific questions that arise in the work, a more active expert role could be envisaged.

Green Climate Fund

The role of the private sector could be more operational, for example, by evaluating project proposals, recommending detailed investment and policy models and providing regional and country-specific expertise. Project developers and technology owners could provide advice, at the technical level, on appropriate technology choices, infrastructure needs and evaluation of project proposals from a technical perspective. The options to be decided include:

- **Passive advisory role.** The general role for private sector in this area should be consultative to allow structured input of expert knowledge into the process. Given the nature of decisions by this body, the role of business is likely to be rather passive. However, for specific questions that arise in the work, a **more active role could be envisaged**.

- **Engagement on request or mandatory.** Not all topics and decisions of the fund will require private sector input. An engagement upon request seems advisable. However, it must be assured that there is an option to request input from private sector experts at any time in the process.

Who could be involved?

The private sector currently provides 80% of the global investment in technology deployment. To achieve the goal of holding the average global temperature to 2^0 C an additional US$ 45 trillion is estimated as being needed by 2050 (IEA, 2008). This means that the private sector is a critical partner and has valuable experience to offer in how this ramping up of investment could occur.

Various players are involved in financing and developing actions (projects, programmes, other) related to climate change adaptation and mitigation in both developed and developing countries. These include investors, who allocate resources to projects depending on necessary conditions required to make an investment, and project developers and technology owners, who are seeking finance to build projects or develop technology .

Business motivation to engage ranges from a general interest in sharing expertise to help support the design of effective policies to the direct incentives involved in the process. Potential access to new markets and addressing investment risks are some of these incentives. When operational features of the Green Climate Fund are under discussion, the private sector wants to ensure that the fund focuses on the investment gaps and wants to provide expertise on the impact of MRV rules on investment accounting.

In turn, governments could benefit from an understanding of: the methods and practices involved in private finance and project development; the mechanisms that "leverage" private finance; and the obstacles to an efficient carbon market.

How can engagement be designed?

Enhanced business engagement would be delivered with:

- Global briefings by the AGF and work streams;
- Facilitation of review and comment process on proposed outlines of working streams and the policy and technical decisions related to the fund;
- A channel to allow input relevant to individual working streams;
- Providing a platform for information exchange to test new ideas.

5.2.4 NAMAs

"Nationally appropriate mitigation actions" (NAMAs) are not yet clearly defined—both in terms of what they actually are and how they will be funded. They could potentially range from single actions to a comprehensive package of policies, an emission (intensity) goal for a country or a sectoral crediting mechanism. The Copenhagen Accord simply states that "internationally supported Nationally Appropriate Mitigation Actions (NAMAS) shall be registered and are subject to international Measurement, Reporting and Verification (MRV)". The latest draft negotiation text calls for an independent expert panel for the development of National Communications and related reporting. Apart from this, no reference is made to possible involvement of expert advice in the definition of actions and methodologies. However, the concrete design of the NAMA framework will largely determine the possibilities of private sector involvement.

There are a number of areas where business could potentially be involved both at the *national level in developing countries*, as well as at the *international level*. At both levels the engagement would most probably be arranged on a sectoral level, so that targeted expertise can be used. The engagement on national level could include the provision of data and information ,engaging in the setting of sectoral baselines and in defining appropriate national policies and frameworks. Internationally the private sector could helping to define criteria and guidelines for the design of the NAMA framework, specifically on appropriate rules for MRV, providing expertise for the review of proposals or support for the matching process that brings together proposals and funding at the international level.

What role could be more appropriate?

Private sector participation would be relevant in the design of the system and possibly related mechanisms for NAMAs:

- **Observer or consultative role.** The general role for private sector in this area should be advisory to allow the structured input of expert knowledge into the process. Sectoral experts would be asked to provide their input.
- **Active or passive role.** The private sector needs to play an active role in these processes. The system needs to ensure that resources are used effectively and efficiently to trigger the right business decisions on the ground.
- **Engagement on request.** Due to the large experience available in the private sector engagement should be requested with specific requests for experts for particular agenda items.

Who could be involved?

Business has an interest in being involved in the design phase of the NAMA process to create an efficient and effective institutional set-up with transparent decision-making structures, to ensure that the adequate incentives / signals for private sector engagement are included. NAMAs can potentially create new business opportunities for solution and service providers and the financial sector. The extent of these opportunities will strongly depend on the design of the system and may be very different per sector.

Governments have an interest in private sector engagement, because business has experience and knowledge that is important for designing an effective and efficient NAMA framework. The input can range from “pure” data provision (also addressing issues around data reliability and sensitivity),, information on technologies, costs and markets to reviewing assumptions and baselines. Additionally, the involvement of a diverse group of stakeholders, including business, enhances the support and acceptance, as well as the transparency of the NAMA process.

How can engagement be designed?

At the national level, an effective stakeholder consultation process for the definition of NAMA proposals should be established. This process should be guided by the established processes adopted for the definition of TNAs and NAPAs.

At the international level, the form of engagement depends on the area of involvement:

- For the **establishment of guidelines and methodologies**, sectoral expertise will be required. Most of the necessary know-how can be provided by independent entities (universities, research institutes, etc.) and experts who provide input to the SBSTA under the UNFCCC. The private sector could be consulted by sector either directly by the SBSTA or through a new, independent body mandated by SBSTA.

- For the **review and matching of NAMA proposals,** use of a roster of experts may be the best approach. Once a country proposes a NAMA, it could be reviewed as a mandatory step in the process making use of the already existing UNFCCC roster of experts. This roster could be expanded to specifically include private sector expertise. It already covers a broad set of sectoral expertise.
- As a basis for the definition of methodologies, especially to be able to design appropriate MRV systems, as well as for the formulation of NAMA proposals, a process could be established to **improve the data basis** in the different sectors through collaboration with stakeholders (see Box 19).

BOX 19. Sectoral databases

In the field of data provision, sectors have sometimes an inherent interest to collect and share information. For example, more than 20 cement companies, which account for around one third of the sector CO2 emissions, have engaged in the Cement Sustainability Initiative "Getting the Numbers Right". Each company participating in the system collects information related to their CO_2 emissions and energy information and reports these data to an independent third party service provider. These data are collected in a database and can be used to define mitigation strategies and climate actions. This information is publicly available in www.wbcsdcement.org/co2data. Similar efforts were made or are on the way in other sectors, like aluminium and steel. These existing experiences could serve as an example for other sectors

All these efforts help to provide the basis not only for reliable data, but also allow a better understanding of the sector, its mitigation options and ways to set up effective MRV systems. In this respect they also help in capacity building, a good example for this being the Asia Pacific Partnership where the development of best practice is one of the elements of many of their task forces.

5.2.5 REDD

REDD (or REDD+) aims at providing positive incentives to actions that reduce emissions from deforestation and forest degradation in developing countries, through the mobilization of financial resources from developed countries. The motivation of the private sector to participate in a future REDD mechanism established under the UNFCCC is normally associated with reputational gains, financial rewards (e.g. from the generation of carbon credits or payment for ecosystem services schemes) or compliance with future legislation.

What role would be more appropriate?

With the private sector being expected to contribute to the financing and implementation of REDD activities on the ground, it is reasonable to assume that the private sector should also be allowed to participate more actively in a REDD mechanism.

- **Observer or consultative role.** The private sector could assume an advisory role through which it would channel inputs and share expertise related to, for example, technical and fiduciary criteria, and indicators to evaluate performance including social and environmental standards.
- **Active or passive role.** An active role would mean that the private sector would not only be consulted, but also have a say in the different topics and agenda items discussed in meetings of (future) international REDD bodies. This may be warranted given the degree of finance and implementation support that is expected from the private sector.
- **Engagement upon request or mandatory.** Whether engagement is mandatory or upon request would largely depend on how much of the decision-making related to REDD is made

at the international level (rather than through national authorities). The more decision-making and criteria-setting is left to international bodies, the more important the private sector input becomes at that level. Arguably, mandatory engagement can provide a more stable channel for sharing experience and informing decision-making on regular basis.

Who could be involved?

A REDD mechanism would likely see the participation of individual experts, companies, and business associations. Individual experts could be assigned a role in functions where technical and objective assessment is required (for instance, setting performance criteria for REDD activites and social and environmental standards). Provided the private sector is allowed to interact directly with international REDD bodies on discrete projects and activities, companies could be directly involved in implementation and approval of such projects. They could also have a significant role in providing independent verification and certification of results.

Finally, business associations could represent the interests of a certain class of private actors directly interested in the benefits of potential REDD market (should such a market allow for private participation). They could help build consensus and facilitate the provision of input to the relevant REDD body(ies) within the UNFCCC, in particular on methodological issues (such addressing permanence and leakage), policy constraints to implementation and market support.

How can engagement be designed?

Expertise of the private sector relevant to the design and implementation of an international REDD mechanism could be accessed through the establishment of a single advisory body for REDD that represents non-Party interests and expertise. The private sector could be represented on such an advisory body, jointly with community, indigenous people and NGO representatives. Such an advisory panel could advise Parties on technical matters (MRV, reference levels), as well as on implementation matters (carbon market regulation, compliance). The selection process of representatives from the private sector could be organized either by a body exercising the function of the secretariat of the international REDD mechanism or domestically by state Parties.

On implementation aspects, and depending on the future design of the REDD mechanism, the private sector could be further engaged through specific communication lines established between the relevant REDD bodies and the private actors involved in REDD activities. Regular interactive forums among business associations, certifiers, and REDD body-members could also be established to increase dialogue and improve understanding and predictabilty of rules. A body exercising the function of the secretariat of the REDD mechanism could also organize a selection process to obtain the inputs from project participants and stakeholders in REDD activties.

5.3 Summary

Enhancing private sector participation in the UNFCCC process will increase the likelihood of achieving successful and sustainable policies to address global climate change. As governments seek to build a new international framework for cooperation, they should also strive to incorporate mechanisms that make more efficient use of the considerable expertise and skills available from the private sector. A number of options for enhanced engagement—for organizing and channelling the inputs from the private sector—could help take implementation to the next level. In particular, enhanced private sector participation could prove invaluable in specific issue areas such as carbon markets, technology, finance, MRV, NAMAs and REDD+. +. The majority of financial resources and technological solutions are, or will be, provided by private firms. Their ability to interact and cooperate with government will, in large part, determine the level of success in building an effective international climate regime.

An enhanced role for the private sector in the UNFCCC process could take many forms. These range from a simple *observer* to a more active role as an *advisor,* providing governments with specific business know-how. An advisory role, if effectively designed, could channel greater technical expertise to UNFCCC fora and bodies and add value to criteria-setting by making sure that the mechanisms and standards developed at the international level can in fact be implemented on the ground. The exact nature of the role would depend on how the private sector can best contribute to a specific issue area. This role could be filled in a number of ways—by a business association, by a private company or by an individual expert—and tailored to fit the specific need, as no single solution fits all. A mixture of representation would likely be the most effective option and provide the needed flexibility.

An enhanced role for the private sector in the UNFCCC process will require effective coordination in order to: channel information from the private sector to the UNFCCC and vice-versa, establish a platform for information exchange, and, perhaps most importantly, ensure transparency and trust,both within the business community and between the private sector and governments. There are different options to enhance coordination of private sector engagement with the UNFCCC and the Kyoto Protocol mechanisms, including:

- *Status quo:* mantaining the current form of engagement operating as a loose business grouping. There are several shortfalls of the current engagement that have been highlighted in chapter 2, such as lack of coordination, geenric experise, limited representation, etc.
- *Single coordinating entity*: A coordinator channels all private sector inputs, such as statements, expert reports, and workshop participation. This option might not be flexible enough to adapt to the varying needs of the process; it will have dificulties to be recognised by the business groups; and risks of becoming a monolitic structure
- *Window (issue/sectoral approach)*: This provides a tailored approach to specific topics within the UNFCCC and Kyoto Protocol mechanisms, with the form of involvement varying between the different topics. The flexibility of this option would likely be attractive and acceptable to both Governments and the private sector.

Alternatives that combine features of both the single coordinating entity and the window approach could be adopted. For instance, while a coordinating entity such as a UNFCCC dedicated Secretariat manages the overall coordination with the private sector, different business entities could be tasked with the management of specific engagement areas. Alternatively, a “phased” approach in which a pilot coordination structure employed for a particular area (e.g. technology) serves as model for and expands to other areas. This could secure a degree of coordination between the new engagement areas and synergy across them.

An effective selection process for observers/advisors is an essential element of engagement. There must be transparent and clear guidelines for selection and a key challenge will be to effectively bring in the private sector voice from developing countries.

The success of enhanced private sector engagement will depend on the establishment of rules and procedures that guarantee a simple, dynamic, flexible, transparent and inclusive process. The process should seek to effectively channel information—both top-down and bottom-up—between all relevant stakeholders. Even if a case-by-case approach is taken, the process should ensure synergies between the engagement exercises so as to ensure cost effectiveness.

ANNEXES

Annex 1. International Stakeholder consultation

A.1.1. ADVISORY BOARD

An Advisory Board was created to provide guidance, input and challenge during the design, drafting and finalization of this report.

The Advisory Board brought together a set of highly reputable individuals from diverse stakeholder groups, representing a broad range of geographies and perspectives, and with an excellent understanding of the UNFCCC negotiations and non-governmental stakeholder engagement in the UNFCCC process. The Advisory Board members were:

- **Nick Campbell**
- Environment Manager, Arkema Group, France
- Chair, ICC, Task Force on Climate Change

- **Martha Patricia Castillo**
- Coordinator of the Latin American Programme for Carbon and Renewable Energy, Corporación Andina de Fomento (CAF), Columbia

- **Kim Carstensen**
- Leader, Global Climate Initiative, WWF

- **Denis Clarke**
- Chief Investment Officer, Infrastructure Department, International Finance Corporation, USA

- **Henry Derwent**
- President, International Emissions Trading Association, Switzerland

- **Elliot Diringer**
- Vice President, International Strategies, Pew Centre on Global Climate Change, United States

- **Christiana Figueres**
- At that moment Costa Rica national climate change delegation, now Executive Secretary of the UNFCCC

- **Michael Grubb**
- Professor, University of Cambridge

- **Wendy Poulton**
- General Manager, Sustainability and Innovation, Eskom, South Africa
- Chair, ICC Task Force on Energy

- **Anabella Rosemberg**
- Program Officer, International Trade Union Confederation

- **Kuki Soejachmoen**
- Executive Director, Pelangi, Indonesia

- **Yoshiharu Tachibana**
- Fellow-Sustainability Advisor to the Board, Tokyo Electric Power Company, Japan

The project partners convene the Advisory Board in 5 meetings/ conference calls over the course of the project (from November 2009-July 2010), supported by additional one-on-one discussions with individual members.

This study has clearly benefited from the expertise and guidance of the Advisory Board.

A.1.2. INTERNATIONAL WORKSHOPS

A summary of each of the workshops held in Beijing, Hong Kong, Sao Paulo, Washington DC and Brussels in provided bellow.

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 operationalised.

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 has greater access to technology, needs to play a leadership role in working with its 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. Therefore, 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 centre 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 identifying 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 and also the direct energy recovery from the waste through incineration with energy recovery, with the advantage of reduction of the land use. 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 creating 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 favour 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 policymaking 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 channelled 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 fields and, market mechanisms, therefore 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 labour 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 should 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 coverage 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 channelled 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. This includes information about the drivers for business decisions, the incentives that work, and the frameworks that influence business activities. This type of engagement could be channelled 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 has 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 its 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
- Anna 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 Solé Mena, European Commission

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
- Julio Cardoso, European Commission

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, Weyerhaeuser
- 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

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 Solé Mena, European Commission

Annex 2. Historic discussion on stakeholder engagement in the UNFCCC: background information on the workshop

The workshop was held the 2nd March 1996 in Geneva. Business and industry, municipal leaders and environmental NGOs presented their views on a consultative mechanism for non-governmental input to the UNFCCC.[65]

A) Business and industry NGOs

The business representatives made a proposal of a business consultative mechanism and outlined business and industry participation in technical and economic assessment.

<u>Business Consultative Mechanism (BCM)</u>

Why: Timely business input will be critical to successful implementation of the Convention and can facilitate the resolution of barriers to technology transfer.

What: The BCM should be a broad process, address the full range of issues and should not be limited to technological issues. Further, the mechanism "should be in addition to, not a replacement for, existing or new business consultation at the national and international level" and should enable business "to both volunteer information to, and respond to questions from, all of the bodies established under the UNFCCC in a timely matter". Business looks for a direct, transparent and additional channel of communication to provide their unfiltered view on the various issues under the Convention.

Who: The process should be open to all business NGOs accredited by the UNFCCC process who wish to participate.

How: BCM would not be part of the formal structure of the SBSTA of COP but it would be able to provide input to and consult with the entire UNFCCC process. However, it would be treated by the FCCC process in a manner comparable to all other NGO consultative mechanisms in terms of access and administrative support, including funding for participants from developing nations. The work plan could be largely determined by issues under consideration in the UNFCCC process. However, there shall be a possibility to initiate or introduce issues.

<u>Participation in Technical and Economic Assessments</u>

Why: Business NGO participation essential to ensure that Parties have the information needed to make the most informed decisions possible.

What: A process that produces objective, unbiased, timely, and peer-reviewed information, which would be available in unfiltered form to all Convention bodies. This information would be analytical and descriptive rather than prescriptive.

Who: Participation in the Technical and Economic Assessment would be based on individual expertise and shall not depend on accreditation to the FCCC process. Business experts shall be selected through an open-ended and transparent selection process.

How: Mechanism should be more formally structured and narrower in scope than the broad ranging, informal BCM.

The question how the BCM could be included in the UNFCCC structure was not addressed during the workshop.

B) Municipal leaders and local authorities

[65] FCCC/SBSTA/1996/Misc.2 and FCCC/SBSTA/1996/11

The presentations by municipal leaders and local authorities outlined the role of local governments as strategic partners in dealing with climate change and its effects.

Why: Local governments have special competences, experiences, insights, and the technical knowledge

What: Facilitate an understanding of how best to transfer technologies and know-how between the developed and developing nations, creating broader public awareness of climate change and the Convention process, play an important role in international emission inventories and tracking, facilitate the scientific assessment of the effects of climate change on the urban environment.

Who: all accredited organizations under present UN and UNFCCC guidelines, rules of procedures, and customs

How: Not set up a new mechanism but rather strengthen existing ones. "A comprehensive database of local actions, measures, and emissions reductions, easily accessible to the SBSTA and its Technical Panels over the Internet, would facilitate communication and exchange of information between the local government sector and the Convention process."

C) Environmental NGOs

For environmental NGOs the overriding principle was, whether the creation of such a mechanism furthers the ultimate objective of the Framework Convention on Climate Change.

Why: NGOs have relevant expertise and experience in a variety of related fora, and have proven to be an important source of creative thinking in the negotiating process.

What: Encourage debate in developing countries by spreading awareness about stake and by assisting them with information and advice, technology assessment, monitoring and evaluation of policies, raise public awareness

Who: Principle: Open and available to all stakeholders, including local governments, and the environmental and business communities

How: Not set up a new mechanism but rather strengthen existing ones, e.g. formal mechanism to review national communication to which Parties have the opportunity to respond to, formal inputs to agenda items (compiled in a separate section of Miscellaneous documents), freer license to intervene from the floor

Environmental NGOs opposed heavily the establishment of a separate business consultative mechanism. In their view, it is unclear what the goals of such a mechanism would be and whether such a mechanism would be striving to achieve the objective of the Convention.

Annex 3. Questionnaire

Survey on private sector engagement in the international climate change process

We are collecting this survey to complement your contributions to today's workshop. The results will be aggregated for analysis that will feed into the project proposal.

Many thanks in advance for your time and effort dedicated to this project.

GENERAL STAKEHOLDER INVOLVEMENT

Business frequently engages in consultations with government at local, national and international levels. These consultations can be formal, when the government or public institutions organize meeting or stakeholder consultation processes with different actors and a fixed agenda, or an informal process, either through interviews with government officials or participating in international or national decision-making as observers.

1. **How important is your engagement in formal or informal consultation around climate change issues?** *(0: not important; 1: slightly important; 2: important; 3. very important)*
   a. Formal ( )
   b. Informal ( )

   1.a. How many <u>times a year</u> do you engage in <u>formalized</u> consultations on climate change with the government or policy makers?
   a. National ( )
   b. Regional ( )
   c. International ( )

   1.b. How many <u>times a year</u> do you engage in <u>informal</u> consultations on climate change with the government or policy makers?
   a. National ( )
   b. Regional ( )
   c. International ( )

2. **In which of the following areas do you think private sector involvement is necessary or useful?** *(tick more than one if appropriate)*

	No	Informal consultation	Input on request	Formal consultation
Policy design - high level decision making				
Market mechanisms design and implementation				
Technology mechanisms design and implementation				
National Implementation				
Monitoring, reporting and verification				

UNDERSTANDING OF THE UNFCCC PROCESS

3. **Do you attend the negotiations under the United Nations Framework Convention on Climate Change (UNFCCC)?**
   a. Yes, regularly ( )
   b. Yes, from time to time ( )
   c. No, I follow the news ( )
   d. No, I am not interested ( )

4. **Do you think international climate negotiations affect business and the private sector?** *(tick more than one when appropriate)*
   a. Yes, in the long term ( )
   b. Yes, in the short term ( )
   c. No ( )

5. **Do you see the international climate negotiations as an opportunity or a threat?**
   a. Opportunity ( )
   b. Threat ( )
   c. I don´t know ( )

6. **Why is it important for the private sector to engage in international climate change negotiations?** *(tick more than one when appropriate)*
   a. Understand how the outcomes might affect my organization ( )
   b. Learn from new business opportunities ( )
   c. To inform and guide government and decision-makers ( )
   d. It is not important; business engagement will not make a difference ( )
   e. Other___________________________________

7. **Do you think a formal business engagement in the UNFCCC would benefit the implementation of the agreements?** *(tick more than one when appropriate)*
   a. Yes, but more financial resources are needed ( )
   b. Yes, but governments should provide strong signals and commitments ( )
   c. Yes, if ____________________________ ( )
   d. No, because ________________________ ( )

INTERNATIONAL CLIMATE CHANGE POLICY AND BUSINESS: DRILLING INTO DETAIL

8. **What are the top <u>business opportunities</u> to address climate change in your country/region?** *(rank them from 0: lowest to 5: highest)*
   a. Accessing international finance ( )
   b. Accessing low carbon technologies ( )
   c. Partnering with other businesses ( )
   d. Share information and best practice ( )
   e. Other __________________________ ( )

9. **What are the <u>barriers</u> for leveraging these opportunities (previous answer)?** *(tick more than one when appropriate)*
   a. International negotiations are slow and do not deliver ( )
   b. National law-making, implementation and enforcement is ineffective ( )
   c. The investment environment is not attractive ( )
   d. I do not know how to access the finance or technologies ( )
   e. Other______________________ ( )

10. How could <u>you contribute</u> through formal engagement to <u>overcome these barriers</u>? *(tick more than one when appropriate)*

a. Provide my expertise in ____ ( )
b. Provide my business experience _______________________________________ ( )
c. Collect and share information on specific issues such as ___________________ ( )
d. Provide new ideas on how the new instruments could work for business ( )
e. No, I can´t ( )
f. Other_______________________________ ( )

11. The Copenhagen Accord mentions that "developed countries commit to jointly mobilize USD 100 Bln. by 2020 to help address climate change mitigation and adaptation needs". How do you think these <u>financial resources</u> are going to reach your country? *(tick more than one when appropriate)*

a. They will be handed to the government ( )
b. I do not know where and how these funds will be allocated and disbursed ( )
c. Business will be a direct beneficiary ( )
d. Finance will go to other countries ( )
e. The collection of funds is not going to happen ( )

12. The international negotiations have given a strong emphasis on the need to <u>transfer technologies to developing countries</u>. How do you think technology diffusion could be enhanced in your country/region? *(tick more than one when appropriate)*

a. Improving the enabling frameworks for investment ( )
b. Providing financial resources for technologies that have not reach commercial maturity ( )
c. Enhancing carbon markets in my country/region ( )
d. Including the private sector advice and expertise in policy making ( )
e. Other ____ ( )

MECHANISMS FOR PRIVATE SECTOR ENGAGEMENT

13. What kind of private sector engagement do you think is most effective in the possible new mechanisms? *(tick more than one when appropriate)*

	Finance mechanism	Technology mechanism	REDD+ mechanism	Other______________ ___________________
The current passive observer role				
An active observer role in the general negotiations				
An active observer role in the specific expert groups or advisory panel				
A roster of experts for predefined issues (e.g. particular technology)				
Other				

14. **How do you think the selection of private sector should be established?** *(tick more than one when appropriate)*

	Finance mechanism	Technology mechanism	REDD+ mechanism	Other______________ ___________________
A self selection process: the private sector selects their representatives				
A government selection process: governments select private sector representatives				
An open call of experts: the group/body/panel selects from applications				
Other				

WORKSHOP EVALUATION

15. What is your overall impression of the workshop?

a. Excellent ( )
b. Satisfactory ( )
c. Not satisfactory ( )
d. Not useful ( )

16. Do you think the presentations and the questions were clear?

a. Yes ( )
b. Partially ( )
c. No ( )
d. Other ____________________________ ( )

17. What part of the workshop did you enjoy the most?

____

____

____

18. Please provide any recommendations for the next workshops

____

____

____

GENERAL INFORMATION ABOUT YOUR COMPANY/ORGANIZATION

19. What is the main area of activity of your company/organisation?

a. Business ( )
b. Business organisation ( )
c. Carbon market ( )
d. Consultancy ( )
e. Civil society / non-profit ( )
f. Government ( )
g. Research ( )
h. Press / media ( )
i. Other_______________ ( )

20. If you represent a business in which area do you develop your activities?

a. Iron & Steel ( )
b. Power sector ( )
c. Oil & Gas ( )
d. Renewable ( )
e. Forest ( )
f. Transport ( )
g. Consumer goods ( )
h. Other __________________ ( )

21. Size of your organization

a. Multinational (> 5.000 employees) ( )
b. Multinational (< 5.000 employees) ( )
c. Large National mainly (>250 employees) ( )
d. SME (< 250 employees) ( )
e. Very small (<10 employees) ( )

22. In which country is your Headquarters based?

Please enter name of country ____________

23. Is your business/organization active in the field of

a. Mitigation ( )
b. Adaptation ( )
c. Technology transfer ( )
d. Financing ( )
e. Capacity building ( )
f. Measurement Reporting Verification ( )
g. Other_______________ ( )

Voluntary: Please let us know if you would like to receive email updates on the development and results of this project: Name___________________________ Email ____________________________

For further information on the EC project please contact María Mendiluce: mendiluce@wbcsd.org

Annex 4. Detailed illustrative cases

A.4.1. CLEAN DEVELOPMENT MECHANISM

Why should business engage in the CDM:

The CDM presents an interesting case study for business engagement as it explicitly relies on private sector engagement to support its implementation. Article 12(9) KP states that "*Participation under the clean development mechanism, including in activities mentioned in paragraph 3(a) above and in the acquisition of certified emission reductions, may involve private and/or public entities*". The CDM thus truly represents a public-private partnership. {This sentence may be removed alltogether. It is not intended to be the introduction of an argument that is further developed in the body of the paper. It was merely a note on the pioneering feature of the CDM}

Business contributions and incentives for engagement:

- Business has gained considerable experience with the CDM and is thus particularly interested in seeing this mechanism being further developed and refined with time (as opposed to being dropped or entirely replaced after 2012). Business has an interest in seeing an effective and efficient mechanism, to support the CDM as project financing mechanism, carbon credit generation opportunity, as well as facilitating low emission technology development and deployment.
- The validation of projects and verification of emission reductions is entrusted to accredited private entities, the Designated Operational Entities (DOEs).[66] Business does also constitute the absolute majority of entities that invest in CDM projects, operate these projects, and engage in the trading of resulting emission reduction credits (Certified Emission Reductions or CERs). Both DOEs as well as project and market participants have gained valuable experience as to what incentives and disincentives can be created through policy and technical decisions under the CDM.
- CDM policy and regulatory decisions have direct impacts on private sector assets. The CDM Executive Board approves or rejects projects, methodologies or the issuance of carbon credits with private entities holding personal title over the projects and the credits issued and transferred. Multiple governance decisions at Executive Board level, from project registration to credit issuance but also methodology approval, have a direct bearing on the so called project participants or would-be participants. As a consequence, rule of law considerations and due process principles argue for the granting of procedural rights to private sector that is affected by CDM decision making.
- The CDM requires a high level of technical expertise. A more active role of private experts as advisors to the process could pave the way for decisions that are better informed, more transparent, and more predictable. The various panels and working groups established by the CDM Executive Board provide for interesting case studies in this respect.

Note that "the private sector" constitutes a diverse range of business stakeholders. Some private sector actors in the CDM process "exist" by virtue of the CDM itself. Other private sector actors have a broader interest in implementing projects with support from the CDM. The quality and scope of the contribution that business can provide will thus vary among the different private actors.

Government incentives to support business engagement:

[66] Article 5 Kyoto Protocol; Decision 3 CMP 1, (« Marrakesh Accords ») paras 26 et seqq.

- Business is essential to scaling up the financing of projects and programs in GHG reducing activities in developing countries.
- Business offers resources not necessarily available at government and/or international organization (such as the UNFCCC Secretariat) level: technical, logistic, etc. and business has experience, know-how and lessons learnt to share.
- Business can contribute to informed decision making.
- The decision-making process, when addressing private entities and individuals directly, runs the risk of being challenged in the courts (international and/or national). In order to avoid that the international validity of the CDM ends up being fragmented by different national legal regimes, all affected non-state actors should be given rights in the process so as to guarantee that their essential rights and fundamental freedoms are protected.

What are the risks and threats of formalized business engagement:

- ***Need to improve mutual trust.*** Lack of trust inhibits a more formalized engagement of private sector in internationally defined mechanisms. *Example: Lack of trust between Executive Board members and Designated Operating Entities could be improved by increased clarity of EB decisions and guidelines and a more strategic division of tasks.*
- ***Conflict of interest*** - may arise and need to be managed should business play a more formalized role.

Who represents the private sector:

Considering the various private, and public sector actors in the process may support an understanding of "who" should play an active role in different areas of the CDM project development and implementation cycle.

Project participants

- Design projects and seek approval from the host government
- Buy or broker carbon credits
- Provide consultancy services
- Invest into projects

Designated Operating Entities:

In most cases, these are private entities.

- Validate and request registration of a proposes CDM project
- Verify and certify emission reductions and request issuance of CERs

Panel and working group members:

Panel and working groups are established by the Executive Board to access expert advice. To assist it in the performance of its functions, the EB is entitled to establish panels, working groups or teams. In this regard, it "*…shall draw on the expertise necessary to perform its functions, including from the UNFCCC roster of experts…[and] take fully into account the consideration of regional balance*."[67] The expert panels do not take decisions. But they undertake the technical assessments upon which decisions of the EB will necessarily be based. Thus far, two panels (Accreditation and Methodologies), two working groups (Afforestation and reforestation, and small scale) and one team (CDM Registration and Issuance) have been set up.

Technical experts:

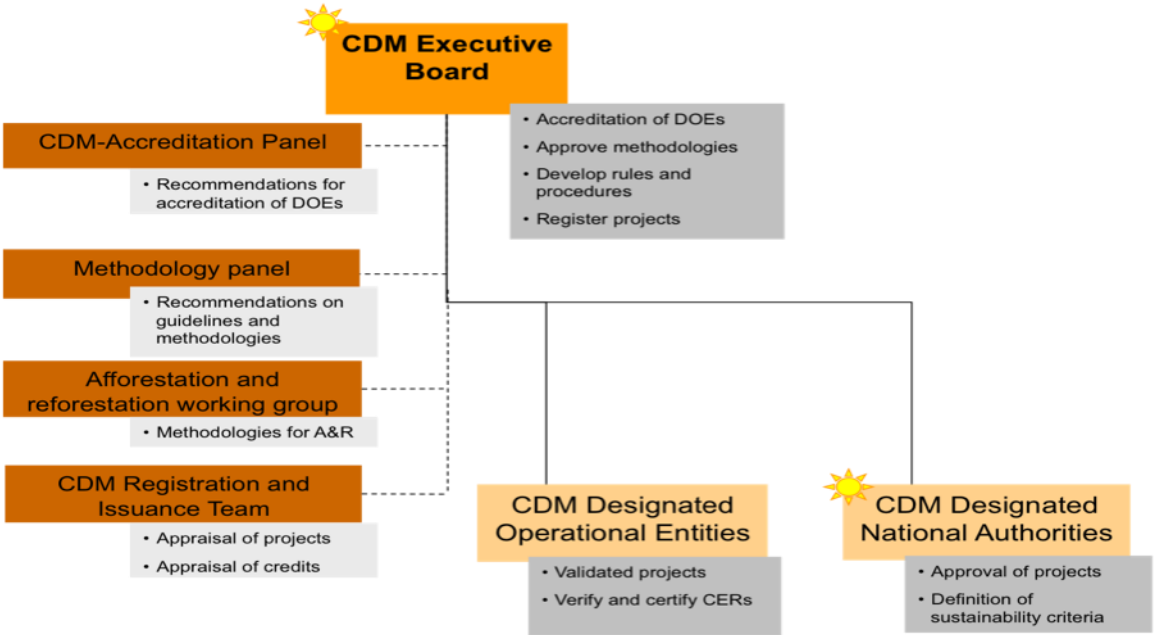
[67] Decision 3/CMP.1, Annex, para. 18.

A specific call for input on the UNFCCC provides an opportunity to input on detailed technical issues under consideration by the Executive Board or other parts of the CDM mechanisms. These issues range from mechanisms design and efficiency of process, through to detailed methodological questions. Experts might be drawn from the groups of "private sector" representatives listed above, but may of course also include other experts from outside the private sector.

What consultation mechanisms exist for the CDM:

Below, we outline the existing structure of the CDM, and highlight current private sector engagement mechanisms. Currently, the private sector acts as project participants, carbon market players (sellers, traders and buyers), as experts in the various panels and working groups established by the Executive Board, as observers to the Executive Board and, assuming a functional role in the decision-making process, as Designated Operational Entities (DOEs).

Structure of the CDM



Current private sector engagement and role

TODAY	Right to Be Heard	Voluntary Consultation	Mandatory Consultation	Participation in Decision-Making
DOEs	Yes (but could be improved)	Yes	No	Yes
Expert Panels and Working Groups	No (except for request for clarification)	Yes	Yes	Yes (recommendations to the EB)
Project Participants	No (except for request for clarification)	Very limited	No	No
Technical Experts	No	Yes	No	No
Observers	No	No	No	No

In addition to this engagement, specific “calls for public input” are posted on the UNFCCC website. These calls request input of a range of topics, from mechanism process, through to detailed input on methodologies.

What are the specific issues that business should contribute to through engagement:

Policy input

To support the design of a cost effective, efficient process that support broad project implementation and environmental integrity, based on implementation experience and market knowledge.

Protection of rights

Formal participation of stakeholders and project participants or would-be participants in particular to guarantee that rights of individuals and entities concerned are respected and protected (protection through process). This applies to the right to be heard, to the right to be informed about the reasons of a particular decision, the right to appeal a decision, etc.

Technical input

- Supporting the development of project methodologies through technical expertise (eg Meth Panel, A/R Working Group);
- Conducting validation, verification and certification (DOE);
- Supporting the development of baselines based on primary information and data (consultants supporting project development).

How can engagement be designed:

The CDM does engage the private sector directly in the mechanism and its implementation. Lessons can however be drawn from this experience, and more effective forms of private sector engagement can be considered.

Below, we outline four specific examples of potential enhanced or new engagement mechanisms for the private sector:

1) **Transparency and Predictability**.

Lack of transparency of the activities performed by the Executive Board and the deficiency of communication channels between the main CDM regulatory bodies and project participants have been the subject of criticism by the private sector and NGOs. Although the CDM approval process provides for public participation at the project level, involving both local and international stakeholders until project validation is complete, there is no direct communication between the EB or its panels and project participants. There is not even a guarantee that private entities will be informed about deliberations regarding their projects. Addressing issues of transparency, predictability, and procedural inefficiency in the CDM regulatory process through the establishment of administrative due process does not require, however, major substantive changes of the institutional model currently in place. Rather, some technical adjustments would be enough to set the CDM governance in the right track for the post-2012 period, further enhancing the predictability of the system and the overall confidence of the private sector in the mechanism. According to recent Copenhagen decisions (further guidance relating to the CDM Decision -/CMP5), the CDM Executive Board has been mandated to create more effective, and direct communication chanels with project developers. This chanel of communication might take the form of direct notifications and direct hearings (in writing or other) before (final) review decision are taken. The decision also mandates the Executive Board to substantiate decisions by giving its reasons and mandates the Board to develop procedures that establish the right of the affected entities to be heard.

2) **Participation in decision-making**

Currently, the private sector act as observer to the CDM Executive Board meetings, and does not play any role in the decision making process.

Below, the oulined CMP changes provide that business may be granted a more active ***observer role****. This may include the right to request certain agenda points, a mechanism of active consultation in specific areas (i.e. where the Executive Board (or CMP) would identify certain areas where business representation has to be formally consulted before a decision can be taken), or other.*

3) Access to **judicial redress** (appeals process)

Project participants and stakeholders concerned may be given the opportunity to challenge decisions of the Executive Board that have a bearing on their rights. An independent body would be in charge, following a request from the individual/private entity concerned, of examining an Executive Board decision against its legal consistency; and it would have the power to annul a decision, if not to replace and grant a particular decision. It may even be feasible to give such appeals body the power to grant remedies and compensation.

The CDM CMP5 decision has taken up this issue and requests the "*Executive Board to establish, following consultation with stakeholders, procedures for considering appeals that are brought by stakeholders directly involved, defined in a conservative manner, in the design, approval or implementation of clean development mechanism project activities or proposed clean development mechanism project activities, in relation to:*

(a) Situations where a designated operational entity may not have performed its duties in accordance with the rules or requirements of the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol and/or the Executive Board;

(b) Rulings taken by or under the authority of the Executive Board in accordance with the procedures referred to in paragraph 39 above.

Options for an enhanced private sector engagement:

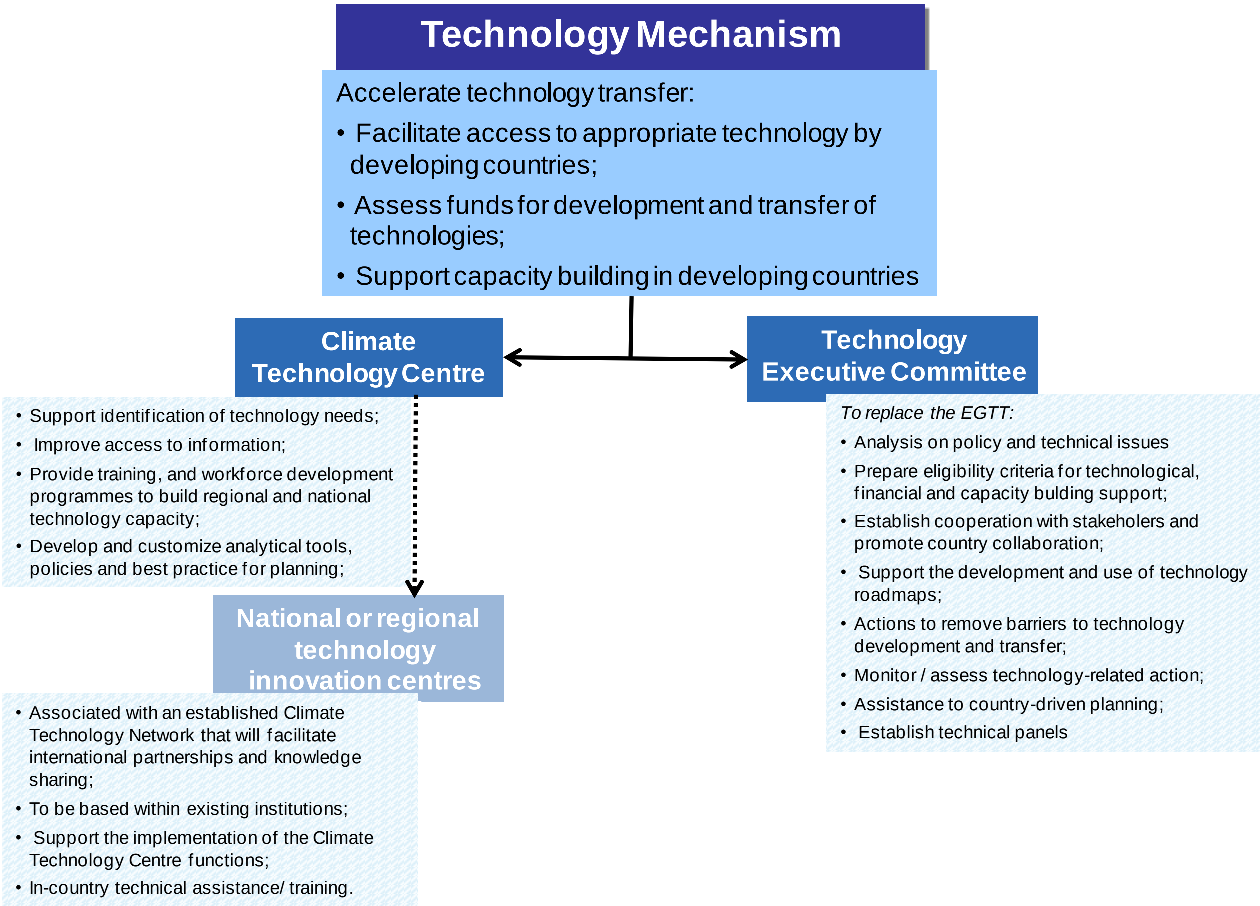
REFORMED CDM	Right to Be Heard	Voluntary Consultation	Mandatory Consultation	Participation in Decision-Making
DOEs	Yes	Yes	Yes	Yes
Expert Panels and Working Groups	No	Yes	Yes	Yes
Project Participants	Yes	Yes	Yes	No
Technical Experts	No	Yes	No	No
Observers	Yes	Yes	No	No

Indicates change from current status

5.3.1 A.4.2. TECHNOLOGY MECHANISM

Context

Accelerated clean technology development and deployment is central to addressing climate change. This has clearly been recognised by governments at the international and national level. Supporting this objective, the "Ad-hoc working group on long-term cooperative action" (AWG-LCA) of the UNFCCC has elaborated the functions and structure of this potential mechanism, which has been further endorsed by the Copenhagen Accord. While many details require clarification and definition, the diagram below presents a summarised interpretation of the AWG-LCA *Technology Mechanism* text.



Who represents the private sector?

Developing low emission technologies and projects requires various skills, and involves different actors within the private sector. They are involved from project conception and design, to project financing through to implementation and operation. All skills are necessary to effective implementation.

Some of the experts involved in the technology deployment project cycle include, among others:

- ***Project development experts:*** *structure project, seek financing, partnership and necessary permits*
- ***Technical assessment experts****: assess and design projects from a technical perspective (i.e. identify appropriate sitting of projects and decide on appropriate technologies)*
- ***Project implementation experts:*** *in charge of physically developing the project (e.g. engineers)*
- ***Operational and maintenance experts:*** *operators of technology on the ground.*
- ***Policy specialists:*** *experts that can analyse the whole value chain and identify the project barriers and enables, effectiveness and efficiency improvements*

Why should business engage in the Technology Mechanism

Business continuously innovates, develops and deploys low carbon technologies. These activities are at the core of business operation. The challenge of climate change requires the scale and pace of technology development and deployment to increase significantly. In particular developing countries, where the private sector does not actively invest, need support through the design of effective technology deployment mechanisms and enabling project development environments. Through direct experience, the private sector has an understanding of the barriers and enablers to a low-carbon transition from the development of new technologies, through to the deployment of existing ones.

From a technical perspective, the private sector has the know-how and "best-practice" expertise required to effectively build and run clean technology infrastructure. These skills are essential to ensure long-term, effective and efficient technology operation.

Governments have clearly recognised the important role of the private sector in this area. The key question is how to most effectively leverage the skills and know-how of the private sector including:

- Use PS expertise to inform the design of cost-effective policies to overcome technology development or deployment barriers;
- Partner with the PS to achieve technology development and deployment goals where costs and/or risks are too high for the private sector alone;
- Consult with PS experts to understand appropriate technology options;
- Engage the PS to support capacity building and share technical "know-how."

<u>What are the risks and threats of formalized business engagement:</u>

- ***Confidence building*** – fear that the private sector can provide objective advice in areas where they may have a commercial interest;
- ***Objectivity*** –the private sector may push particular technologies with a specific commercial interest in mind.
- ***Legitimacy*** – that expert input can be representative of the private sector
- ***Transparency***- when other stakeholder participation or information is excluded

What consultation mechanisms exist for technology development and deployment under the UNFCCC

Through 2009, dialogues between the Expert Group on Technology Transfer (an expert advisory group under the UNFCCC) and the WBCSD/ ICC have enabled a dialogue on technology related issues. Through formal and informal meetings EGTT and private sector representatives exchanged views on the ongoing work of the EGTT. Topics discussed in the meetings included:

- Funding mechanisms to support technology transfer;
- Institutional structures for a future technology mechanism;
- Enabling frameworks to support deployment of existing technologies in developing countries.
- Enabling factors for R&D and collaborative R&D
- Options for institutional engagement of the PS in the EGTT

The Chair of the Subsidiary body for implementation (SBI) suggested in Copenhagen that "*consideration should be given to establishing an effective means of engaging the private sector more fully in the process. One such means may be to provide an ongoing forum for members of the business and finance communities to regularly communicate their assessment of which actions by Parties could be most effective in enhancing the development and transfer of environmentally sound technologies and practices*[68]."

These formal and informal exchanges have proven valuable and effective, and an opportunity has been presented to formalise the process. It is expected that the EGTT may be integrated into a potential future *Technology Mechanism* (outlined above).

[68] FCCC/SBI/2009/L.18

What are the specific issues that business should contribute to through engagement?

Global business has extensive knowledge across the entire cycle of technology innovation and deployment. Appropriate private sector technical and economic feasibility knowledge can therefore be tapped by governments. A few specific areas may include:

- Knowledge on the necessary investment frameworks to drive commercial low emission technology transactions in developing countries;
- The identification of investment barriers, and potential solutions;
- "On the ground" technical knowledge to identify, operate and implement technology solutions as appropriate in developing countries;
- Capacity building support to effectively operate advanced technologies to maximize their long-term efficiencies;
- Information sharing on existing technologies and best practice.

How can engagement be designed?

Based on this proposed structure of the potential *technology mechanism*, we can identify a number of potential areas of engagement for the private sector:

Technology Executive Committee. If the Technology Executive Committee were to set strategic objectives of the Technology Mechanisms and advise on technical issues, the PS could participate in the meetings to ensure that the business perspective is considered when designing mechanisms for enhancing technology transfer.

a. ***Business engagement:*** the decision should be between having an advisory active/passive role or engaging directly with experts. There could be a combination of both that would ensure continuity and flexibility of the PS engagement. Another decision is whether the engagement is on request or mandatory. If it is mandatory it ensures consistency engagement and continuity of the private sector.
b. ***Observer/expert role:*** The role of the PS should be defined in the terms of reference (see for example terms of reference to the Climate Investment Funds in Annex 5). The decision lies in deciding how active the observer can be in the meetings and if the observer can stay in the whole meeting. From a PS perspective the observer should be in the meeting when the decisions affect implementation of projects, which is the area where they have the legitimacy to express an opinion. A requisite for any observer is the obligation to report back to the business community and gather feedback on the issues defined in the work program.
c. ***Selection process:*** the process should ensure legitimacy, representativity, transparency and flexibility. An open call for experts and a self-selection process shows a higher degree of engagement with the PS (versus the Government picking the observers). For a mandatory observer role a self-selection process could work better, because the candidate needs to show the knowledge and the capacity to represent a wide range of interest and share and communicate with the PS community. This could be complemented with an open call for experts in defined areas of the work program.

Climate Technology Centre and network: If the Climate Technology Centre were to implement the technology mechanism, the private sector might provide technical input to this process. This input could be tailored to the design of the centre: by technologies, by sectors, or by policy issues

- ***Business engagement:*** the decision should be between having an open call for experts or to have a roaster of experts available to participate in the meetings. Another decision is whether the engagement is on request or mandatory. This will impact the business engagement model.
- ***Observer/expert role:*** The role of the PS should be defined in the terms of reference. The decision lies in deciding how active the observer can be in the meetings and if the observer can stay in the

whole meeting. Due to the nature of the consultation, it is reasonable that the expert stays in the whole meeting, because it relates to technical aspects. A requisite for any observer is the obligation to report back to the business community and gather feedback on the issues consulted. In the case there are different expert's opinions in one matter, the process should allow multiple expert voices.

- ***Selection process:*** the process should ensure legitimacy, representativity, transparency and flexibility. The selection process should be based in a defined criteria of expertise and should have an advisory body that could intervene if the selection were not clear.

5.3.2 A.4.3. FINANCE

Context

Under the Copenhagen Accord developed countries committed to jointly mobilize USD 100 Billion a year by 2020 to help address climate change mitigation and adaptation needs of developing countries. This finance is expected to come from "a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance."

To meet this goal, a High Level Panel shall be "established under the guidance of and accountable to the Conference of the Parties to study the contribution of the potential sources of revenue, including alternative sources of finance."

A significant portion of these funds may be channelled through a Copenhagen Green Climate Fund. If supported by a future COP decision, this Fund would be an 'operating entity' of the financial mechanism of the Convention to support projects, programme, policies and other activities in developing countries related to mitigation including REDD-plus, adaptation, capacity building, technology development and transfer. At present the financial mechanism is, on provisional terms, operated by the Global Environment Facility.

In addition, on February 12th 2010, Ban Ki-moon announced the creation of a high level Advisory Group on Climate Change Finance, to be co-chaired by Prime Ministers Gordon Brown of the UK and Meles Zenawi of Ethiopia. Its mission is to "mobilize the financial resources for climate change pledged at the UNFCCC in Copenhagen." The group is composed of nineteen experts, including Heads of State and Government, high-level officials from Ministries and Central Banks, as well as public finance and development experts. Member representation is balanced between developing and developed countries.[69] Members areappointed for ten months, and will produce a final report with recommendations by COP 16 in Mexico.

While it is left open whether Ban Ki-moon's Advisory Group is "the" High Level Panel referred to in the Copenhagen Accord, its mandate appears very similar. The Group will work according to the Copenhagen Accord mandate for the Panel, but not pre-empt the work of the panel. We can therefore assume that the logic and structure for private sector engagement in either the High Level Panel or the high level Advisory Group would be similar. We will refer below to the private sector engagement in the "High Level Panel". Given the lack of clarity related to the composition, function and operation of these bodies, we will take a number of assumptions to support our initial analysis and proposals for potential private sector engagement.

Who represents the "private sector":

Various players are involved in financing and developing actions (projects, programmes, other) related to climate change adaptation and mitigation in both developed and developing countries. These include:

[69] See list of members at: http://www.un.org/News/Press/docs/2010/sga1223.doc.htm

Financers- *those who make decisions about investments and financial flows, and determine the necessary conditions required to make an investment.*

Debt Finance

- Banks

Equity Finance

- Banks
- Venture capital firms
- Private equity firms
- Infrastructure funds
- Institutional investors

Insurers

- Insurers
- Reinsurers

Project developers and technology owners- *those seeking finance to develop technology or build projects.*

- Corporate finance divisions, seeking to invest in projects;
- Companies developing innovative technology solutions, demonstrating promising technologies and deploying existing ones;
- Companies implementing and operating mitigation and adaptation actions (project, programmes, other).

Why should business engage in the High Level Panel and the Green Climate Fund:

Business contributions and incentives for engagement:

High Level Panel

The challenge of the High Level Panel is to study the contribution of the potential sources of revenue, including alternative sources of finance to meet the goal of mobilising 100 Billion USD by 2020 to address investments needs for climate mitigation and adaptation in developing countries. The Panel should therefore look at the *policy and investment conditions needed* to direct finance towards these countries. The private sector can play a role by sharing its business expertise, both financial and operational, and proposing new mechanisms that most effectively leverage private capital with public funds e.g. in cases where risks are high and/or payback periods long.

Following the categories of private sector introduced above, the following motivations can be distinguished:

1) Financers:

The traditional finance community has been relatively unengaged in the climate change policy debate so far. From their perspective, capital is channelled on a competitive basis with associated risks priced appropriately. However, groups of investors interested in driving climate change investment have begun to emerge. The Institutional Investors Group on Climate Change, for example, brings together 50 European members, representing assets of 4 trillion Euros. Their objectives are:

- To encourage a pro-active approach amongst asset owners and asset managers on climate change (through adapting their own investment activities and processes) in order to enhance and preserve long-term investment values.
- To improve company disclosure/performance on climate change (in their role as shareholders and bondholders).
- To encourage public policy solutions that facilitate the move to a low carbon economy and are at the same time consistent with long-term investment objectives.

Such groups may have an interest in sharing knowledge and expertise at a high level, to support government in designing effective policies that drive climate change mitigation and adaptation investments.

2) <u>Project developers and technology owners:</u>

This group of private sector actors may have a more direct incentive to engage in climate change policy dialogue. Given that the energy sector is heavily regulated in many countries, and in particular given the policy driven nature of the renewable energy sector, effective policies are essential to expanding low carbon market opportunities.

Specific interests might include:

- Supporting the design of policy and enabling frameworks that drive private capital flows into clean energy technology project deployment in developing countries;
- Access to new markets as a result of effective and efficient policy design;
- Addressing investment risks, which drive up the cost of capital, and might prevent the economic viability of clean energy investments.

Green Climate Fund

As noted above, the Green Climate Fund is likely to support projects, policies and programmes that enable developing countries to transition to a low-carbon economy. Provided that the Fund will be backed by a UNFCCC mandate, it is likely that the governance structure will be similar to those of the existing finance mechanism under the COP, the Climate Investment Funds of the World Bank, or some hybrid model. The private sector's interest in engaging are similar to those noted above, but the role could be more operational and focused on implementation. Specifically, it may have an interest in ensuring that the fund focuses on areas that cannot be adequately financed by the private sector, to avoid crowding out of private sector initiatives. In addition, as governments may seek to "measure, report and verify" (MRV) these sources of finance, the private sector can add financial knowledge and experience in this area, as well as an interest in understanding how "MRV" of financial contributions (from public and private sources) may have a potential impact on the accounting of their investments.

<u>**Government incentives to support business engagement:**</u>

For both the High Level Panel and the Green Climate Fund, governments might benefit from a broadened understanding of private sector finance and project development, to ensure that the objectives of the UNFCCC and the Copenhagen Accord are met. Specifically, they may seek advice from the private sector to:

- Understand what mechanisms would enable public finance to "leverage" private finance;
- Understand the practical obstacles to an efficient carbon market and how these obstacles can be most effectively addressed;
- Assess what regulatory frameworks are needed to minimize the risk level of some low carbon investments and, where appropriate, how public and private actions can be combined to leverage additional funding to developing country mitigation and adaptation activities;
- Develop an understanding of what "alternative" sources of finance may be available to support financial mechanisms;
- Gain expertise on how to spend public investments to ensure they are most effectively allocated;
- Gain expertise, from a financial accounting perspective, on how to develop "measurement, reporting and verification" frameworks and standards to quantify "support" from public and private sources.

<u>***What are the issues and barriers to formalized business engagement:***</u>

- ***Building trust*** - between governments and business. *How do we ensure that business engagement will be in the best interest of designing effective mechanisms?*

- ***Possible conflict of interest*** – where business may be inclined to shift more responsibilities and risks to governments and international public bodies than needed.
- ***Lack of interest*** - on the part of finance experts given the "high cost" of engagement in the UNFCCC process and the potentially "low" return.

What consultation mechanisms exist for financial mechanisms under the UNFCCC:

The financial mechanism of the Convention is operated by the Global Environment Facility (GEF), with accountability to the COP. As part of this mechanism, the Parties have developed three special funds: the Special Climate Change Fund (SCCF) and Least Developed Countries Fund (LDCF), under the Convention; and the Adaptation Fund (AF), under the Kyoto Protocol. The SCCF and the LDCF are managed by the GEF. The Adaptation Fund is governed by the Adaptation Fund Board, with the GEF providing secretariat services, and the World Bank serving as trustee.

The table below outlines the existing stakeholder engagement process within the Global Environment Facility and the Adaptation Fund Board. The lessons learned from these, and other funding mechanisms that engage the private sector may support the design of future business engagement mechanisms.

The World Bank Climate Investment Funds: An illustration of private sector engagement

Through business organizations, the private sector participates as an observer to the Climate Investment Funds to:

a) Provide strategic guidance on the sectoral response to climate change challenges, both in mitigation and adaptation;
b) Advise on the most cost-effective financial instruments to leverage private financing for the development of SREP programs; and
c) Provide a liaison and channel for business to engage strategically with decision-makers and other stakeholders.

Observers are able to:

a) Request the floor during discussions of the Trust Fund Committee to make verbal interventions1;
b) Request that co-chairs add agenda items to the provisional agenda; and
c) Recommend external experts to speak on a specific agenda item to the Trust Fund Committee or the co-chairs.

	Global Environment Facility	Adaptation Fund Board
Role	Stakeholders play an advisory role	Stakeholders play an observer and commentator role
Process	Stakeholders interact through meetings, which include GEF-NGO consultations and the GEF Council meeting	Stakeholders have the opportunity to comment on documents, but are not actively engaged
Stakeholders	GEF accredited NGOs, research institutions, community groups	UNFCCC accredited NGOs, parties
Level of engagement	The level of business engagement in these consultation processes is very limited. NGOs have actively contributed to meetings and dialogues	The extent to which voluntary contributions will be made and what role the observer status will play in practice remains to be seen.

The different models for stakeholder engagement in existing financial mechanisms vary considerably but in general they are limited in their ability to seek strategic and substantive input from non-government experts. While stakeholders can "observe" and "comment" on documents developed by these bodies, a proper dialogue is rarely achieved. The recently developed Climate Investment Fund stakeholder engagement process moves towards more active private sector engagement (see text box above), by allowing the private sector observers to contribute to discussions and suggest agenda items in meetings. However, observers are not permitted to participate in meetings when country investment decisions being are taken. It will be important for the private sector to ensure that the governance structure of new mechanisms would allow for an active contribution.

What are the specific issues that business should contribute to through engagement in the High Level Panel and the Green Climate Fund:

As part of the ***High Level Panel***, private sector representatives could share expert knowledge on financial mechanisms and required policy incentives to drive private finance to developing country mitigation and adaptation actions. Contributions might include advice on existing barriers to investment, ideas on public-private investment structures to leverage private finance, and on recommendations on enabling policy environments, among others.

In the ***Green Climate Fund***, financial sector experts might advise on the structure of project development that enables the most effective use of capital. They may also provide expert input on the most effective policy tools to enable clean technology deployment in developing countries. Their role at this level would differ from their role within the High Level Panel, as it would be more operational, by for example evaluating project proposals, recommending detailed investment and policy models and providing regional and country-specific expertise.

Project developers and technology owners could provide advice, at the technical level, on appropriate technology choices, infrastructure needs and evaluation of project proposals from a technical perspective.

How can engagement be designed:

The extent to which stakeholders are involved in the establishment and implementation of the High Level Panel and the Copenhagen Green Climate Fund is an open question. The options of business engagement are outlined below. These options are not limited to business, but apply to the non-for-profit and other observer organizations in equal measure.

Under the High Level Panel:

1) Consider having a seat for a specified number of expert business and other stakeholder representatives, selected by a balanced, impartial and knowledgeable board of experts, in line with a strict set of criteria and a transparent process;
2) Create a formal consultation mechanism between the High Level Panel and a group of expert stakeholders on finance. This group could be one standing body, or a body / bodies of experts appointed for a defined period of time for specific topics which are under discussion and require expert advice. They would be called upon for strategic input upon request of the High Level Panel. A bolder option might be that this High Level Panel is *required* to consult with this expert group prior to final decision making.

Within the Green Climate Fund:

“Participation” could take the following forms:

1) At the basic level, the fund should ensure access to information and open opportunity to comment on policy and technical decisions related to the fund. This should be done through an open and accessible communication channel, such as a dedicated website, possibly supported by mailing lists on specific topics;

   More direct engagement (as in the case of the Climate Investment Funds) could be achieved with private sector representation in the fund meetings and management bodies, or through interaction of the fund management bodies with a group of private sector experts. This engagement could include participation in meetings to provide expert input and guidance on detailed issues related to the fund management- from design of fund processes, review of project proposals, recommendations on project implementation etc. The diverse phases of fund management and project implementation will require different skills from different private sector. Private sector representatives should therefore be selected accordingly.

5.3.3 A.4.4. NAMAs

Context

Paragraph 1 (b) (ii) of the Bali Action Plan calls for "*Nationally appropriate mitigation actions' by developing country Parties in the context of sustainable development, supported and enabled by technology, financing and capacity building, in a measurable, reportable and verifiable manner*. "

In the negotiations up to Copenhagen nationally appropriate mitigation actions (NAMAs) has come to be an acronym used frequently as the solution of many open issues, and with very different interpretations on what the term actually stands for. The negotiations have so far left open what NAMAs actually are. Views differ also on the institutional structure needed for providing support to NAMAs as well as ways to measure, report and verify actions. NAMAs can range from single actions (e.g. the construction of a hydropower plant) up to a comprehensive package of policies (e.g. establish an enabling environment for renewable energies) or an emission (intensity) goal for the complete country. It is a matter of debate, how developing country actions can be financially supported. Options include provision of direct funds for the actions or by generating carbon credits that can then be sold on the international market. Depending on the specific action, stakeholder or business engagement may be more or less favourable.

The Copenhagen Accord mentions both the creation of a NAMA registry and ideas on the MRV of NAMAs. The Copenhagen Accord states that supported actions are to be subject to international MRV, while unilateral actions that do not receive international support are subject to a national MRV process. The concrete design of the NAMA framework will largely determine the possibilities of private sector involvement. We therefore make a number of assumptions to support our initial analysis and proposals for potential private sector engagement.

Areas where business could be involved:

- *At national level*: The implementation of NAMAs will affect national businesses in various ways, potentially changing the political framework for business, for example through the introduction of performance standards or other relevant legislation. Consultation with and feedback from stakeholders is therefore essential and must be guaranteed on the national level. This could be as part of an advisory body to assess baselines, new methodologies and mechanisms or through another nationally organised process allow businesses to bring their perspective in. This should to some extent safeguard predictability and investment security of the NAMA process for the private sector. The more comprehensive and ambitious the action, is the more important stakeholder involvement becomes. For defining sectoral crediting baselines, for example, the involvement of the affected private sector is essential. However, shaping national processes exceeds the scope of this project and, more importantly, cannot be covered by a single one-fit-all approach as cultural differences and customs play an important part.

- *At international level*

o Helping to define criteria and guidelines for the design of the NAMA framework. This could include input into the definition of methodologies for NAMA proposals, guidelines for estimating greenhouse gas impacts, cost, necessary financial support etc.

o Review of proposals. This includes the more technical evaluation on the appropriateness and quality of used data, robustness of assumptions and the evaluation whether guidelines and criteria were followed.

o Supporting the process of approving funding. However, this aspect is covered by the example on the Green Climate Fund.

o The private sector could support the MRV process for actions by providing information on availability of data to design the MRV framework.

Why should business engage in NAMAs:

Business contributions and incentives for engagement:

- Business has an interest to be involved in the design phase to create an efficient and effective institutional set-up with transparent decision-making structures. Early involvement and consultation with business in advance is therefore essential.
- NAMAs can potentially create new business opportunities for solution and service providers and the financial sector. The extend of these opportunities will strongly depend on the design of the system.

Government incentives to support business engagement:

- Business has experience and knowledge that is important for the design of the NAMA framework. The input can range from "pure" data provision, information on technologies and markets up to reviewing assumptions and baselines.
- The involvement of a divers group of stakeholders, including business, enhances the support and acceptance, as well the transparency of the NAMA process. This facilitates the implementation of decisions and makes the process more effective.

What are the risks and threats of formalized business engagement:

Conflict of interest - NAMAs may affect business for example through changed money flows or a modified policy environment. *Example: If business reviews or evaluates NAMAs or assesses methodologies how can be assured that certain types of NAMAs are not favored?*

Confidentiality - Business might not want to share information for competitiveness reasons. *Example: Why should business provide confidential data on production processes that however are essential for setting baselines?*

Who represents the "private sector":

The variety of possible actions within a 'NAMA framework' is large. Potentially a large number of private sector stakeholders from a wide range of sectors and areas of expertise could be involved. They can be grouped into three main categories:

- Solutions providers through technology or finance

Solution or technology providers

Financial sector

- Service providers (consultants)
- Buyers of low emission technologies and services

What consultation mechanisms exist in relation to NAMAs:

Within the UNFCCC, there is no formalized consultation mechanism for engaging the private sector in this particular issue.

Program based lending processes such as the funds operated by the GEF have established consultation mechanisms. These processes are very similar to NAMAs. This aspect is covered by the example on the Green Climate Fund (see separate example).

In the field of data provision, business is for example engaged in the Cement Sustainability Initiative "Getting the Numbers Right". Each company participating in the system collects information related to their CO_2 emissions and energy information and reports these data to an independent third party service provider. These data are collected in a database and can be used to define mitigation strategies and climate actions. This information is publicly available in www.wbcsdcement.org/co2data. Similar efforts were made or are on the way in other sectors, like aluminium and steel. These existing experiences could serve as an example for other sectors

What are the specific issues that business should contribute to through engagement?

- They can act as independent consultant/verifier in the process
- Business can provide input of technical knowledge on
  - Methodologies for different types of actions and sectors;
  - Data requirements and availability for the setting of baselines and the calculation of GHG impacts;
  - Necessary technical solutions to achieve reductions and on realistic implementation rates / strategies;
  - Information on cost / economical feasibility of different technical solutions.
- Provision of information on appropriate triggers and barriers for the deployment of desired solutions

How can engagement be designed:

- At *national level* a mandatory stakeholder consultation process for the definition of NAMA proposals should be established. This process should be guided by the established processes adopted for the definition of TNAs and NAPAs.
- At *international level* the form of engagement depends on the area of involvement:
  - For the ***establishment of guidelines*** and methodologies, expertise will be required. These guidelines will define, amongst other issues, the scope of NAMAs, criteria and requirements for supporting NAMAs and how the support will be given, e.g. through direct funds or through carbon credits. Most of the necessary know-how can be provided by independent entities (universities, research institutes, etc.) and experts who provide input the SBSTA under the UNFCCC. The private sector could be consulted either directly by the SBSTA or through a body mandated by SBSTA.
  - For the ***review of NAMA proposals*** we propose to use a roster of experts. Once a country proposes a NAMA it could be reviewed as a mandatory step in the process making use of the already existing UNFCCC roster of experts. This roster could be expanded to specifically include private sector expertise. The task of the roster of experts would be to provide specific expertise to the review process, e.g. to check the consistency and correctness of technical and financial assumptions. Input will be provided to the body within the UNFCCC which will be given the mandate to perform this task. Within the current status of decisions this could be the Green Climate Fund or a new, not yet named institution.
  - As a basis for the definition of methodologies as well as for the formulation of NAMA proposals a process could be established to ***improve the data basis*** in the different sectors through collaboration with stakeholders. This process could be established using the experiences and structures of the Cement Sustainability Initiative "Getting the Numbers Right".

5.3.4 A.4.5. REDD +

Business engagement in REDD:

Although REDD (or correctly REDD+)[70] was one of the agenda items that advanced most in the run-up and during the Copenhagen climate conference, several design issues of a REDD+ mechanism remain

[70] The full reference to REDD under the AWG-LCA includes the enhancement of forest carbon stocks, sustainable forest management and conservation, in total referred to REDDplus or REDD+. It is understood that references to REDD refer to the full set of agreed incentive mechanisms and eligible activities.

controversial. In particular the role of sub-national activities as compared to national action and the sources of REDD+ financing remain contentious and subject to further negotiations. However, regardless on the sources of REDD+ financing, business will need to be involved in the implementation of REDD policies and programs. Unsustainable agricultural and forestry practices contribute to deforestation and public-private partnerships have to be forged to effectively address deforestation. In addition, some countries may link REDD+ to national carbon markets, in which case business could participate in REDD for reputational issues, for profit, and for compliance with future legislation. In the context of national REDD implementation, REDD action may also be linked to financial awards, for example from the generation of carbon credits[71] or payment for ecosystem services schemes.

It is likely that REDD implementation will be based on a phased approach, starting with upfront investments in capacity building[72] and policy reform in candidate countries leading to eventual performance-based payments for emission reductions against a reference level. The implementation of REDD could be supported by the financial resources, the organizational capacity and the human capabilities of the private sector. Private sector engagement is especially crucial to mobilize the significant amount of capital needed for a REDD mechanism to be successful. Should REDD credits be linked to compliance markets, it is anticipated that business seeking forest carbon credits for emission offsets will be the most significant buyers of REDD credits. Businesses could contribute to the design of the mechanism in order to minimize risks, foster the scale of investment necessary to mitigate the effects of deforestation and forest degradation on climate change and ensure the innovations and experiences of the voluntary carbon market are transferred to a regulated or formal REDD mechanism.

Initial funding to build the institutional structure for REDD – getting ready for REDD – is taking place; the sources of funding in this phase are coming mostly from bilateral and multilateral institutions. Further implementation of a REDD mechanism will require the correct incentives and regulations that will support and maintain the effort of reducing GHG emissions from ongoing deforestation and forest degradation in developing countries.

The Copenhagen Accord:

Paragraph 6 of the Copenhagen Accord addresses REDD(+): *"We recognize the crucial role of reducing emission from deforestation and forest degradation and the need to enhance removals of greenhouse gas emission by forests and agree on the need to provide positive incentives to such actions through the immediate establishment of a mechanism including REDD-plus, to enable the mobilization of financial resources from developed countries*." The Copenhagen Accord also addresses short-term REDD+ financing. In Copenhagen the US, UK, France, Australia, Japan, and Norway pledged USD3.5 billion over three years for REDD+. The US portion of this is USD1 billion.

Who represents businesses:

Business with interests in a REDD mechanism could include:

- Industries that will directly be involved in addressing deforestation and forest degradation (e.g. agriculture, timber and timber processing industries)
- Existing and new investors in sustainable forestry and forest industry operations, and those incentivized to reduce GHG emissions from the sector:
  - Develop REDD+ projects and programs

[71] Such credits can be defined by international or national legislation; they can be awarded to governments, public or private actors. Regardless of the provenance of the credits, it is likely than REDD incentive schemes will involve private sector actors.

[72] The World Bank's Forest Carbon Partnership Fund (FCPF) and Forest Investment Program (FIP) and the UN REDD program are already operational and starting to make the "up front" capacity building investments in variety of REDD candidate countries.

- Acquire or trade REDD+ credits

- Providing services (validation, verification, consultancy, capacity building and training, technology transfer e.g. sustainable forest management)

What are the areas in which businesses can provide input:

Business will be essential for the implementation of REDD strategies. Such strategies may include the intensification of agriculture and fiber production or the implementation of sustainable forest management practices. Industry may also benefit directly from REDD related payment schemes. If REDD would be linked to international or national carbon markets or other incentive schemes, private sector could also contribute to the financing of REDD– both on the supply side making REDD investments, and on the demand side trading REDD credits. Businesses should provide input during the design phase of a REDD mechanism to make sure that mechanisms and processes are cost effective and efficient. Business will only invest into REDD action if the risks are manageable and there is prospect of reasonable profit. Risk mitigation includes the creation, recognition and protection of forest tenure, property and carbon rights, equitable in-country benefit sharing of REDD revenues and reduction of host country related risk Private sector participants have also advocated for the inclusion of subnational programs and project level activities into a REDD mechanism.

Businesses have also a role to play to ensure that national and international institutions contain the appropriate skills and capabilities to be effective, responsive, accountable, and have the environmental integrity to carry out credible REDD activities that provide confidence to indigenous peoples, forest communities and international investors. Businesses can provide technical input by supporting the development of pilot projects and related methodologies, and working in collaboration with validation and verification entities to streamline procedures. Through the development and implementation of pilot REDD programs and projects, business can test methodologies and generate knowledge including legal expertise, insurance, and MRV services. Businesses that are active in developing projects on the ground are also likely to collect information and data that is useful to define principles, criteria and standards. Business plays a role in disseminating knowledge, expertise and best practice.

Since the REDD mechanism is in its design phase, the most important engagement of the private sector at this point should be influencing the design of a REDD mechanism across all three phases – preparation, policy and performance. Further engagement must deal with i) capacity building and project finance investment capital, ii) the design of social, environmental and financial safeguards and iii) provision of services to help deliver REDD results. Businesses can help ensuring that the right rules and regulations are in place to foster investment while minimizing risks and that strong links are created between the voluntary and formal REDD markets.

There is currently no formal involvement of business or other non-state actors in REDD. Operating at an informal level, however, forest stakeholders, including business, have provided input to governments, among through different initiatives (e.g. the Hardward/WWF Forest Carbon Summit or The Forests Dialogue's). Business input into relevant formal negotiations is limited to entities that have an interest in sustainable forest management; sustainable wood, paper and bio-energy production; and in REDD carbon markets. Comments are channelled through forest industry associations operating at the international, regional and nation levels (e.g. WBCSD, ICFPA, CEPI) and carbon market association (e.g. CMIA and IETA).

Once established, a REDD mechanism needs to be backed up by solid and coordinated institutions that govern the mechanism at the national and international level. These institutional arrangements must enable the measurement, reporting and verification of developing country action and contributions from developed countries. They need to facilitate the mobilization and distribution of financial resources from the private and public sector. Business may play a role in the following aspects of REDD:

- Finance: private participation in resource mobilization (in terms of quantity, sustainability, and predictability), allocation (fair, effective, and efficient), and disbursement (according to agreed principles and criteria);
- Standard setting: assistance in the formulation of technical and fiduciary criteria and indicators to evaluate performance, including social and environmental standards.
- Certification of Results: technical expert assessment of REDD performance.
- Accountability: ensure that institutions and entities are held responsible for their actions and decisions.

How can business get engaged:

Expertise of the private sector relevant to the design and implementation of a REDD mechanism could be accessed in the following manner:

- ***An international REDD mechanism*** could foresee a high level advisory body for REDD that represents non-Party interests and expertise. Business could be represented on such advisory body jointly with community, indigenous people and NGO representatives. Such advisory panel could advise Parties on technical (MRV, reference levels) as well as on implementation matters (e.g. carbon market regulation, compliance). (Note: There is precedent for this as both The World Bank's FIP and FCPF initiatives have non-state observers including the private sector)
- Business could be engaged in the ***certification of REDD results***. While Parties are unlikely to accept independent (private) certification of compliance, verification on the sub-national and project level could be conducted by environmental auditors. National level review and monitoring could be supported by contracted expertise.
- Business could ***support an international or national REDD carbon market***. Such direct involvement of business in REDD markets could be facilitated by the international review and issuance of carbon credits, in particular where countries do lack the capacity to establish and maintain the institutions needed to support a carbon market. Such arrangements could be modelled after Track 1 and Track 2 Joint Implementation.
- Business can help countries (Annex I and Non-Annex II) to raise funds at the national level through the ***design of new financial instruments***, like for example REDD bonds or through financing schemes backed by insurance removing some or all host country risk.

Annex 5. Illustrative terms of reference on the Clean technology Fund

Terms of reference and guidelines for the selection of private sector observers for the Clean Technology Fund Trust Fund Committee (World Bank)

The World Business Council for Sustainable Development ("WBCSD") was recommended by the Clean Technology Fund ("CTF") Trust Fund to design and facilitate a self-selection process that will appoint two representatives from the private sector to be "active" observers ("Observers") to the CTF Trust Fund Committee meetings.

This document presents the terms of reference and the guidelines for the application to the two Observers.

Scope of participation at the meetings

The CTF aims to finance transformational actions by providing positive incentives for the demonstration of low-emissions technologies through public and private investment, promoting scale-up deployment of clean technologies, and promoting international cooperation on climate change. The CTF supports programs including sectors such as renewable energy, supply and demand of energy efficiency, transport efficiency and modal shifts.

The private sector is responsible today for 80% of global investment in the development, deployment, diffusion and transfer of environmentally sound technologies to address climate change. The IEA estimates that USD 1,2 trillion will be needed for annual incremental investment to reduce energy emissions in 2050 by 50% and bring them back to 2005 levels. Business will be required to play a significant role in climate change mitigation and adaptation to reach these goals. The CTF seeks to provide incentives to mobilize private capital to meet these incremental investments. Inviting the private sector to participate in the meetings of the CTF Trust Fund Committee provides the private sector with the opportunity to present the business perspective on the design of the instruments being proposed to enhance public-private cooperation and knowledge sharing and to disseminate information on the lessons learned by the businesses that are executing those investments.

This self-selection process is directed at business associations to ensure that there is the broadest possible representation of the business community at the meetings. Business associations can be represented by a company from their membership.

The private sector Observers would be able to:

a) Request the floor during discussions of the Trust Fund Committee to make verbal interventions[73]
b) Request that co-chairs add agenda items to the provisional agenda
c) Recommend external experts to speak on a specific agenda item to the Trust Fund Committee or the co-chairs.

Roles and responsibilities of Observers

The role of the Observers is to:

a) Communicate to the Trust Fund the enabling frameworks necessary to develop private sector investment in clean technologies for low-emission development paths

[73] The World Bank has established that the CIF Committee meetings operate in English. In order to participate effectively in meetings, observers need to be able to read, understand and communicate in English.

b) Advise on the financial instruments that will be most cost effective to leverage private financing for the development of clean technology projects

c) Liaise and channel business perspectives to engage strategically with decision-makers and other stakeholders.

Observers will be responsible for:

a) Preparing for meetings and gathering input on the agenda items from stakeholders in their constituency and other business organizations
b) Representing the interests of these private sector stakeholders in the meetings, not just of their own organization
c) Disseminating information broadly to the private sector through existing channels
d) Organizing business representation at the annual meeting of a partnership forum ("Partnership Forum"). The Partnership Forum should be used to facilitate and promote business consultations and maximize business contributions to the objectives of the CTF.

Duration of office

Observers will normally serve a two-year term. The terms will be staggered so that only half the seats turn over at one time. Therefore, half of the observers selected through this initial self-selection process will serve only one year and the other half will serve two years (to be determined at random). Observers are limited to serving one term only. [74]

Advisory Board

To ensure transparency in the design and implementation of this selection process an advisory board ("Advisory Board") has been created. The Advisory Board is formed of five recognized energy and climate change experts who have been selected through consultations with a broad range of private sector stakeholders, the CIF Administrative Unit and the accredited UNFCCC business and industry NGOs. Further information on the selection process for the Advisory Board and members of the Board can be found at www.wbcsd.org/web/cif.htm

Self-selection process and timeline

The WBCSD has accepted to design and facilitate the self-selection process on the understanding that the organization would also apply to become an Observer and would not take part in the selection process. The WBCSD will only facilitate the process and provide adequate communications channels to ensure all the important and relevant business associations are involved in the process. In disseminating information, the WBCSD will seek to collaborate, as appropriate, with the multilateral development banks.

The design and facilitation of the self-selection process has been undertaken in consultation with those managing the Civil Society self-selection process and the CIF Administrative Unit to ensure a transparent and fair process and continuity of criteria, timelines and processes.

- April – May 2009: The WBCSD launched the self-selection process. Temporary representatives were selected to attend the May meetings on behalf of the private sector.
- 1-12 June 2009: The WBCSD identified and invited a small group of recognized experts to join the Advisory Board.

[74] Renewal of Observer status following completion of the term will be subject to any revised terms of reference and guidelines and will be informed by the evolution of the CTF and experiences learned by that time.

- 12-30 June 2009: Advisory Board prepares the guidelines and criteria for the self-selection process of 2 seats for the CTF.
- 1-25 July 2009: The Call for Applications is opened.
- 26-30 July 2009: The WBCSD assists the Advisory Board through providing a matrix of candidate using the criteria defined.
- 30 July – 10 August 2009: The Advisory Board selects the two Observers.
- 11 August 2009: The WBCSD communicates the Board's decision to the CIF Administrative Unit and the applicants.

For more information and updates on the civil society self-selection process, please visit www.resolv.org/cif/

Self-selection criteria

The selection of Observers will aim to achieve a targeted and balanced representation of perspectives and expertise from the business community across the CIF Committees. The Advisory Board has agreed on the following criteria to qualify as private sector Observers on the CTF. Applications will be evaluated against these criteria:

1. **Organization capacities:**
    - Expertise on multilateral and bilateral investments on clean technology projects or programs in developing countries[75]
    - Expertise on financing the demonstration and deployment of clean energy technologies to mitigate climate change in any of the targeted areas: renewable energy, energy supply and demand, and energy efficiency and transport
    - Capacity and track record of working within a relevant international business community network in the area of the CTF activity
    - Capacity and readiness to take a leadership role in the annual Partnership Forum.

2. **Individual capabilities**.
    - Proven experience on and knowledge of private sector investment in the diffusion and transfer of green energy technologies in developing countries
    - Proven strong experience and skills to represent and communicate perspectives of the business community
    - Ability to, interest in and capacity to consider the needs and concerns of the larger business community (not only own organization) and report back to them
    - Commitment to open and transparent communication and the ability and willingness to prepare for meetings, influence the process and stay engaged
    - Interested in and committed to liaising with a larger international business network.

Conflicts of interest

To avoid conflicts of interest that will compromise the independence of private sector Observers, the individual selected to represent the business associations should not belong to a company that is

[75] According to the Guidelines "Travel costs for representatives from developing countries to attend the Trust Fund Committee meetings may be covered by the budget of the CIF Administrative Unit upon request."

benefiting, or is seeking to benefit, from significant funding or direct financial relationships with The World Bank and multilateral development banks.

Candidates to the self-selection process are required to disclose current, pending or past contractual or direct financial relationships with The World Bank and Multilateral Development Banks.

The WBCSD and the Advisory Board are not responsible for the accuracy of the information provided by the candidates.

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