Statement

Position of the European Business Council for a Sustainable Energy Future at COP 6

e5: The Position

The European Business Council for a Sustainable Energy Future (e5) is a constructive industry message on Global Climate Change since its launch in 1995. e5 supports a binding Kyoto Protocol to address global climate change with domestic activities and market-based flexibility mechanisms, to reduce greenhouse gas emissions, promote sustainable development and create market signals for clean energy products and services. At this crucial stage in the negotiations, e5 urges the Parties to incorporate the following recommendations into final COP-6 decisions:

CLEAN DEVELOPMENT MECHANISM (CDM)

Ensure a Prompt Start to the CDM. Businesses are looking for clear signals on project eligibility and how credits will be issued under the CDM. Interim institutions as well as pre-approved baselines and eligibility criteria will provide certainty to project investors and lower transaction costs in the early stages of CDM. A positive list should include only sustainable technologies in the Clean Development Mechanisms, such as renewable energy sources and industrial/appliance efficiency. It is better to have a lower share of proceeds for all Kyoto Mechanisms than a higher share of proceeds for the CDM alone. Share of proceeds only for CDM would create an artificial distortion between CDM and the other flexible mechanisms and counteract the prompt start concept for CDM. The levy must be put on the CER and ERU generated or AAU used, not on the potential project costs. We strongly support the encouragement of public comment for Parties, accredited NGOs and the local communities that will be directly impacted, on additionality of projects and their impacts prior to project registration and project certification.

BASELINES

Adopt Pre-Approved Baseline Methodologies and Allow Bundling of Small Projects to Fast-Track CDM and JI. The Parties should permit pre-approved dynamic baseline methodologies and bundling of small energy-related projects This would not prohibit project-specific baselines from being considered under the CDM or exclude project types that are not covered by pre-approved baseline methodologies. Pre-defined dynamic baselines reduce dramatically the additionality problem in the CDM.

ADDITIONALITY TESTS

Support Environmental Additionality Only Under CDM and JI. Environmental additionality is the only relevant additionality test for CDM and JI beyond the other project approval criteria. Environmental additionality and eligibility criteria will ensure that only high integrity projects are approved.

EMISSIONS TRADING

Adopt a User (Ultimate Buyer) Liability System to Maintain the Integrity of International Emissions Trading. User liability places responsibility on the ultimate holder, not the issuer, of Assigned Amount Units in the event of Party non-compliance with the Kyoto Protocol. Without a strong and internationally binding compliance regime, user liability provides a market-oriented vehicle to encourage compliance and elevates the risks of trading with Parties not likely to comply with treaty obligations. The Swiss Proposal has merits. The Swiss Proposal could be expanded to embrace the first and the second budget period in ways that better limit "hot air" and achieve Party commitments for the second commitment period, sooner instead of later.

SINKS

While sinks could play a role in reducing greenhouse gases, systems for measuring, certifying, and credit giving are far from agreed upon and are far from being as exact as those systems associated with combustion sources. In addition, sinks are affected by many other international agreements. . Therefore, care must be exercised if integrating sink-based emission credits, given the already complicated structure of the Kyoto Protocol. All sinks activities carried out under the KP must comply with sustainable forestry practises and bio-diversity criteria. During the first commitment period, additional activities under article 3.4 should be excluded. Without this exclusion, it is unlikely that the Kyoto protocol creates a real incentive for clean technologies.

COMPLIANCE

Establish a Compliance Investment Fund Instead Of Emissions Borrowing. A Compliance Investment Fund provides a vehicle for a Party to true-up at the end of the commitment period by investing in pre-approved clean energy technology projects in developing countries and Central and Eastern European nations. The projects would generate credits that could be used to meet a Party's emission reduction target. In contrast to other compliance tools, like borrowing, the fund ensure timely emissions reductions. The fund also allows for equitable geographic distribution of greenhouse gas mitigation projects, advances the technology transfer objectives of the UNFCCC and provides assured credits to any Party at the end of the budget period in the event that credits are not available through emissions trading, CDM or JI.

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