

# Statement



Bonn, 22<sup>nd</sup> October 1997

## **Statement of the U.S. Business Council for a Sustainable Energy, the European Business Council for a Sustainable Energy Future and the International Cogeneration Alliance.**

**Plenary Session of UN-FCCC-AGBM on Wednesday October 22, 1997 in Bonn, Germany. Delivered by Dr. Paul E. Metz, executive director of the European Business Council for a Sustainable Energy Future - e<sup>5</sup>.**

Mr. Chairman and distinguished delegates,

Thank you for the opportunity to contribute to your discussions. I am Paul Metz and speak on behalf of the U.S. and the European Business Councils for Sustainable Energy and the International Cogeneration Alliance. We represent companies and business associations that promote the interests of specific technologies and services. In Europe these include: Cogen Europe, Eurosolar, European Installation Bus, European Small Hydropower, European Wind Energy Association, World Fuel Cell Council, German Geothermal Society and the German Society of Energy Managers. Our member companies are small, medium-size and multinationals that operate in all sectors of economy, especially in energy production, housing and buildings, appliances, transport and telecommunication and investment services.

These businesses and their sustainable energy products and services are relatively new and in an early stage of their lifecycle. Our organisations are supporting similar businesses on other continents to organise and promote benefits of renewables, natural gas, cogeneration and energy efficiency in many end uses.

The benefits of the sustainable energy innovation are not only relevant for climate protection but also for employment, for other environmental and social policies and for geopolitical stability and the national interest of fuel importing countries. Many energy scenarios - including those of oil companies - show the increasing substitution of fossil and nuclear fuels during the next century. Therefore, climate protection is nothing but an urgent reason to accelerate this substitution process that has already started.

This means that a business-as-usual approach to the climate change is not in the public and not in the businesses interest. While we have much in common with the general business representative in this session, our organisations are convinced that much more should and can be done without negative impact on national economies and businesses. A voluntary approach is good, but not sufficient, as the years since 1992 are showing.

It is well known from IPCC and other reports that a no-regret potential exists to reduce greenhouse gas emissions by more than 25 %. Unfortunately, the translation

of 'no-regret' to daily language has introduced the economic term 'no or negative cost' without explaining that negative costs are savings and profits! Climate policy is just starting as soon as possible to eliminate the institutional and other well known barriers that prevent these savings to happen.

It may be illustrative to give two examples of such 'no-regrets' options. The first is the energy use for heating and cooling of houses and buildings. In most countries the insulation value of new buildings is far below its economic optimum even at the present relatively low energy price level. This is not only relevant for the heating in moderate or cold regions, but also when cooling is necessary in warm climates.

The second is the preferential treatment given to air and road transport by subsidies and state investments in infrastructure and freedom of taxes.

In both cases the companies that offer more energy efficient products and services have structural competitive disadvantages in addition to the high entry costs for market penetration until a new product achieves a comparable economic scale.

In order to create this change in market demand that would increase carbon efficiency and reduce the emission of greenhouse gases, we hope the following will be agreed in Kyoto:

- a first legally binding stabilisation target in 2005 to stimulate prompt actions by all governments, business, investors and consumers. This proposal reflects different positions of the U.S. and European organisations: the European Council, Cogen Europe and the European Wind Energy Association continue to support the European Union's proposal for reductions by 7.5 and 15 %. Stabilisation in 2005 is a minimum common position of all organisations, aiming at the importance of early actions,

- a compliance mechanism to guarantee a real level playing field,

- a review process for the integration of new scientific and economic data,

- a second binding reduction target in 2010, followed by targets in 2015, 2020 and 2030 for the longterm investment and business perspective,

- a mechanism to trade emissions within Annex I countries, but without borrowing in the case budget periods are introduced, and for Joint Implementation,

- a list of preferred market-based policy tools that can be adopted by Parties in order to reduce distortions of free market conditions, including

- a harmonised instrument for international aviation and shipping,

- a structure to review national subsidy and taxation situations and to start a gradual but rapid elimination of the 'perverse' components.

We believe that in this way a climate protection strategy will result in a transformation of the energy structure that brings more prosperity to all citizens of

the world and that is the best world for businesses to serve. Several representatives of the sustainable energy community are here available at the conference and will be happy to discuss any questions you may have about these proposals and their relation to the draft protocol.

Thank you for your attention and your continued interest in the opinion of the businesses of the coming solar age.

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