

Statement



Bonn, 4th June 1998

Eighth Session of the Subsidiary Bodies to the U.N. Framework Convention on Climate Change

Intervention on behalf of The U.S. Business Council for Sustainable Energy and The European Business Council for a Sustainable Energy Future (e⁵)

Mr. Chairman, Distinguished Delegates, thank you for the opportunity to make these comments. My name is Paul Metz, Director of the European Business Council for a Sustainable Energy Future. I speak to you on behalf of organizations representing sustainable energy businesses worldwide involved with the implementation process for the Framework Convention on Climate Change. We appreciate the opportunity to present our views on the climate change negotiations and to express our strong support for a constructive Eighth session of this Body.

This statement for the U.S. Business Council for Sustainable Energy (BCSE) and the European Business Council for a Sustainable Energy Future (e⁵) represents the views of businesses in Europe, the United States and worldwide associations.

The Kyoto Protocol represents an important first step towards the adoption of sound energy policies to resolve the problems associated with climate change. The Protocol embraces an early approach to reducing greenhouse gas emissions, a path that our companies support. During this first session since COP-3, we urge the Parties to focus on achieving agreement on structural issues regarding the flexibility mechanisms. Now it is essential that momentum continues to build in support of climate stabilization efforts and the establishment of market-based mechanisms to achieve greenhouse gas reductions. We urge the Parties to consider the following elements of a climate change regime that would address the environmental impacts of global warming and respond to the needs of the private sector.

- First - Implement market-based mechanisms that accelerate technology transfer and cooperation. The marketplace requires a near-term signal to foster investment in clean energy and energy efficiency technologies. The Kyoto Protocol supports this goal provided that the Parties adopt transparent and credible market-based modalities that encourage technology transfer and the utilization of clean energy and energy efficiency technologies as primary objectives.
- Second - Permit the private sector to be prime participants in the flexibility mechanisms. We urge the Parties to allow the private sector to be chief brokers in emissions reductions regimes. Joint implementation, the Clean Development Mechanism and emissions trading provide opportunities for businesses to directly reduce emissions. Limiting participation to governments will create obstacles for industry and will increase transaction costs for project

development and emissions trades. The role of governments should be to set clear national policies and commitments and develop enforceable and transparent rules. Further, if private entities are permitted to be primary participants under Article 17, then private entities should be granted the same status with respect to the other flexibility mechanisms (Articles 6 and 12).

- Third - Implement the flexibility mechanisms incrementally. As the Parties consider implementation of the flexibility mechanisms, we urge the adoption of an incremental approach. The Parties should start by addressing the administrative framework, specific rules, and technical issues. Then, develop flexibility mechanisms employing energy supply-side solutions. Only after perfecting the modalities, the flexibility mechanisms should be expanded to include demand-side solutions followed by the incorporation of carbon sinks. This will ensure the most efficient and streamlined path to the establishment of these vital tools to achieving greenhouse gas emissions reductions.
- Fourth - Reduce greenhouse gas emissions in developed countries first. Prior to the first commitment period, developing countries should participate primarily under the Clean Development Mechanism. Developing countries should accept emissions limitations responsibilities once the developed countries have demonstrated progress on controlling their emissions.
- Fifth - Eliminate subsidies to carbon-intensive fuels. National subsidies and tax advantages for carbon-intensive energy sources should be eliminated, and emissions of greenhouse gases from aviation and marine bunker fuels should be limited.
- Sixth - Address issues of non-compliance and liability under the climate change regime. The Parties should approve appropriate mechanisms for independent and automatic verification of compliance.

Thank you for the opportunity to share our business perspective. We wish you success and look forward to the opportunity for continuing participation in these negotiations, and hope that we can be of service to this body.

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