

# Statement



Bonn, 30<sup>th</sup> October 1997

**Statement at the request of the Chairman of the AGBM by Dr. Paul E. Metz, executive director of the European Business Council for a Sustainable Energy Future.**

**Intervention by the European Business Council for a Sustainable Energy Future and the International Cogeneration Alliance; Bonn October 30 1997.**

Mr. Chairman, distinguished delegates. My name is Paul Metz and I thank you for this invitation on behalf of the business organisations for a sustainable energy: European Business Council for a Sustainable Energy Future and International Cogeneration Alliance. We highly appreciate your effort to intensify and improve the transparency of the consultation process.

We have earlier expressed our support for the setting of a first legally binding greenhouse gas emissions target in 2005. This should be a quantitative target in order to create an immediate signal to the market that climate protection is not only a distant political discussion, but a real business interest.

We also support the use of trade mechanisms for emissions and credits, but without borrowing and with short budget periods. This should create the most flexible combination of efficient allocation of capital and maximum emission reduction with the highest possible return on investment.

However, the necessary framework for such trade will probably not be in place and well developed in the Annex 1 countries before 2005. Additional approaches are needed also for this reason by governments to realise their legal obligations from the Protocol or equivalent and to benefit from the many 'no regret' opportunities.

On this issue, business has good reasons to call for policies and measures that have the following characteristics and benefits:

they facilitate international trade by limiting and reducing the differences in legal and administrative conditions between trade partners, which is in line with the objectives and practices of the World Trade Organisation (WTO),

they create a more level playing field and stimulate the use of carbonefficient products and services in all sectors of society,

they are easy to use by governments and small, mediumsized corporate businesses by enlarging transparency and consistency and minimising bureaucracy

they encourage the participation of all economic actors and avoid free

riding behaviour by countries, companies and citizens.

Two cases show the real business need for this.

The first example: this week the car manufacturer Daimler Benz stated in a briefing at this conference that "The present higher price level of the new fuel cell technology is a business risk that should be overcome by mass production and also by worldwide harmonisation of framework conditions, like fuel efficiency and emission standards. A common voluntary action of the worldwide car industry to reach this harmonisation cannot be expected. We look to our respective governments to initiate the foundation for this work in Kyoto".

A second example is the position of international transport. Here each individual country is unable to implement unilateral policies without the risk of losing its competitiveness. Individual countries are unable to reduce or eliminate the many subsidies and tax exemptions that favour air and sea transport. Taxpayers are subsidising the mobility of international travellers, the many external effects of air travel cannot be internalised and the competitiveness of rail transport is deteriorated. This "prisoner's dilemma" should be addressed in Kyoto by the introduction of coordinated policies and measures.

These cases show clearly why since many years and at this very moment national, European and worldwide business associations, members of the International Chamber of Commerce, resist to national and even federal American and European government proposals for environmental protection. They argue that "world problems require world solutions", "international trade and competition will be distorted by unilateral policy measures" and "carbon taxes and efficiency standards are in principle good instruments for efficient and effective climate policy, but they are only acceptable if introduced on an OECD or world scale." As a result, within the United States of America and within the European Union many coordinated regulations exist that are fully supported and often have been asked for by business associations in favour of the 'level playing field'.

Mr. Chairman, I would like to conclude by observing that a correlation seems to exist between the different levels of the emission reduction proposals of the Convention Parties and the quality of the policies and measures they propose:

***With better Policies and Measures it is possible to achieve more reductions and the great benefits of the 'no regrets' investments.***

***And doing so earlier is even better.***

Thank You.

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