

# UNFCCC negotiations towards a post-2012 international climate change agreement

## Discussion paper for the Clean Energy Council

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### Summary of CEC Position

- Meaningful short, medium and long term targets for emissions reductions that are informed by the latest climate science and drive global markets for emissions abatement and increased deployment of clean energy technologies
  - Domestic policy settings that will drive significant growth in clean energy deployment in Australia and ensure Australia delivers on its international commitments
  - Recognition of the merits of the current flexible mechanisms and the ongoing necessity for these to provide verifiable abatement and long term investment certainty, while undergoing continued refinement and improvement
  - A framework that will accelerate clean energy technology transfer and deployment while protecting intellectual property rights
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### Background

The Clean Energy Council led a business delegation which represented the Australian clean energy industry at the COP13 Bali climate change meetings in 2007, building upon a long history of participation of the industry in international climate change negotiations.

The clean energy industry has a crucial role in ensuring international negotiations effectively promote the development and deployment of clean energy technologies as a central strategy in reducing global emissions.

Based on the agreement at the 2007 Bali Climate Change Conference, governments are aiming to reach agreement on new emission reduction commitments during the COP15 in Copenhagen, Denmark, in December 2009.

With only few weeks remaining until COP15, the pressure is rising on negotiating parties to succeed in forming a new climate change deal that will secure a post-2012 international regime for emissions reductions.

### Australian Clean Energy Industry

In Bali, an unprecedented set of business organisations came together to support a clear, robust agenda, reflecting a strong interest from industry for government leadership in setting the targets, timeframe and conditions for businesses to invest in solutions to climate change.

Stationary energy accounts for around 50 percent of Australia's greenhouse gas emissions. Hence, the energy sector has a major role and responsibility in helping deliver the target of a 60 percent reduction in Australia's carbon emissions by 2050. As a signpost along that path, the Australian government has committed to a binding target of generating 20 percent of its energy from renewable sources by 2020 and the introduction of a broad based carbon pollution reduction scheme.

The Australian clean energy industry is well positioned and equipped to deliver on these national targets which provides a strong foundation for the export of our technologies & know-how. The industry has also demonstrated an excellent capacity to customise and deploy innovative, internationally developed, technologies into Australia's unique energy sector. This provides an avenue for Australia to pursue its ambition of leadership in international climate change negotiations and actions.

## Australia's Leadership Role in Clean Energy Policy Development

It has been demonstrated that market-based policy frameworks, such as Australia's proven and effective Mandatory Renewable Energy Target are the best vehicles to ensure investment in the clean energy sector. The approach has been recognised as a global benchmark and has been adopted by many other countries in the world, including the UK.

By creating an enabling environment, overseas investment will flow into Australia. This is demonstrated by the many multinational businesses that have chosen in the past to invest in Australia due to its policy climate.

The Council continues to encourage the Australian Government to demonstrate a leadership role in clean energy policy development. Now that the Australian Government has legislated the policy commitment of 20 percent renewable energy target by 2020, its implementation will send a strong signal to the international negotiators that Australia is serious about taking real action on climate change and establishing a vibrant domestic market for renewable energy. In addition, enhanced effort to support emerging technologies through measures such as R&D and pilot project fiscal support, alongside implementation of a domestic emissions trading scheme is essential.

## Issues to Be Addressed

In this time of global economic and financial challenge, governments can send strong signals to the marketplace that capital investments in infrastructure, power generation and buildings should utilise clean energy products and technologies. This will help meet growing energy demand, enhance energy security, and create jobs, while simultaneously reducing greenhouse gas emissions.

### 1) Interim Target

The Council supports strong post-2012 agreement in Copenhagen with clear short-term, mid-term and long-term emission reduction targets by all countries to contribute to global action on climate change.

This is needed to more rapidly deploy existing clean energy technologies, build energy infrastructure, and direct investment to develop as well as commercialise new technologies. It will also ensure that countries acting sooner and more aggressively to reduce greenhouse emissions are not disadvantaged by existing global agreements.

The Council urges the Government to work on reducing uncertainties for the business community and create robust approaches to investment in the clean energy sector. Such measures must ensure long term investment certainty in order to attract the necessary capital.

Australia should make a transparent and unambiguous commitment to domestic short and long term emission reduction targets that capture its agreed contribution to the global climate change challenge. By creating economic incentives through robust policy setting, increased investment in clean energy will flow into Australia. In turn, by ensuring a strong global framework, Australian businesses will be well positioned to invest in overseas markets.

For investment certainty Australia ought to adopt domestic emission reduction targets that provide at least 10 years of firm caps and a further 10 years of gateways, as recommended by the two previous reviews of ETS in Australia, prior to the CPRS.

## 2) Technology Transfer and Financing

The development and transfer of mitigation and adaptation technologies are essential to addressing the climate change challenge. The industry acknowledges that this is a joint effort between developed and developing countries, which can provide benefits for all participants.

Governments have a clear role to play in facilitating the transfer of technology throughout the world, allowing countries with proven clean energy technologies to access international markets and maximise the potential for all countries to be able to access the technologies that will in turn allow them to make a meaningful contribution.

The private sector will play a significant role in the development, transfer and financing of mitigation and adaptation technologies. Post-2012 frameworks must be structured to attract and leverage both public and private capital flows.

Financing mechanisms to deploy existing clean energy technology should aim to transform markets and build upon current mechanisms. This will require leveraging multilateral, regional, and bilateral and private sector programmes, funds and risk mitigation instruments.

Financing should be driven and focused on the economic development and energy priorities of countries and regions assessed, monitored and verified under the Convention.

The Council is pleased to continue the cooperation with the Expert Group on Technology Transfer on these issues.

The passage of the 20% renewable energy target legislation, continued R&D support for new supply and demand side technologies, fiscal measures that facilitate proof of concept deployment and the introduction of a broad based CPRS that allows both incumbent participants and new entrants to participate in the energy market, will create the conditions investors are seeking.

By creating this multi layered enabling environment that also includes appropriate regulatory changes that recognise the full benefits of clean technologies, overseas investment will flow into Australia. This is demonstrated by the many multinational businesses that have chosen in the past to invest in Australia due to its policy climate.

Robust intellectual property protection is paramount in this process. Governments must recognise that protection of intellectual property is a key incentive for businesses to develop and deploy new

low-carbon technologies. Any compulsory licensing of these technologies would be counter-productive and damaging in the longer term by reducing the incentive for business to continue innovating. The growing number of patents from emerging countries demonstrates the aptness of the current regime of protection of intellectual property.

### 3) International Linkages

There are a number of existing and emerging vehicles that address mitigation as well as adaptation to climate change, with a specific focus on renewable energy, such as REEEP, IRENA and the Asia Pacific Partnership. These complementary multilateral and bilateral mechanisms are necessary to support Australia's strategic interests within the region and with key trading partners.

A number of the Council's members have been actively involved in renewable energy and energy efficiency projects under the flexible mechanism of the Kyoto Protocol (Clean Development Mechanisms (CDM) and Joint Implementation (JI)). These mechanisms allow for necessary flexibility in the way that emission reductions can be achieved through international emissions trading which was established as a way of achieving cost-effective emission reductions. CDM only gained momentum in 2005 after the entry into force of the Kyoto Protocol. The evolution of the CDM architecture has reduced a number of investment risk factors (such as sustainable revenue stream, project financing and government support). It is important to build on the successes of the CDM architecture, ensuring it continues to deliver verifiable abatement, that it retain its continuity and to design a succession regime without any gaps in future international agreements.

Continuity with current CDM is important to industry so that the supply of CER's and the CDM project pipeline is not interrupted as we move from the first commitment period to a second phase.

The CDM does not require radical rewriting, rather a reform to set the right foundations for the second phase. Improvements are sought to arrive at more streamlined processes allowing the market to deliver sustainable development to a wider range of developing countries.

Governments should take an active role in the reform of the CDM processes, championing an invigorated post-2012 mechanism. Please see Attachment 1 for more information.

### 4) Private Sector Involvement in Negotiations

The range of greenhouse gas stabilisation levels recommended by the IPCC can be achieved by deployment of existing and emerging technologies.

This can be delivered by industry if the private sector is proactively involved in the deliberations leading up to the meeting in Copenhagen and if there are clear, predictable and long term government signals towards decisions, both domestically and internationally, supporting these investments.

The Bali Action Plan specifically recognises "mobilisation of public- and private-sector funding and investment, including facilitation of climate-friendly investment choices."

The involvement of the business community in international forums is essential if climate policies are to result in major investments in clean energy. The business community wishes to continue to work with governments in Australia and around the world to ensure that climate policies give companies the stability and incentives to invest.

The Council welcomes the opportunity to work closely with the Government to make this a reality.

## Attachment 1: CDM Process

The existing CDM framework can be strengthened through improved Governance. Discussions about CDM governance reform should be a priority for the working groups, and include:

- Clearly defined roles for the Executive, Secretariat, Designated Operating Entities and project participants
- Greater commercial experience within the Executive Board and Working Groups
- Streamlined process that better use existing Secretariat resources
- Pragmatic methodologies that give commercial certainty to project participants while ensuring genuine emission reduction and sustainable development – including through ‘deeming’ of project that give a well informed conservative judgment of the CER volumes up front
- Positive or negative lists for project types to simplify ‘Additionality’ and lower transaction costs

These reforms will lead to greater predictability of CER volumes from registered projects. Any reform must also accommodate current CDM projects with transitional arrangements that protect investments.

Discussions about sectoral approaches and Nationally Appropriate Mitigation Actions (NAMAs) must be designed to allow the private sector to continue to deliver carbon reduction projects.

Reform must be Government run

Some reform within the CDM can be led by the Executive Board and Secretariat. However, most reforms must be driven from Governments, Governments that champion an invigorated mechanism post 2012.

For example, Governments like Mexico and Argentina, the latter stating publicly that the Programme of Activities (PoA) is an important way to extend the scope, effectiveness and functioning of the flexible mechanisms, and enhance equitable regional distribution.

Governments can also play a role beyond the Conference of Parties by nominating skilled, experienced and commercially minded candidates to Executive Board and Working Group positions, and allowing for secondments from Governments.