ifiec europe
international federation of industrial energy consumers

securing competitive energy for industry

ID-number Transparency Register: 1978775156-31

RESPONSE TO EC COMMUNICATION ON 2015 INTERNATIONAL CLIMATE CHANGE AGREEMENT: SHAPING INTERNATIONAL CLIMATE POLICY BEYOND 2020

The Consultative Communication invites a debate on how best to shape the international climate agreement to be adopted in 2015. It sets out a context and poses a set of questions to frame this debate. IFIEC Europe welcomes the opportunity to give its viewpoints on the basis of those questions raised.

Question 1:
How can the 2015 Agreement be designed to ensure that countries can pursue sustainable economic development while encouraging them to do their equitable and fair share in reducing global GHG emissions so that global emissions are put on a pathway that allows us to meet the below 2°C objective? How can we avoid a repeat of the current situation where there is a gap between voluntary pledges and the reductions that are required to keep global temperature increase below 2°C?

- IFIEC Europe still sees the Emissions Trading System (ETS) as the best lever to come to an international agreement. Among the known approaches, ETS is the climate change instrument that gives most flexibilities to the actors involved and to the negotiators in finding a fair and acceptable distribution of burdens between the highly differing countries and regions. Hence, the negotiating volume seems feasible compared to negotiating costs.

  To facilitate international negotiations of the 2015 international agreement, the EU should implement an ETS that could serve as a blueprint worldwide. Such an ETS must include elements which are of interest to those countries that should join an international agreement, namely the possibility of economic growth. That's why the EU needs to reform the ETS to make it growth-proof (see the IFIEC proposal for an "enhanced ETS")[1].

  A global agreement is particularly important for stakeholders in global markets facing global competition, and thus for EU energy-intensive industries. UNFCCC processes should therefore be as much as possible streamlined to make an agreement feasible and realistic. Sectoral agreements might be the first choice for a number of important regions and countries. If designed properly (based on a benchmarking approach and without an absolute industry cap), these might be an acceptable alternative.

Question 2:
How can the 2015 Agreement best ensure the contribution of all major economies and sectors and minimize the potential risk of carbon leakage between highly competitive economies?

- Climate policies must be growth-proof and not build obstacles for emerging economies to grow.

Question 3:
How can the 2015 Agreement most effectively encourage the mainstreaming of climate change in all relevant policy areas? How can it encourage complementary processes and initiatives, including those carried out by non-state actors?

- The 2015 Agreement must promote climate change policies as something that brings success and wealth to the countries that follow. Since the benefits of combating climate change is not equally dispersed around the globe (some countries would suffer much harder from global warming than others), following the related policies must bring a benefit as compared to those

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[1] http://www.ifieceurope.org/docs/IE%20Posit%20paper%20ETS%2006%2007%2012.pdf

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that do not follow. Efficient growth and modernization of the economy must here be in the center of interest for politicians and negotiators.

Question 7:

How could the 2015 Agreement further improve transparency and accountability of countries internationally? To what extent will an accounting system have to be standardized globally? How should countries be held accountable when they fail to meet their commitments?

- The EU has gained good experience in all MRV related issues around ETS. The EU's experience might be of great help to other countries for which this is a primary barrier to overcome. By sharing its experience, the EU should help others to catch up before the distance will be much too large to overcome. However, IFIEC Europe believes that a 100% standardization is <u>not</u> feasible around the globe. In this context, further unilateral EU-target setting is <u>not</u> helpful.

Brussels, 11 June 2013

IFIEC Europe represents energy intensive industrial consumers where energy is a major component of operating costs and directly affects competitiveness.