



World Business Council for
Sustainable Development

G8 Environment Ministers Meeting Kobe, Japan 24-26, May 2008



Honorable Ministers,

I regret that I am not able to be with you on this occasion due to conflicting demands. However, I would prefer not to be a “silent” absentee and therefore am using the written format to bring the views of the members of the World Business Council for Sustainable Development (WBCSD) to you, as indeed I have had the privilege to do many times previously.

We wish you well in your deliberations.

The World Business Council for Sustainable Development is the leading voice on business and sustainable development. For well over a decade, the WBCSD has focused on addressing climate change while at the same time ensuring economic growth and social progress. It is our belief that this is **the** key challenge facing not only business but also world leaders today. There is urgency to act now; there is opportunity to act now. This brief captures a summary of our messages.

Setting the scene

The science on climate change is clear and well-accepted by business. The reports from the IPCC only further reinforce the fact that climate change presents serious social, environmental and economic risks. Addressing climate change will require both action for mitigation of emissions and adaptation to prepare for the consequences.

Energy is the fuel for growth: an essential requirement for economic and social development. As such, demand will continue to expand and is likely to double by 2050 due to population and economic growth, in particular in developing countries, and the critical need for poverty alleviation.

Given the growth in energy demand and the fact that fossil fuel will continue to be the primary source of energy, we are forced to conclude that greenhouse gas (GHG) emissions will continue to grow in the medium term at least, and in all likelihood, energy prices will stay high. Our focus then must be on dramatically improving energy efficiency within the global economy and managing emissions from the energy we use.

Public awareness around climate change is at an all-time high – in fact, some would say that awareness among civil society reached an unprecedented “tipping point” at the end of 2006.

This adds up to a sense of urgency and a belief that strong, early action on climate change is vital and critical. Climate change can only be resolved in cooperation that includes all parts of society, in particular between governments and business. These next few years are crucial to establishing the right framework conditions that will deliver long-term, large scale GHG reductions.

Tackling climate change requires an integrated approach that addresses the issues of competitiveness and economic sustainability, energy security, the environment and development, as well as adaptive capacity for inevitable climate impacts.

The role of business

Business’ role in society is the efficient provision of goods and services that people want and we need to fulfill this in a way that minimizes resource use and pollution. We are doing this because it makes perfect business sense and because it will reduce costs and risks as well as secure our license to operate, innovate and grow in the future.

The private sector is the major source of capital, innovation and technology, as well as of the investments that can transform the global energy system. We are making investment decisions that will impact the climate issue 20, 30, 50 years or more into the future. We would like to do the right thing, but we need clarity on the policy framework within which we do our business.

Individual industry/business sectors will play a key role in addressing climate change.

The role of governments

The role of governments is to balance competing societal interests and decide on the difficult trade-offs between these interests. Nationally and globally we need to find the balance between the economic development needed to improve living conditions for the many poor in the developing countries, the growing energy demand to fuel this economic development, affordable access to energy, energy security, climate change challenges and competition concerns between countries and companies.

Governments must give clarity in the short-term in defining the policy framework post 2012. However, governments need to also build the future policy frameworks – the frameworks that give business an idea of where you are going long-term as this is necessary for the signals it will send to the markets and will provide business with the certainty it needs to scale up global investment in low-carbon technologies.

Governments must abandon the “you first” mentality. We need leadership and action by both governments and business.

Technology

Technologies and policies go hand in hand. We need policies that are adapted to the respective type of technologies we want to see developed and deployed.

This involves, for example:

- Simplifying the red tape inherent in planning and permitting associated with hydro and nuclear facilities
- Extending product standards for appliances
- Establishing building codes that are more carbon-neutral
- Creating subsidies that accelerate market penetration of renewable energy (and get these technologies to scale and thereby reduce costs)
- Sharing R&D costs between governments and business for new technologies like carbon capture and storage or next generation nuclear
- Developing risk guarantees for these new major technologies
- Reversing the trend in R&D spending, which for energy has been halved over the past 25 years.

Technology cooperation & transfer

Some have suggested that in order to engage developing countries in a global agreement, industrialized countries should buy intellectual property rights (IPRs) and transfer the technology to less-industrialized economies. A similar approach has been taken with, for example, HIV/AIDS and the provisions under the Montreal Protocol.

However, these examples and comparisons with climate change technologies are not applicable. The private sector thrives on investment opportunities; selling technologies at low or no cost is simply not viable nor is it sustainable.

Furthermore, if there is a legislated mandate to “give-away” IPR, business loses its incentive to invest further in research and development.

Governments do not normally “own” technology, and therefore they cannot transfer it. What governments can do is facilitate and create the policy frameworks that encourage the private sector to engage in technology cooperation – to work with their partners in developing countries to invest in clean energy and low-carbon technologies. When business has clear signals from governments within a simple and fair framework, investments move in that direction. The carbon markets, including CDM, are important tools to achieve this.

New interactions

As the voice of business and sustainable development, we are often asked: how far can business go - on its own – based on normal operations and investments leading to turnover and replacement of capital stock? And how much can governments facilitate and enhance further actions by business? The answer to these questions boils down to the need to find new types of cooperation between governments and business, platforms where we can meet as equals to find solutions to the climate challenge.

Recommendations

Most stakeholders agree it will take a combination of financial mechanisms, including the carbon market and official development assistance, to guarantee the energy demands of the future are met in a way that mitigates climate change. In order for business and private capital to play its role in delivering low-GHG technologies, key considerations in the design elements of future frameworks include the following:

- Create robust and integrated policy frameworks, specifically frameworks that create predictable future demand for new technologies and reward innovation;
- Address all stages in the technology development cycle, for example, investing in public and private energy R&D to help low-GHG technologies (CCS, renewable and nuclear) through various stages of development;
- Encourage technology cooperation to developing countries by establishing a competitive business-to-business framework for transactions. This means managing the intellectual property rights regime in balancing the need to incentivize innovation and the dissemination of technologies.

Closing message

The WBCSD reaffirms our commitment to continue our contribution to the global debate on policy preparation, the harmonization of market-based approaches, linkages and international framework design.

We have launched our “Copenhagen Roadmap” – an ambitious plan based on 9 building blocks – the totality of which demonstrates business’ commitment to being part of the solution.

Across our membership, our companies continue to lead in finding pragmatic and sustainable solutions, pursuing energy and process efficiencies, and developing innovative products and technologies that reduce GHG emissions.

We commit to being open about business challenges and dilemmas in delivering a low-carbon economy by 2050 and look to assist governments in:

- Understanding the scale, risk and nature of transitions associated with GHG stabilization pathways
- The nature of possible technological solutions and ways to implement government ambitions
- The design of framework conditions and programs that will lead to the required GHG reductions while delivering the long-term certainty we need to invest and do business.

We cannot as businesses succeed in societies that fail; therefore, we have a strong interest in contributing to healthy and thriving societies that will be good places for doing business.

You have our support and encouragement and we look forward to our continued engagement.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Bjorn Stigson'. The signature is fluid and cursive, with the first name 'Bjorn' being more prominent than the last name 'Stigson'.

Bjorn Stigson
President
World Business Council for Sustainable Development

Geneva, 24 May 2008