



Global Business Day Bulletin

A Summary Report of the Cancún Global Business Day

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World Business Council for Sustainable Development



International Chamber of Commerce
The world business organization

SUMMARY OF CANCÚN GLOBAL BUSINESS DAY: 6 DECEMBER 2010

Cancún Global Business Day met in Cancún, Mexico, on 6 December 2010, under the theme “Building Bridges.” This fourth Business Day took place in parallel to the UN Cancún Climate Change Conference, which convened from 29 November - 10 December 2010. During the opening session, participants were introduced to the event’s agenda and theme, which refers to linkages between the private sector and negotiators under the UN Framework Convention on Climate Change (UNFCCC) as well as between actors in developed and developing countries.

Christiana Figueres, Executive Secretary, UNFCCC, offered a keynote speech that reviewed the state of negotiations at the Moon Palace Hotel, the venue for the official talks. She challenged businesses to exert leverage in three areas: by looking at their value chains; by leveraging change within the sectors in which each business operates; and by leveraging their political constituencies.

The approximately 180 participants at Business Day, in the Westin Hotel, engaged in discussions regarding: the experience of the Mexican Dialogues, a series of events that brought representatives from the private sector and government together in the lead-up to the Cancún negotiations; patterns for diffusion of technology; the forms and strengths of South-South trade and its contributions to a green economy; and the global realities affecting responses to climate change and clean energy growth. The proceedings at Cancún Global Business Day will inform the evaluation by the World Business Council for Sustainable Development (WBCSD) and the International Chamber of Commerce (ICC) of the Mexican Dialogue experience, with a view to deciding how to participate in the preparations for the 2011 Durban Climate Change Conference in South Africa.

Cancún Global Business Day was organized by the WBCSD and the ICC, and was sponsored by CEMEX. This report summarizes the presentations and discussions during Cancún Global Business Day.

A BRIEF HISTORY OF BUSINESS DAY

The first Business Day, called the “Bali Global Business Day,” was organized in parallel with the thirteenth session of the Conference of the Parties (COP 13) of the UNFCCC in Nusa Dua, Bali, Indonesia, on 10 December 2007. The Bali Global Business Day included panels on energy efficiency, zero-carbon technologies, large-scale carbon control, and clarity in climate policy. Business participants at that event made clear



L-R: Cesar Remis, Ministry of Foreign Affairs, Mexico; Moderator Yvo de Boer, KPMG; Jean-Yves Caneill, Electricité de France (EDF)

that they favored the successful completion of a new global climate change policy framework, valid beyond 2012, which promotes urgent and sustained mitigation and adaptation plans.

“Business Day at COP 14” convened in Poznań, Poland, on 9 December 2008. This event featured panel sessions on: a shared long-term vision, mitigation, adaptation, technology, and financing and investing. Participants sought to contribute to the UNFCCC negotiation process by interrelating the themes of the Bali Action Plan with the four main areas of business capability and initiative: energy efficiency and demand-side management, technology development and deployment, carbon markets and financing, and sectoral approaches.

The third such event, “Copenhagen Business Day,” convened at the headquarters of the Confederation of Danish Industry, in Copenhagen, Denmark, on 11 December 2009. The event featured more than 40 speakers and panelists and included: a plenary during which UNFCCC Executive Secretary Yvo de Boer challenged participants to consider their role in addressing

IN THIS ISSUE

A Brief History of Business Day	1
Report of Cancún Global Business Day	2
Working Together	3
Investing in Clean Technologies	3
New Markets and Opportunities	4
Unlocking the Solutions	5
Wrap Up	5

climate change; sessions on fulfilling potential by 2012, setting the course for 2020, and envisioning the future in 2050; and panel discussions among CEOs titled “Taking the gloves off.”

In July 2010, the Government of Mexico launched a process of informal public-private dialogues on climate change, through WBCSD and ICC, recognizing that neither governments nor business can solve the problem of climate change alone and that private sector participation increases the likelihood of the development and implementation of effective and sustainable policies to address climate change. On 15-16 July 2010, the “Mexican Dialogues” began a Mexico City dialogue titled “Preparing ourselves for green growth.” It was followed by a dialogue on “Financing green growth” in Geneva, Switzerland, on 1-2 September; a dialogue on “Markets and green growth” in Bonn, Germany, on 16 October; and a dialogue on “Technology for green growth” in New Delhi, India, on 11 November.

REPORT OF CANCÚN GLOBAL BUSINESS DAY

Matthew Bateson, World Business Council for Sustainable Development (WBCSD), welcomed participants to Cancún Global Business Day. He said the event’s theme, “Building Bridges,” referred not just to linkages between the private sector and negotiators, but also between actors in developed and developing countries.

Christiana Figueres, Executive Secretary, UN Framework Convention on Climate Change (UNFCCC), then delivered the keynote address. She reviewed the status of negotiations in the UN Cancún Climate Change Conference, highlighting the issues being discussed in the two negotiating tracks. She said negotiations under the Kyoto Protocol are at a standstill, with industrialized countries split over whether to develop a second commitment period for emission reductions under this agreement, and developing countries expecting that industrialized countries will take commitments under the Kyoto Protocol. She said the talks in Cancun are not likely to resolve whether there will be a second commitment period, but without an agreement on the Kyoto Protocol that is acceptable to both developed and developing countries, progress is not likely to be made on the other track.

Figueres said the other track, on Long-term Cooperative Action (LCA), includes a number of sub-tracks of negotiations, including the discussion with regard to peaking, for which debate is focused on whether to indicate a specific year in which peak temperatures will be reached, whether to reference a specific temperature increase, and what those figures would be. On adaptation, she said negotiators are focusing on whether the scope should cover the negative effects of climate change or also incorporate response measures. On mitigation, there is a discussion of how to capture countries’ individual emission reduction proposals, which, although the largest existing body of pledges, are not anchored in a multilateral agreement and are not sufficient to achieve a two degree target. On finance,



Christiana Figueres, UN Framework Convention on Climate Change (UNFCCC) Executive Secretary

she said there is agreement that finance is necessary, but there is a debate on whether to establish the fund here followed by negotiations on its design, or to design the fund before establishing it.

Figueres noted that ministers have begun arriving in Cancún, and said the ministers attended a dinner on the beach on Saturday evening, 4 December, at the invitation of the Conference of the Parties (COP) President, who invited participants to walk to a nearby nesting area of sea turtles. She recounted that one minister commented that negotiations are like turtles: long-living and slow-moving.

Figueres then asked what the role of the business sector is, and suggested that businesses could exert leverage in three areas: by looking at their value chains; by leveraging change within the sectors that each business operates; and by leveraging their political constituencies. She highlighted the Mexican Government’s work to facilitate a public-private dialogue and expressed hope that South Africa would pick up this dialogue. She said that more must be done, however, because the private sector is currently acting as a brake on negotiations. She said the private sector should push governments in the right direction, acting as rabbits in the tale of the tortoise and the hare, but with both racers finishing in this version of the story.

Björn Stigson, President, WBCSD, said it is challenging for the private sector to engage in the UNFCCC process, given that it is not a negotiating partner. Governments go into working groups and close the door, he said, and there is a need to find the right mechanism for businesses to give input. Stigson pointed to the participation of Yvo de Boer, former UNFCCC Executive Secretary, in the Day’s proceedings, and requested his advice on how to carry business messages to the political process.

Jean-Guy Carrier, Secretary General, ICC, praised participants for seizing opportunities and moving faster than governments to respond to climate change, as opposed to those businesses that plan to “jump off that bridge when we get to it.” He said that business has been asked to play a special role, including providing funding, but has had little opportunity to make its views clear to the UNFCCC process. He noted that the ICC has begun carrying its messages to other arenas, such as the Group of 20 (G20) Summits.

Lorenzo Zambrano, Chairman and Chief Executive Officer, CEMEX, welcomed participants and said business’ competitiveness requires a robust climate change framework. He recognized the efforts of Mexican President Felipe



Jean-Guy Carrier, Secretary General, International Chamber of Commerce (ICC)



Björn Stigson, President, World Business Council for Sustainable Development (WBCSD)



Lorenzo Zambrano, Chairman and Chief Executive Officer, CEMEX

Calderón and the Mexican Government to engage the private sector, and highlighted areas in which the private sector can contribute to the climate change solution, including: addressing the issue of accelerating urban development; developing new models of public-private cooperation; and accelerating work in sustainable building products. He suggested being specific about what business needs from government.

WORKING TOGETHER

This panel focused on making business' role in climate change solutions more effective, and determining the potential of the Mexican Dialogues. The discussion was moderated by Yvo de Boer, Special Global Advisor, KPMG. He suggested that speakers should consider the type of platform that would let business interact more with negotiators. He clarified that, in his



Yvo de Boer, KPMG

statement to Copenhagen Business Day, in December 2009, he did not say business has not been engaged in the negotiations, as some reports suggested. Rather, he said his message was that business had failed to convey its message in a relevant format – one that negotiators could insert into an agreement.

Cesar Remis, Director General for Bilateral Economic Affairs, Government of Mexico, said Copenhagen had been a turning point in governments' recognition that they could not succeed alone in implementing climate change solutions. He said Mexico had launched a more inclusive dialogue process, which South Africa would continue next year.

Three speakers then introduced each Dialogue. Russel Mills, The Dow Chemical Company, discussed the Dialogue on Finance for Green Growth, and said the Mexican Dialogue was the right thing to do. He stated that new energy sources take about 30 years to achieve a 1% global market share, and said subsidies and financial incentives are necessary to stimulate that kind of change. De Boer said negotiators are likely to establish a new fund here in Cancún, possibly to be administered by the World Bank.

Henry Derwent, President and CEO, International Emissions Trading Association (IETA), discussed the Mexican Dialogue on Markets for Green Growth. He said that, although the negotiations affect business, little communication between private sector and government representatives is taking place in Cancún. He said that only the negotiators' "pink badge" affords the needed access.

Jean-Yves Caneill, Electricité de France (EDF), discussed the Mexican Dialogue on Technology for Green Growth. He said "transfer" refers to creating the conditions for private sector investment in developing countries, not to giving them technology. He said investment requires long-term, predictable, clear policies to create confidence, and noted the possible contribution of the UNFCCC's Expert Group on Technology Transfer to facilitate the role of business investments in developing countries. He said there had been agreement that intellectual property rights (IPR) were essential for the private sector, and that capacity building is crucial to enable developing countries to implement technologies.



Cesar Remis, Ministry of Foreign Affairs, Mexico

In response to a question about what WBCSD and ICC will do to build on the Mexican Dialogues, Bjorn Stigson said the Dialogue experience will be evaluated next week, with a view to deciding how to proceed. On the negotiations regarding a technology mechanism, he said one already exists – business – and he expressed concern that efforts to negotiate a reinvention of business could create a "bureaucratic monster."

INVESTING IN CLEAN TECHNOLOGIES

This panel discussion considered whether traditional patterns of technology transfer are changing, and what lessons can be learned. Preeti Malhotra, Alstom, said her company considers technology transfer a natural part of doing business and that it provides opportunities for innovation. She identified barriers to technology transfer, including: lack of absorptive capacity in developing countries; absence of free markets; and lack of IPR protection. She suggested: linking regional governments and businesses for research; exchanging regional best practices; and addressing investment risks, including by sharing the risk with public actors.

Roland Verstappen, Arcelor Mittal, said his global steel company has established a company-wide target to reduce CO₂ emissions by 8%, with 60% to be achieved through improved energy efficiency. He said governments need to: establish clear and consistent standards; accept that they need long-term energy policies; provide new finance mechanisms; and support



Jean-Yves Caneill, EDF

education, energy services and research and development. He discussed a new filter technology that could help reduce emissions from steel production significantly, but said the cost is prohibitive.

Engelina Jaspers, Hewlett Packard, reviewed her company's unique system of labs, through which innovations are developed and then transferred to Hewlett Packard business groups. Guillermo Jiménez, Acciona, said Acciona invests in Mexico because of its renewable resources and regulatory framework. He said Acciona offers technology transfer by training local people and offering job security, investing in social projects to help underdeveloped areas to incorporate the new technology to improve their lives, and working with local educational authorities to improve capacity.

Vesile Kulacoglu, World Trade Organization (WTO), said open markets, along with predictable, stable national regulatory frameworks, provide the enabling environment for technology transfer. She said: tariffs are as high as 10% in some developing countries; non-tariff measures are increasing, including on energy efficiency and emissions controls; barriers include local content requirements that can be as high as 70%; and on environmental services, many countries have committed to opening the environmental services sector, which combined with goods comprised US\$780 billion in 2010. She said that climate-friendly technologies are about half of that package. In response to a question during the discussion, she said the climate problem needs to be solved within the UNFCCC, not the WTO, context.

Moderator Nick Campbell, ICC, noted that multiple speakers had emphasized public-private partnerships, as well as working with local people to build enabling environments.

Michael Grubb, Chair, Climate Strategies, said carbon technology innovation can be thought of in relation to: long-term investments that have little short-term returns; carbon pricing; and consumer engagement. He said innovation centers could be positive with the right governance structure. He also suggested thinking about which coalitions could be created to achieve action, and said it will take 10-20 years to get a global framework that works.

NEW MARKETS AND OPPORTUNITIES

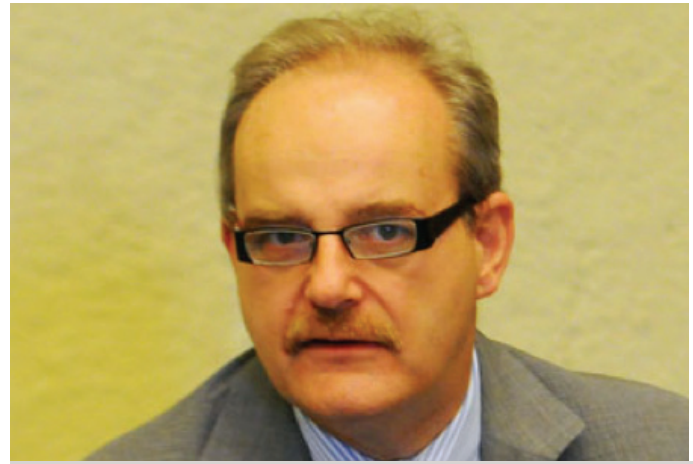
Henry Derwent, IETA, moderated this panel. He expressed concern about the UNFCCC's concept of common but differentiated responsibilities, which he said may be appropriate from an historical perspective, but not as a basis for developing the technology to deliver a clean economy.

Ricardo Melendez-Ortiz, CEO, International Centre for Trade and Sustainable Development (ICTSD), reported that an ICTSD case study on patents had found that many developing



Preeti Malhotra, Alstom

countries have capabilities to produce and trade components of windmills. He cited research demonstrating that international frameworks matter in technology innovation. Wendy Poulton, Eskom Holdings Limited, said there is a



Moderator Henry Derwent, President and CEO, IETA

potential for regional growth of South-South trade, and also noted that innovation in areas that are developing quickly through the uptake of new technologies is leading to more South-North trade.

Prashant Modi, President and CEO, Great Eastern Energy Corporation, said certain industries can be geographically aligned, but the real question lies in implementation. Vania Somavilla, Vale, noted that developing countries have land, forests and sun, all of which represent opportunities. She indicated a preference for institutional and regulatory incentives to financial incentives, and noted the promise of South-South partnerships, based on relative similarities of the cultures involved. Mohsen Khalil, International Finance Corporation, said it should be called "climate business" instead of "climate change." He emphasized the importance of scalability and indicated his anticipation that South-North transfer will be a major feature in the future.

UNLOCKING THE SOLUTIONS

Mark Spelman, Accenture, moderated this high-level panel, which discussed the global realities affecting responses to climate change and clean energy growth. Nobuo Tanaka, Executive Director, International Energy Agency (IEA), emphasized the role of energy efficiency in achieving a 450 ppm scenario, and that the Copenhagen Accord pledges could achieve 70% of this target. He said, *inter alia*: technological innovations need to come quickly; fossil fuel consumption subsidies should be phased out; and UNFCCC negotiators have a top-down approach, setting international targets, but we also need the bottom-up approach of countries acting on their Copenhagen pledges.

Jennifer Morgan, World Resources Institute, said the US is not likely to pass domestic climate change legislation soon, but the US Administration could achieve approximately 14% emission reduction through Environmental Protection Agency (EPA) actions and regulations. She suggested that business should send US policy makers messages supporting smart approaches by the EPA.

Gregory Barker, Minister of State, UK Department of Energy and Climate Change, said his country is in a strong position to become the first major economy to fundamentally



Prashant Modi, President and CEO, Great Eastern Energy Cooperation



Gregory Barker, Minister of State, Department of Energy and Climate Change, United Kingdom

decarbonize its economy. He said that ambitious targets are being put in place, to be followed by measures to achieve them, such as carbon capture and storage (CCS), energy efficiency and support for feed-in tariffs.

Graeme Sweeney, Royal Dutch Shell, suggested that business could do much while awaiting an international agreement, if the “vital few” who can take action are supported by political leaders.

He said that Europe’s emissions

platform on CCS, for example, brings public money from the emissions trading scheme together with private money.

Brian Dames, CEO, Eskom Holdings Limited, agreed that business could take action before an international agreement is finalized. He noted that affordable and accessible electricity would help Africa develop, and that technology transfer for adaptation is crucial for the region, given its dry climate.

Carmen Becerril, CEO Acciona Energía, said climate

change solutions are being set in opposition to economic growth, and noted that it is difficult for industry to plan without an international agreement.

Yvo de Boer highlighted the need to make the green growth case at the country and

company level, and said targets are not likely to change for the next six years. He said the focus should be on Nationally Appropriate Mitigation Actions (NAMAs).

During the discussion, Barker highlighted the need to build an understanding of how the private sector can harness the power of green growth, and reiterated that

there is not sufficient interaction between the private sector and negotiators. Morgan asked what it would take to get demonstration projects moving within the Clean Energy Ministerial approach.

Tanaka suggested framing mitigation as “energy security.” On their top priorities for the next 12 months, some panellists emphasized CCS. Tanaka said that whether CCS is accorded Clean Development Mechanism (CDM) status would be a litmus test of negotiators’ seriousness.

WRAP UP

Laurent Corbier, ICC, summarized the themes of Cancún Global Business Day to have focused on: pace and speed of negotiations and innovation; gaps, including between what has been pledged and what is expected; and partnerships and collaboration. He reflected on different cultural connotations of the moon, given that the official negotiations are taking place at the Moon Palace Hotel, with the moon representing: a different planet, something unattainable, and myth/opportunity turned into reality.

Stigson noted that the private sector is expected to contribute in a substantial way to the promised US\$100 billion annual flows to developing countries, but said it is unclear how this will happen given that developing countries expect much of this to be grant money. He said he expects the “green race” to be a competition about who will dominate the global economy. He suggested that business should use the next year to engage more with their domestic counterparts in government, develop bolder messages and be more precise about what they want from governments.

Cancún Global Business Day closed at 5:40 pm, following which participants were invited to a reception and networking partnership fair hosted by Yvo de Boer, KPMG.



Moderator Mark Spelman, Accenture



Graeme Sweeney, Royal Dutch Shell



Participants during the reception.