4th June 2015

Business proposals
in view of a 2015 international climate change agreement at COP 21 in Paris

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By May 20th 2015, **Chairmen / Chief Executive Officers (CEOs) of 73 international companies** and **7 organizations** already **support the "Business proposals for COP 21"**. In order to ensure worldwide awareness of the Business community before COP 21, **they call on their counterparts to join them in the coming weeks** before the September Climate Week in New York (contact: Business@COP-21.org jointly managed by French Business Associations: MEDEF, Afep and Cercle de l'Industrie).

7 Supporting organizations:

UN GLOBAL COMPACT	President of WBCSD	Business Europe	Afep	Cercle de l'Industrie	MEDEF	SYNTEC INGENIERIE
	Peter BAKKER	Emma MARCEGAGLIA President	Pierre PRINGUET President	Philippe VARIN President	Pierre GATTAZ Président	Nicolas JACHIET Président

73 supporting Chairmen / CEOs from international companies:

ADECCO France	AIRBUS GROUPE	AIR LIQUIDE	ALCATEL-LUCENT	ALLIANCE TRUST plc	AKZONOBEL	ALSTOM
Alain DEHAZE Chairman	Denis RANQUE Chairman	Benoît POTTIER Chairman & CEO	Philippe CAMUS Chairman of the Board	Katherine GARRETT-SCOTT CEO	Ton BUCHNER CEO	Patrick KRON Chairman
AREVA	**ARKEMA**	**AGC Glass Europe**	**AVIVA FRANCE**	**AXA**	**BASF**	**BNP PARIBAS**
Philippe VARIN Chairman of the Board	Thierry le HENAFF Chairman & CEO	Jean-François Heris President & CEO	Nicolas SCHIMEL CEO	Henri de CASTRIES Chairman & CEO	Kurt BOCK Chairman & CEO	Jean LEMIERRE Chairman of the Board
BOUYGUES	**BPCE**	**CARREFOUR SA**	**CH2M HILL**	**CREDIT AGRICOLE SA**	**DANONE**	**DCNS**
Martin BOUYGUES Chairman & CEO	François PEROL Chairman of the Board	Georges PLASSAT Chairman & CEO	Jacqueline HINMAN Chairman & CEO	Jean-Marie SANDER Chairman	Emmanuel FABER CEO	Hervé GUILLOU Chairman
DSM	**EDF**	**EGIS**	**ENGIE**	**ERAMET**	**FFP**	**FIRMENICH SA**
Feike SIJBESMA Chairman	Jean-Bernard LEVY Chairman & CEO	Nicolas JACHIET Chairman & CEO	Gérard MESTRALLET Chairman & CEO	Patrick BUFFET Chairman & CEO	Robert PEUGEOT Chairman & CEO	Gilbert GHOSTINE CEO

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FONCIERES DES REGIONS
Christophe KULLMANN
CEO

GALERIES LAFAYETTE
Philippe HOUZE
Chairman of the Board

GROUPE SEB
Thierry de la TOUR d'ARTAISE
Chairman & CEO

HOLCIM
Bernard FONTANA
CEO

IMERYS
Gilles MICHEL
Chairman & CEO

JC DECAUX
Jean-Charles DECAUX
Co-CEO

KERING
François-Henri PINAULT
Chairman & CEO

KINGFISHER France
Daniel BERNARD
Chairman & CEO

LAFARGE
Bruno LAFONT
Chairman & CEO

LEGRAND
Gilles SCHNEPP
Chairman & CEO

L'OREAL
Jean-Paul AGON
Chairman & CEO

LVMH
Antonio BELLONI
Group Managing Director

MICHELIN
Jean-Dominique SENARD
CEO

NESTLE France
Richard GIRARDOT
Chairman & CEO

NEUFLIZE OBC
Philippe VAYSSETTES
Chairman of the Board

NEXANS
Frédéric VINCENT
Chairman of the Board

NEXITY
Alain DINNIN
Chairman

PERNOD RICARD
Alexandre RICARD
Chairman & CEO

PEUGEOT
Carlos TAVARES
Chairman of the Board

ROYAL PHILIPS
Frans Van HOUTEN
CEO
PHILIPS LIGHTING
Eric RONDOLAT CEO

PUBLICIS
Maurice LEVY
Chairman & CEO

RATP
Christian GALIVEL
Deputy CEO

REMY COINTREAU
Valérie CHAPOULAUD-FLOQUET
Chairman & CEO

RENAULT
Carlos GHOSN
Chairman & CEO

REXEL
Rudy PROVOOST
Chairman & CEO

RIO TINTO France
Pierre MEYNARD
Chairman

COMPAGNIE DE SAINT GOBAIN
Pierre-André de CHALENDAR
Chairman & CEO

SCHNEIDER ELECTRIC SA
Jean-Pascal TRICOIRE
Chairman & CEO

SCOR SE
Denis KESSLER
Chairman & CEO

SEQUANA
Pascal LEBARD
Chairman & CEO

SIEMENS SAS
Christophe de MAISTRE
CEO

SMURFIT KAPPA
Gary McGANN
Group CEO

SNCF
Guillaume PEPY
Chairman & CEO

SOCIETE GENERALE
Frédéric OUDEA
Chairman & CEO

SOLVAY
Jean-Pierre CLAMADIEU
Chairman of Executive Committee

SUEZ ENVIRONNEMENT
Jean-Louis CHAUSSADE
CEO

THALES
Patrice CAINE
Chairman & CEO

TITAN CEMENT Co. S.A.
Dimitri PAPALEXOPOULOS
Chairman & CEO

TOTAL
Patrick POUYANNE
CEO

UNIBAIL RODAMCO
Christophe CUVILLIER
Chairman of the Board

UNILEVER
Paul POLMAN
CEO

VALEO
Jacques ASCHENBROICH
CEO

VALLOUREC
Philippe CROUZET
Chairman & CEO

VEOLIA
Antoine FREROT
Chairman & CEO

VINCI
Xavier HUILLARD
Chairman & CEO

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Climate scientists and experts are clear: there is an urgent need to address climate change through significant greenhouse gas emissions reductions worldwide *(see Annex 1).*

Implementing such reductions raises substantial technological, economic, social, and institutional challenges. Business will only thrive if sustainable growth is achieved, and thus **strongly supports the adoption in 2015 of an ambitious agreement which reflects the long-term objective of limiting global warming below 2°C. This agreement should enhance an international level playing field and in particular:**

- guarantee comparable efforts from **all major emitting economies** *(see Annex 2)*, ensuring fair competition between economic players;
- **provide a long-term and predictable framework** which encourages investments and scaling by business of efficient carbon reduction and adaptation technologies, in a cost effective way;
- focus the future climate framework on the States' **Intended Nationally Determined Contribution (INDCs),** which should avoid competitive distortions, be coherent and detailed, in a five to ten-year term, and on fostering international cooperation;
- establish a **reliable** monitoring, reporting and verification system.

Business is ready to contribute to the success of such an agreement, to efficiently achieve the low-carbon transition and to bring solutions to the market. In this view, **we business believe the following evolutions will be key and need to be considered as a whole:**

1. Launching a constructive and lasting Business Dialogue convened by the COP Presidency, between the business community and governments

We welcome the launching **of an open and flexible dialogue ahead of COP 21 and continuing afterwards, with the aim of building a long-term institutional relationship, while implementing and improving the future agreement expected in December 2015** *(see Annex 3)*. This dialogue should aim at better understanding the economic and transversal implications that might arise from the INDCs, discussing the enabling conditions for scaling up concrete solutions and lifting the existing/potential barriers to effectively achieve the low-carbon transition. This should enable national negotiators to be collectively aware of the issues at stake, and business to identify and implement appropriate carbon intensity reduction strategies. This continuous dialogue will be complementary to the **Business and Climate Summit**, gathering in Paris CEOs and Ministers worldwide, which takes place on May 20th and 21st as well as to the **international Climate Finance Day** on May 22nd.

2. Boosting investments in low-carbon business solutions and technologies

Investments required for a low-carbon transition are **massive,** although feasible**, and often risky,** especially when it comes to **bringing new technologies to market-deployment**. Yet, there are critical gaps in the existing available funding sources and methodologies, resulting in under-investment in such technologies.

We believe it is necessary to develop an appropriate framework in order to efficiently support and encourage investments needed to achieve emission reductions and adaptation objectives, especially through:

- **developed and reinforced carbon market tools**, which will help stimulate investments in innovative technologies, installations and products in a competitive way;
- **climate funds, including the Green Climate Fund (GCF), which should act as catalyst for** low carbon investments**,** as well as financial tools designed to better share risks between private and public sectors, and thus leverage private financing;
- **generally, all measures and tools which aim at encouraging private investments,** through incentives rather than penalties, should be developed.

3. Intensifying R&D, innovation and deployment of mature and breakthrough technologies

The international community should **enforce mechanisms dedicated to the development and deployment of mature and breakthrough technologies**, and thus:

- **pursue the development of supportive regulation and funding** for market-introduction of **promising technologies;**
- **encourage international cooperation for the development and deployment of those breakthrough technologies at worldwide scale;**
- **reinforce** existing mechanisms, such as the **UNFCCC Technology Mechanism**, **under the current framework**, and facilitate their inter-operability;
- promote the adoption of **major proposals from the New Climate Economy report** which aims at **scaling-up low-carbon innovation and moving towards connected and compact cities.**

These mechanisms must respect the principles of technology neutrality and cost-effectiveness.

4. The need of carbon pricing

Carbon pricing is **essential** to guide business decisions and investments towards low-carbon technologies. In that respect, it is supported by numerous businesses and countries through, for instance, the international coalition statement in favour of carbon pricing adopted in September 2014 by the World Bank, the UN Global Compact, Caring for Climate and the Carbon Disclosure Project, which has been supported by a significant number of nations and companies.

The agreement should **lay the foundations for the integration of a carbon pricing system, in all major emitting countries, which:**

- is **robust and predictable**, thereby stimulating action on emissions and enabling investment decisions in low-carbon technologies in the best cost-effective way;
- prevents from **competitive distortions**;
- is coordinated with a **phasing-out of all existing carbon subsidies**;
- relies on **relevant tools** such as emission trading schemes, or taxes/extensions of trading schemes/ shadow pricing instruments, with a view to mobilizing economy-wide;
- can get along with **other mechanisms** such as standards, voluntary agreements, other regulatory instruments…

As it is expected that business as a whole will have to cope with the different systems implemented by countries/regions, it is essential to **work on the means by which carbon pricing can be introduced,** such as:

- **governance** at domestic level (what are the different instruments at play, how do they interact ?);
- **coordination and potential linking** between different carbon pricing systems, in particular by embedding in the agreement a mechanism for international transfers of emission units and a unified project-based crediting mechanism built on best UNFCCC practices;
- **impacts of different carbon pricing policies on competitiveness.**

We are fully aware that the COP 21 and the 2015 agreement will be an important step towards the low-carbon economy transition. Reaching this target will take time and requires continuous long-term efforts from the world community as a whole, especially by using international forums. Business is conscious of being a driving force for scaling up solutions and is ready to play major role.

Annex 1

The challenges of climate change: facts and figures

This annex is mainly based on the IPCC report (Nov. 2014) and the New climate Economy report (Sept. 2014).

1. Businesses recognize there is an urgent need to address the climate change issue

According to the November 2014 IPCC Report:

- since 1950's, many of the observed changes are unprecedented over decades to millennia. For instance, **each of the past 3 decades has been successively warmer than the preceding decades since 1850s;**
- **climate change is directly linked to human greenhouse gas (GHG) emissions, which have significantly increased since the pre-industrial era, and are now higher than ever**;
- without further GHG emissions reductions, **global mean surface temperature should increase in 2100 from 3.7 to 4.8°C above the average for 1850-1900 for a median climate response**, with irreversible impacts for people and ecosystem (i.e. increasing risks on species extinction, food security, human health, urban systems, etc.).

2. They understand it implies huge environmental, economic and social challenges…

- According to the IPCC report, limiting global warming to 2°C relative to pre-industrial levels and reaching near zero net human emissions of CO_2 and other long-lived GHGs by the end of the century, would mean that :
  - with 1900 GtCO_2 having already been emitted between 1870 and 2011, no more than **1000 GtCO_2 may still be released in the atmosphere, corresponding to 20 years** if the current annual rate (50 GtCO_2) is maintained;
  - it requires to reduce global GHG emission **by 40-70% from 2010 to 2050;**
  - it requires to reduce emissions by around **80% by 2050 compared to 1990** for France and other developed countries**.**
- According to the Commission 2050 roadmap, it means to reduce by 2050 CO_2emissions in the EU by 80-95% compared to 1990.
- Regarding the financial effort, following the New Climate Economy report, in order to reach the 2°C target, a **large share of investments in infrastructures** will have to be reallocated. For instance, between 2015 and 2030:
  - Additional **US$8.8 trillion** of incremental investment would be needed to improve the energy-efficiency of buildings, industry and transport;
  - Deploying low-carbon technologies including renewable, nuclear and carbon capture and storage (CCS) could require another **US$4.7 trillion.**

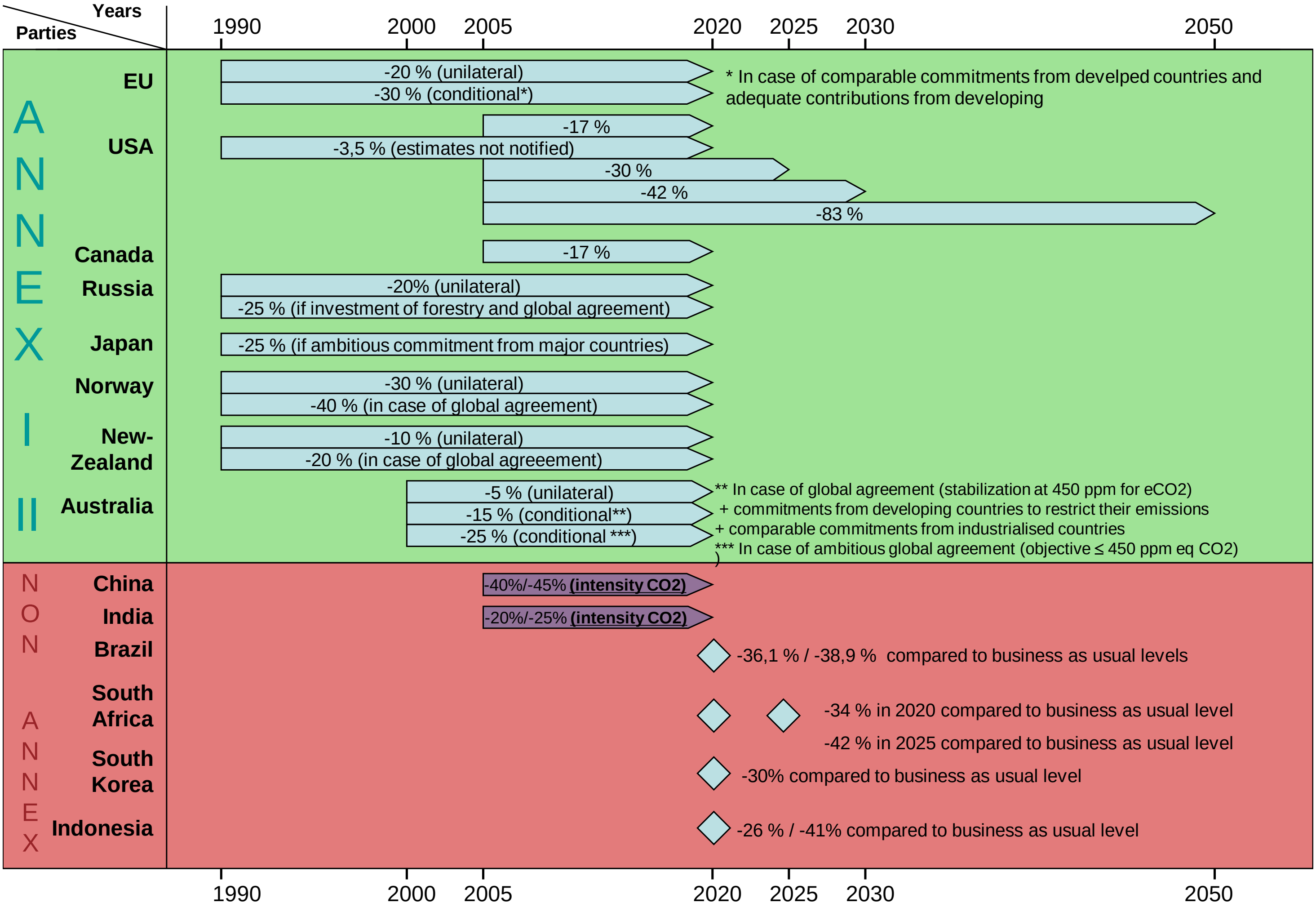
3. … But they consider that these challenges are not insurmountable

According to the "Better Growth, Better Climate" report:

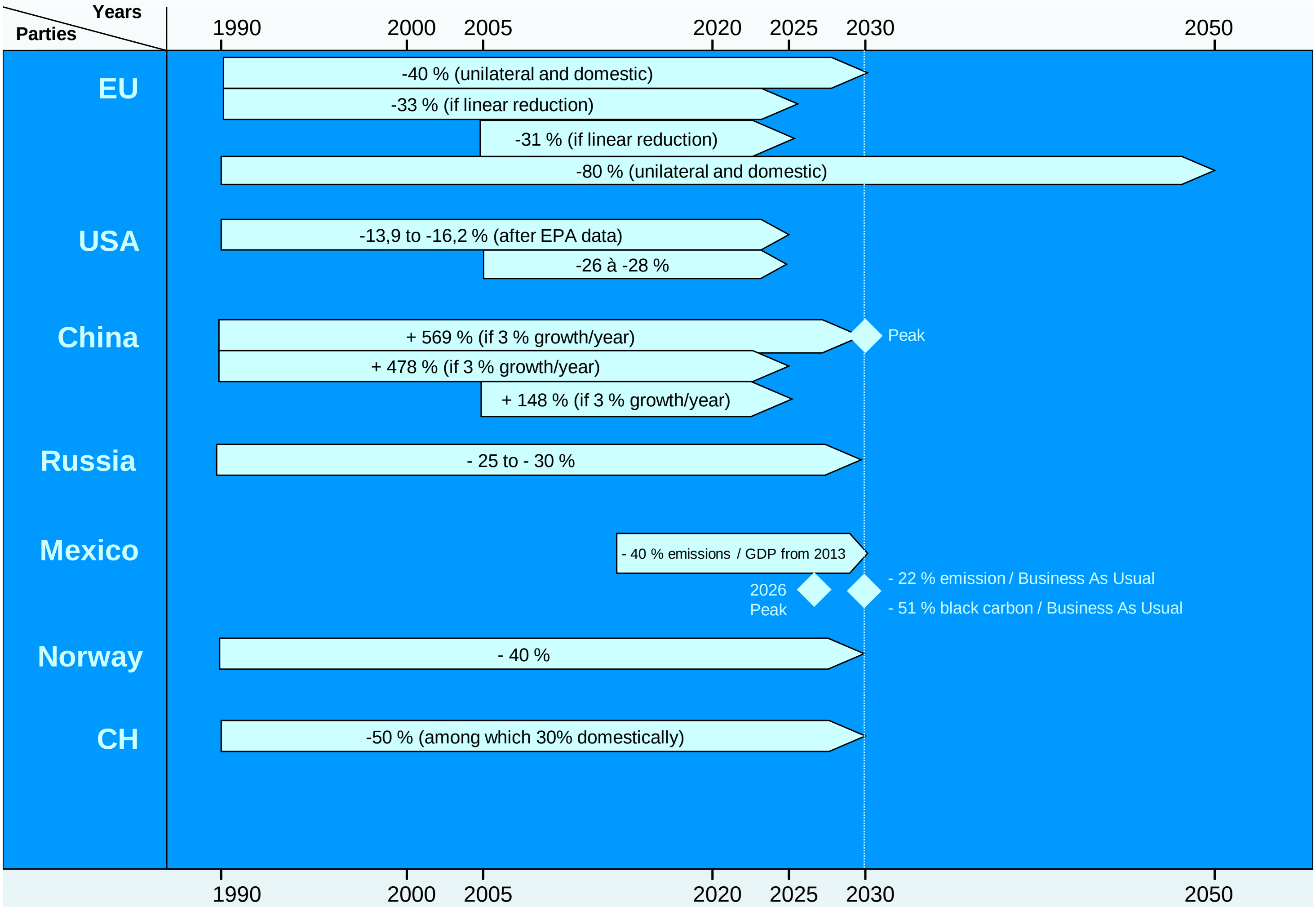
- a low-carbon scenario could save money in some areas (e.g. US$5.7 trillion saved in fossil-fuelled power plants and along the fossil fuel supply chain, and up to US$3.4 trillion from building more compact, connected cities and reducing sprawl);
- actually, the **net incremental infrastructure investment needs in the framework of a low carbon transition up to 2030 would only be 5% higher than those same needs in a business as usual scenario** (where infrastructures spending needs are projected to amount to almost US$ 90 trillion), provided the capital is appropriately allocated;
- recent modelling suggests economic costs of climate action for a 2°C path are likely to be limited, representing **around 1.7% (median) of baseline GDP in 2030**, although delayed action would increase that cost.

  Business, which is at the core of the definition and implementation of low carbon solutions, strongly supports policies and instruments aiming at reducing carbon emission in a cost-effective way while maintaining competitiveness of our economies.

Annex 2
Comparison of greenhouse gas reduction commitments notified by the Parties for COP 15 (Copenhagen) – *1 April 2015*



Annex 2
Comparison of greenhouse gas reduction commitments from the Parties in view of COP 21 (Paris) – *1 April 2015*



Annex 3

Proposals for an efficient and constructive Business Dialogue between the business community and governments in the framework of the preparation for COP 21 and beyond

1. <u>Context and objectives</u>

- The Conference of the Parties to the UNFCCC decided to reach an international agreement in 2015 in Paris (COP 21). Above and beyond the actual commitments made by governments, a new climate regime requires to address the involvement level from various actors in society. This particularly impacts companies that have already incorporated climate change into their strategies.

- In that respect, we welcome the launch, by the French and Peruvian governments, of an **open and flexible high-level dialogue between public authorities and business, ahead of COP 21.**Beyond that, it is essential that this dialogue **continues afterwards, with the aim of subsequently building a long-term relationship, while implementing the future agreement which is due to be adopted in December 2015.**

- This international dialogue should aim at discussing concrete solutions and lifting the existing/potential barriers to effectively achieve the low-carbon transition. **This would enable national negotiators to be collectively aware of the issues at stake, and give business the visibility required to determine and implement appropriate carbon intensity reduction strategies.**

2. <u>Our proposals</u>

On May 20th, this “Business dialogue”, which should mobilize both high-level government representatives and CEOs, should be structured in two phases:

- an initial phase supporting the preparation of the agreement to be negotiated by the Parties to the UNFCCC;
- an implementation phase after COP 21.

In that respect, it must be supported by the successive Presidencies of the Conference of Parties and involve high level policy-makers and negotiators and the global business community. CEOs will support it and take an effective part in it.

a) Objectives:

The objectives of this dialogue will be to:

- help public authorities **identify business expectations** in view of an ambitious global climate agreement and **determine concrete proposals** helping to achieve this agreement and its implementation;

- **identify:***(i)* the most cost-effective **mature high potential technologies** that can help to reduce the carbon intensity of our economies; *(ii)* the **breakthrough technologies** requiring research and development programs to fulfill their potential;

- **provide information** that would help to choose appropriate policies for the deployment of low carbon solutions and technologies;

- better understand the economic and sectoral **implications that might arise from the Intended National Determined Contributions** (INDCs) submitted by the major emitting countries **in the first half of 2015**.

b) Content:

This dialogue would be based on two phases:

i. The **first phase** of the dialogue could **address priority topics, in the framework of dedicated meetings,** in view of reaching a global agreement in December 2015; those would be the following:
   - On May 20st:**sharing the overall expectations for the future agreement, but also a common understanding of the main issues at stakes, and of the Intended National Determined Contributions and of their impacts on business;**

   - End of September:**market mechanisms and carbon pricing (including the potential links between national/regional schemes);**

   - October: **fostering deployment in key low-carbon business solutions and derisking of investments.**

   The conclusions based upon the discussions could be presented at the Conference of the Parties in December 2015.

ii. The **second phase** (following COP 21, i.e. from January 2016 onwards) would aim to pursue the dialogue towards an effective low-carbon transition, through a **medium and long-term work programme**, jointly built by the business community and governments**.**

c) Method:

- The dialogue should involve **all international business organisations** working on climate issues (WBCSD, Global Compact, BizMEF, B20 Coalition, B7, ICC, ERT, Business Europe, IETA, WEF, etc.) and be coordinated with the activities and initiatives of other institutions (IEA, OECD, World Bank, BIAC, TEC, etc.) and relevant actors (think tanks, observatories, local authorities, etc.).

- The dialogue might take the form of **thematic international roundtables located in the major emitting regions** (e.g. Europe, East Asia, Southern Asia, Africa, the Americas), led by business and public authorities, both through technical (experts) and general high level (CEOs and governments' top representatives such as Ministers) meetings.
  Being held under Chatham House rules, this dialogue should be **complementary** to already planned international events, such as:
  - the **Business Climate Summit**, supported by the most prominent international business organisations, on 20-21 May 2015: it should be a **key milestone** for shedding light on business' positions on the international climate agreement;
  - the **"International Finance Day on the road to COP 21"**, sponsored by the Caisse des dépôts group and the European Investment Bank, on 22 May 2015;
  - The **70th general assembly of the UN on September 15-22** in New York;
  - the forthcoming **Low Carbon Technology Partnership Initiative (LCTPi)** in Paris in May, in September in South Africa, India and Brazil, and in October in Japan and China;
  - The Innovation for **Cool Earth Forum**, **held in Tokyo on October 7-8**.

- **In order to ensure wide and effective involvement of companies and their representatives**, two high level personalities, recognized both by the global business community and public authorities, will, as "leaders" of the Business Dialogue mobilize all existing international political and economic networks, such as the network of French and foreign ambassadors and the networks that supported the coalition statement in favour of carbon pricing.