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

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 WBSCD
Peter BAKKER

Business Europe
Emma MARCEGAGLIA
President

Afep
Pierre PRINGUET
President

Cercle de l’Industrie
Philippe VARIN
President

MEDEF
Pierre GATTAZ
Président

SYNTÉC INGENIERIE
Nicolas JACHET
Président

Adecco France
Alain DEHAZE
Chairman

AIRBUS GROUPE
Denis RANQUE
Chairman

AIR LIQUIDE
Benoit POTTER
Chairman & CEO

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Philippe CAMUS
Chairman of the Board

ALLIANCE TRUST plc
Katherine GARRETT-SCOTT
CEO

AKZONOBEL
Ton BUCHNER
CEO

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Patrick KRON
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AREVA
Philippe VARIN
Chairman of the Board

ARKEMA
Thierry le HENAFF
Chairman & CEO

AGC Glass Europe
Jean-François Herin
President & CEO

AVIVA FRANCE
Nicolas SCHIMEL
CEO

AXA
Henri de CASTRIES
Chairman & CEO

BASF
Kurt BOCK
Chairman & CEO

BNP PARIBAS
Jean LEMIÈRE
Chairman of the Board

BOUYGUES
Martin BOUYGUES
Chairman & CEO

BPCE
François PEROL
Chairman of the Board

CARREFOUR SA
Georges PLESSAT
Chairman & CEO

CH2M HILL
Jacqueline HINMAN
Chairman & CEO

CREDIT AGRICOLE SA
Jean-Marie SANDER
Chairman

DANONE
Emmanuel FABER
CEO

DCNS
Hervé GUILLOU
Chairman

DSM
Félix SUBESMA
Chairman

EDF
Jean-Bernard LEVY
Chairman & CEO

EGIS
Nicolas JACHET
Chairman & CEO

ENGIE
Gérard MESTRALLET
Chairman & CEO

ERAMET
Patrick BUFFET
Chairman & CEO

FFP
Robert PEUGEOT
Chairman & CEO

FIRMENICH SA
Gilbert GHOSTINE
CEO
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Christophe KULLMANN CEO

GALERIES LAFAYETTE
Philippe HOUZE Chairman of the Board

GROUPE SEB
Thierry de la TOUR d’ARTAIZE Chairman & CEO

HOLCIM
Bernard FONTANA CEO

IMERYS
Gilles MICHEL Chairman & CEO

JC DECAUX
Jean-Charles DECAUX Co-CEO

KERING
Francois-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

NEFILIZE OBC Philippe VAYSSETTES Chairman of the Board

NEXANS
Frederic VINCENT Chairman of the Board

NEXITY
Alain DININN Chairman

PERNOD RICARD
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PEUGEOT
Carlos TAVARES Chairman of the Board

PHILIPPS
Frans Van HOUTEN CEO

PHILIPS LIGHTING
Eric RONDOLAT CEO

PHILIPS

RATP
Christian GAUVEL Deputy CEO

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Valerio CHAPOULAUD-FLOQUET Chairman & CEO

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Gary McGANN Group CEO

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SOCIETE GENERALE
Frédéric OUDIER Chairman & CEO

SOLVAY
Jean-Pierre CLAMADEAU Chairman of Executive Committee

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UNILEVER
Paul POLMAN CEO

VALEO
Jacques ASCHENBREINER CEO
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 CO2 and other long-lived GHGs by the end of the century, would mean that:
  - with 1900 GtCO2 having already been emitted between 1870 and 2011, no more than 1000 GtCO2 may still be released in the atmosphere, corresponding to 20 years if the current annual rate (50 GtCO2) is maintained;
  - it requires to reduce global GHG emissions 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 CO2 emissions 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.
Comparison of greenhouse gas reduction commitments notified by the Parties for COP 15 (Copenhagen) – 1 April 2015

Annex 2

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<td>EU</td>
<td>-20 % (unilateral)</td>
<td>-30 % (conditional*)</td>
<td>-17 %</td>
<td>-15 % (conditional)**</td>
<td>-25 % (conditional***</td>
<td>-20 % (unilateral)</td>
<td>-25 % (conditional***</td>
<td>-30 % (conditional***</td>
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<tr>
<td>USA</td>
<td>-3.5 % (estimates not notified)</td>
<td>-30 %</td>
<td>-42 %</td>
<td>-83 %</td>
<td>-17 %</td>
<td>-20 % (unilateral)</td>
<td>-30 % (conditional)</td>
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<tr>
<td>Canada</td>
<td>-20 % (unilateral)</td>
<td>-25 % (if investment of forestry and global agreement)</td>
<td>-17 %</td>
<td>-25 % (if ambitious commitment from major countries)</td>
<td>-25 % (if linear reduction)</td>
<td>-30 % (unilateral)</td>
<td>-40 % (in case of global agreement)</td>
<td>-10 % (unilateral)</td>
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<td>Russia</td>
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<td>-25 % (if investment of forestry and global agreement)</td>
<td>-17 %</td>
<td>-25 % (if ambitious commitment from major countries)</td>
<td>-25 % (if linear reduction)</td>
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<td>-40 % (in case of global agreement)</td>
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<td>Japan</td>
<td>-25 % (conditional)</td>
<td>-25 % (conditional)</td>
<td>-15 % (conditional)**</td>
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<td>-20 % (unilateral)</td>
<td>-25 % (if linear reduction)</td>
<td>-30 % (conditional)</td>
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<td>Norway</td>
<td>-30 % (unilateral)</td>
<td>-40 % (in case of global agreement)</td>
<td>-10 % (unilateral)</td>
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<td>-25 % (if investment of forestry and global agreement)</td>
<td>-30 % (conditional)</td>
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<td>New-Zealand</td>
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<td>-25 % (if investment of forestry and global agreement)</td>
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<td>-40 % (in case of global agreement)</td>
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<td>China</td>
<td>-34 % in 2020 compared to business as usual level</td>
<td>-38,9 % compared to business as usual level</td>
<td>-42 % in 2025 compared to business as usual level</td>
<td>-30 % compared to business as usual level</td>
<td>-26 % / -41% compared to business as usual level</td>
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<td>India</td>
<td>-40% / -45% (intensity CO2)</td>
<td>-20% / -25% (intensity CO2)</td>
<td>-36.1 % / -38.9 % compared to business as usual level</td>
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<td>Brazil</td>
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<td>South Africa</td>
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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. Context and objectives

- 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. Our proposals

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.