



**International Chamber of Commerce**

*The world business organization*

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# **ICC Perspectives on International Sectoral Approaches (ISA)**

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# ISA: Stated Rationales

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- **Attempt to avoid competitiveness issues inherent in differentiated national targets**
- **Means to address technological issues directly, leading to sharing of best practice, raising performance standards, enhancing environmental performance, technology transfer, enabling frameworks etc.**
- **Possible way to promote:**
  - **Broader participation**
  - **A more efficient CDM**

**Remains unclear whether these objectives can be achieved**

# ISAs in Multiple Settings

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- **Bali Roadmap**
  - “Building blocks” reference sectoral approaches and the private sector
  - Minimal substantive entry points for business to date
- **G8 2008**
- **Major Economies Process (MEP)**
- **Asia Pacific Partnership (APP)**
- **UN Environment Programme (UNEP)**
- **OECD: program on climate change**

# Existing Sectoral Approaches

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- Numerous existing examples:
  - Voluntary initiatives, commitments by sectors
  - Voluntary *international* agreements: Cement, Steel, Aluminium
  - Public-private partnerships, e.g. APP
  - Sector-based national / regional regulatory frameworks
  - Measurable, reportable results
- Pursue a variety of goals, objectives
  - Emissions                      Emission intensity
  - Research                      Education
  - Reporting                      Technological co-operation
- Typical elements
  - definition of the sector
  - parties to the agreement
  - nature of the agreement, e.g. on emissions, GHG intensity, standards, ... and the timeframe to achieve the outcome
  - procedures for accountability, e.g. how to measure, to whom, and with what consequences

# ISAs in UN FCCC/KP

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- Agreements under UN FCCC/KP commitments are taken by governments—business and industry are affected through national implementation
- Bali context: achieving deep, long-term emissions cuts (through 2050)
- No common understanding now of how such an international sectoral approach would be formulated or implemented
- While business and industry typically organize through associations to consult—and in some cases reach agreement—with national governments, few, if any, sectors have capacity to negotiate or legally commit at international level on their members' behalf
  - Lack comprehensive membership
  - Lack governance procedures to bind members
- National and International business associations are in a position to share views, and welcome the opportunity to participate in discussions of sectoral approaches

# **(Global) Sectoral Emissions Commitments**

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## **Key considerations**

- **Equity: among and within nations and sectors**
- **Coverage**
- **Compliance and enforcement**
- **Impacts on overall economy and other sectors**
- **Accountability: governments or business**
- **Consistency with, in addition to, or carve out from national obligations**

# Important Considerations & Characteristics: ISA

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## **Characteristics that may promote ISA**

- Energy intense sectors
- Exposed to international trade
- Producing commodity products
- Using similar production technologies

## **Characteristics that may inhibit ISA**

- Specialized products based on proprietary technology
- Products based on unique or strategic national circumstances
- Products where market position is based on brand
- Proposals that interfere with existing trade agreements
- Products and processes where GHG emissions trends are growing to meet other societal objectives

## **Considerations that should be assessed**

- Supply and value chain links between sectors
- Overall economy-wide impacts
- Compatibility with existing obligations



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# Initial Recommendations

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ICC believes that sectoral policy approaches should:

- Encourage voluntary, sector-based approaches
- Allow markets to develop and select technologies
- Evaluate and give priority to options based on cost-effectiveness
- Maintain a comparable effort among sectors and countries
- Minimize economic damage to existing, still economic capital stock
  - Focus on new investment
  - Encourage efficiency improvements in existing capital stock
  - Incentivize early retirement of inefficient equipment

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# Initial Policy Recommendations

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ICC believes that sectoral policy approaches should:

- Utilize realistic expectations of foreseeable technical progress
- Maintain flexibility for companies and sectors within the context of regional and national circumstances
- Consider economy-wide links between sectors
- Assess economy-wide & trade implications, taking account of supply & value chain linkages
  - Sectors often draw on the same pool of limited resources
  - Changes in a sector may inhibit/enable change in other sectors
  - Need to consider implications for imports & exports, trade & investment

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**ICC will bring a range of business views and experiences  
with sectoral approaches into these ongoing negotiations**

**Thank You**

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