



COMBAT CLIMATE CHANGE
A Business Leaders' Initiative

3C (Combat Climate Change) – A Business Leaders' Initiative

Trade: Headline messages for policy makers

Workstream chaired by Citi





Trade: Summary recommendations

1. A new global framework should establish a goal of global trade in carbon, and support gradual harmonisation of markets in the short term.
2. A new global framework should re-establish, simplify, and professionalise the administration of flexible mechanisms in order to scale up their impact.
3. Governments overseeing carbon markets should emphasise transparency, neutrality and information availability.



Key challenge: Linking carbon markets

If a new global agreement ...

1. Establishes a goal of global trade in carbon



- Early, clear signals about national commitments will be the most important factor in developing a global carbon market
- Global agreement should acknowledge that carbon trade supports both environmental and developmental goals

and ..

2. Offers practical support for harmonisation of regional and national carbon markets



- Minimising or harmonising distorting factors
- Including flexible mechanisms/offsets that institutionalise best practices
- Proposing standards, common rules and institutions

... our companies will be able to invest in long-term carbon reductions with confidence.



Key challenge: Scaling up global mechanisms

If a new global agreement ...

1. Re-establishes the role of flexible mechanisms beyond 2012
2. Simplifies and clarifies the rules
3. Focuses on encouraging investment flows



- CDM/JI has been a very positive tool, and despite some early problems, is capable of delivering meaningful projects



- Rules can be tough but must be clear to de-risk investment and accelerate projects



- A 'positive list' of project types would help investors
- Development of programmatic and policy approaches can increase the scale of investment opportunities.

and ..

4. Professionalizes the administration



- Approval times must be reduced
- IPCC's network of economists and national energy administrations could provide methodological and administrative support

... investment in meaningful reductions can be increased significantly, accelerating carbon reductions globally and promoting technology transfer.



Key challenges: Allocation and transparency

If governments overseeing carbon markets ...

1. Ensure that permit distribution or auctioning is as neutral, inclusive and frequent as possible



- This will keep prices aligned with secondary markets, decrease volatility, and ensure liquidity

2. Make rules transparent several years before trading begins



- For many businesses, participation in these markets will require extensive preparation and hedging that is only possible with clear rules in place

and ..

3. Maximise the availability and accessibility of market information



- Yearly reporting of country data must be complemented by some kind of quarterly reporting
- Reporting periods and standards should be coordinated between major markets
- Internet tools should be used to decrease the administrative burden

... business will be able to develop marketplaces and investment products that manage risk and drive down the costs of emission reductions.