



South Africa and the Durban Climate Change Negotiations:

The Role of Business

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## Acronyms and abbreviations

AF Adaptation Fund

AfDB African Development Bank

AfGF Africa Green Fund

Busa Business Unity South Africa
CCC Copenhagen Climate Council
CC&S carbon capture and storage
CDM Clean Development Mechanism

CDP Carbon Disclosure Project
CIF Climate Investment Funds
CO<sub>2</sub>e carbon dioxide equivalent
COP Conference of Parties

DEA Department of Environmental Affairs

EU European Union

EU ETS European Union Emissions Trading Scheme

G8 Group of 8

GCCC Government Committee on Climate Change

GEF Global Environment Facility

GHG greenhouse gas Gt gigatonnes

ICC International Chamber of Commerce

JI Joint Implementation

JSE SRI Johannesburg Stock Exchange's Socially Responsible Investment

MDBs Multilateral Development Banks

MNC multinational corporation

MRV Measurement, Reporting and Verification
NAMAs Nationally Appropriate Mitigation Actions

NBI National Business Initiative

NCCC National Committee on Climate Change

NGO non-governmental organisation R&D research and development

UK United Kingdom

UNEP United Nations Environment Programme

UNFCCC United Nations Framework Convention on Climate Change

USA United States of America

WBSCC World Business Summit on Climate Change

WBCSD World Business Council for Sustainable Development

WSA Worldsteel Association

## Introduction

Global warming, leading to climate change, remains the critical challenge of this generation<sup>1</sup> and possibly this century. Others think climate change is the truly global issue facing business in an age of globalisation.<sup>2</sup> Although the worst could be over in terms of the economic meltdown that started in the United States of America (USA) in September 2008, businesses still face challenges in the twin arenas of climate change policy uncertainty and economic recovery. The world was following the Bali Road Map<sup>3</sup> that articulated an agenda to finalise climate negotiations by December 2009 in Copenhagen, yet this did not materialise. This underpinned a situation of uncertainty, which supports anxiety in the business sector. Given this scenario, business started to get more involved in climate change negotiations, and this is done from different perspectives. The fact that \$30 billion will be mobilised between 2010 and 2012 and an additional \$100 billion annually by 2020<sup>4</sup> means there is business to do with the changing climate.

Business engagements in COP 17 were informed by past, present and future predictions with regard to movements in the climate negotiations space. The call to have business involved in climate change negotiations can be traced to the G8 Gleneagles Summit of 2005. The G8 Summit drew up the Gleneagles Plan of Action on Climate Change, Clean Energy and Sustainable Development.<sup>5</sup> The G8 also committed to work with the multilateral development banks (MDBs) in order to expand the use of voluntary energy savings assessments. This was part of major investments in new or existing projects in energy intensive sectors. Partnerships that included both sectoral and cross-border were to be developed with industry to reduce the greenhouse gas (GHG) emissions intensity of the major industrial sectors. The G8 would also continue to support the United Nations Framework Convention on Climate Change (UNFCCC) clearing house on technology transfer.

Since COP 13 in Bali, business started to be actively involved in climate negotiations. The World Business Council for Sustainable Development (WBCSD), in partnership with other international business associations like the International Chamber of Commerce (ICC), instituted the Business Day – a side event that brings together key business players to debate climate negotiations and make known their preferences. During the Bali Business Day, panel discussions were organised focusing on energy efficiency, zero carbon technologies, large-scale carbon control, and clarity in climate policy. Business called for the successful completion of a post-Kyoto Protocol deal that promotes urgent and sustained mitigation and adaptation plans. During COP 14, in Poznań, the Business Day had panel discussions on a shared long term vision and investment. Business sought to contribute to the UNFCCC

negotiation process by linking into the themes of the Bali Action Plan that outlined mitigation, adaptation, technology and finance.<sup>7</sup> Further details regarding business calls during the Copenhagen and Cancún Business Days are subjects of discussion under the relevant sections in this paper.

Business' engagement in the climate change discourse and negotiation is informed by both the challenges and opportunities that the crisis presents. From a business perspective, there are challenges associated with reputation, regulatory, physical and financial risks. On the other hand, global warming and climate change presents business opportunities, particularly those associated with the emergence of a low carbon and green global economy. Movement towards a low carbon and green global economy has witnessed new opportunities and growth in new products and portfolios that include renewable energy, energy efficiency, green architecture, green banking, green insurance as well as greening supply chains and procurement. The carbon market probably stands out as the meeting place when it comes to business involvement in climate change.8 Overall, businesses have been involved across the key facets of climate change that include mitigation (reduction of GHGs), adaptation (living and coping with climate change), research and development resulting in innovation and technological development, negotiations, financing, awareness raising and capacity development. From Cancún, the following are key issues that businesses grappled with leading up to and during Durban 2011: Measurement, Reporting and Verification (MRV); technology (including Carbon Capture and Storage – CC&S); modalities of the Green Climate Fund; architecture of the post-Kyoto Protocol framework and carbon markets; modalities on Nationally Appropriate Mitigation Actions (NAMAs); and the adaptation agenda.

# Business in climate negotiations

Before analysing the role of business leading up to COP 17, it is critical to understand how businesses are arranged: first, in their daily dealings, and secondly, in climate negotiations. If one considers a typical business of a multinational corporation (MNC), one discovers that such corporations exist in a complex network of both state and non-state actors and actants. Among some of the networks and actors to which the business will be linked are: its subsidiaries, workers, labour movements, communities, government, national sector associations, national business associations, international business associations, sub-regional, regional or continental presence and global presence (Figure 1).

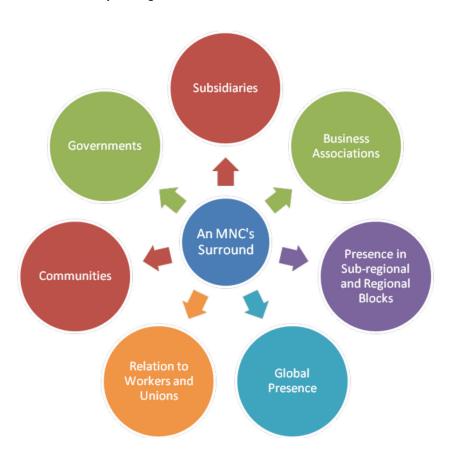


Figure 1: An MNC's operating environment

Source: Author

Alluding to the MNC's operating environment presented in Figure 1, parallels can be drawn with regard to the environment in which business operates in climate change negotiation. The climate change interests of the community and government, which could be likened directly to economic growth, poverty eradication and job creation and/or losses, get harmonised with business interest to make profit. This generates a climate negotiation position that could support the continued exploitation of dirty technologies and other unsustainable patterns that result in huge GHG emissions. State owned enterprises like power utilities sit in national climate change committees and negotiation teams that deliberate on national position to take to the COPs.

In many instances, powerful MNCs take their standard climate negotiation positions across borders to every country that they have operations in. They also take their positions to global business associations like the WBCSD. Furthermore, the WBCSD has national chapters that take whatever national deliberations on climate change to the mother body. Since COP 13 in Bali, the WBCSD have been organising a side event, a

'Business Day'. Among the notable international business associations that influence climate negotiations are those shown in Figure 2. As indicated earlier, these international business associations have strong national presence through sector interests.

International **World Coal** Chamber of Institute Commerce **WBCSD** Oil & Gas **Producers Influential** International Worldsteel World Coal **Business Association** Association **Associations in COPs** 

Figure 2: Influential International Business Associations in COPs

Source: Author

Businesses also sponsor preparatory COP events at various levels. The situation regarding lobbying for positions could also be complex in terms of MDBs. The World Bank, for example, has a very strong presence in the climate discourse. This is a situation that witnesses world powers like the G8, that have the majority stake in the World Bank and other MDBs, influencing (at times in invisible ways) climate positions from such MDBs. Hence, whatever business oriented climate decisions are made during COPs (including COP 17) are a manifest of very few powerful MNCs that also draw heavily from their interests. From the South African perspective, both of the influential business associations the National Business Initiative (NBI) and Business Unity South Africa (Busa) are affiliated to the WBCSD and the ICC.

Overall, businesses are aware of the risks and opportunities presented by the climate crisis. To this end, businesses try to minimise the risks and enhance the opportunities in order to maximise profits. The emergence of the low carbon and green economy has witnessed business entities actively participating in climate

negotiations. Although many businesses are slowly adopting climate conscious practices, many more are still sceptical. To understand the propositions discussed in this section, the next sections are dedicated to tracing business involvement in climate negotiations, especially leading up to, during, and from Copenhagen 2009 via Cancún 2010 to Durban 2011.

## Business calls leading up to and during Copenhagen

# ☐ COP 15 statement by the Roundtable of Business Representatives

The Climate Change Roundtable of Business Representatives (Roundtable) held from 17-18 February 2009 in Copenhagen issued a statement of its expectations for COP 15. The Roundtable was constituted by 11 business associations<sup>10</sup> from five continents that represented millions of companies globally. The Roundtable indicated its support for a successful outcome at COP 15 – one that it believed would still be achievable even in the context of the global financial crisis. Governments were asked to address two issues: economic recovery and promoting energy security.<sup>11</sup> The business organisations also recommended that the New Climate Deal apportion equal weight to three fundamentals in addressing climate change, namely mitigation, adaptation and deforestation.

Whereas the financial downturn was viewed as a temporary, short term issue, the Roundtable recognised that climate change is of a permanent, long term nature. The Roundtable set out that business must be part of the solution to climate change and indicated that a number of viable technology options were already available. However, to fully tap into such technologies, there was a need to develop complementary policies and mechanisms like standards, public-private partnerships and green government procurement. Business showed its interest in increasing funding for research and development (R&D), innovation and training as well as promoting the development of enabling frameworks that would reduce costs for technology transfer and commerce.

In terms of ongoing stimuli surrounding the global financial crisis, the Roundtable called for measures that support climate-and energy-oriented investments. <sup>12</sup> Further, a strong call was made for governments to include and involve finance ministers directly in COP 15 negotiations in order to come up

with workable measures on how to move forward on climate financing. In this regard, investments at the national level were deemed most appropriate.

Water, health and agriculture as well as future power production and distribution were singled out as pressing adaptation issues<sup>13</sup> that required attention at all spatial scales. The local level was highlighted as critical for purposes of tapping into local skills. Overall, the Roundtable recommended that the New Climate Deal:

- Be flexible and include all countries, taking into account common but differentiated responsibilities, as well as paying equal attention to adaptation and mitigation;
- Develop measurable, reportable and verifiable methodologies and make them a priority;
- Enable and support innovation and energy security as well as long term investment in cleaner technologies;
- Give public and private sector funding for R&D and education and training high priority in both technology and financing components of the framework;
- Acknowledge and recognise public-private sector partnerships for technology co-operation and capacity building that have demonstrated verifiable results;
- Have an increased focus on energy efficiency and provide for sharing information and experiences with measurement and energy efficiency improvement;
- Focus on enabling frameworks for innovation at a national level, removing counter-productive taxes and tariffs; and
- Recognise and enable public-private sector partnership for technological cooperation.

# ☐ The Copenhagen Call

In 2009 the Copenhagen Climate Council (CCC) presented the Copenhagen Call during the WBSCC that took place from 24-26 May. The CCC is a global collaboration between international business and science formed in 2007 to raise global awareness on the importance of COP 15 as well as ensuring technical and public support to world decision-makers post-2012. The Copenhagen Call presented six departure points:<sup>14</sup>

Agreement on a science-based GHG stabilisation path: This path will have 2020
and 2050 emissions reduction targets. The Call proposed that COP 15 should
present an option of limiting global average temperature increase to a maximum
of 2°C above pre-industrial levels. Such a path means fighting GHG emissions

around 17 gigatonnes (Gt) as opposed to the business-as-usual approach by 2020. This implies that the GHG emission trend must peak and begin to reduce within the next decade. The Call acknowledged that moving towards reducing GHG emissions now would be less costly than delaying the start. The Call also realised that the bulk of the GHG reductions must initially be from the developed economies, with all other countries coming to the table. The Call noted that reducing GHG emissions by the required levels would certainly affect business and that business was ready to take such action.

- Effective measurement, reporting and verification of emissions: The Call resolved that businesses can contribute to a unified, coherent and reliable MRV discipline. This step could be taken further to feed into the designing of mandatory reporting by national governments.
- Incentives for a dramatic increase in financing low emissions technologies: The New Climate Deal must "push" for the development of new technologies. This could be done by mobilising the use of public funds to leverage private finance during early stage demonstration and deployment.<sup>15</sup> To effect policy regimes that create clear, predictable, long term incentives to stimulate private investment and enable the global diffusion of capital, technology must be designed and implemented.
- Deployment of existing low emissions technologies and the development of new ones: The Call noted that the private sector has already contributed over 66% of the world's investments in clean technology. The private sector is seen as the most effective source of know-how and technology dissemination and transfer. Energy efficiency leads to positive financial returns and is a source of reduced GHG emissions, with standards and regulations seen as the best way to achieve this.<sup>16</sup>
- Funds to make communities more resilient and able to adapt to the effects of climate change: Adapting to global warming and climate change was elevated to the same level of importance as mitigation. To this end, planning for adaptation must take on a holistic and long term perspective at all spatial levels from the global through to the national, provincial and state level, as well as at local level. In terms of division of responsibilities, businesses would be responsible for building the bulk of infrastructure required to shield against severe climate impacts, whilst the New Climate Deal mobilises funds to support public-private partnerships. These partnerships would enhance sustainable development, adaptive capacity, climate resilience, climate proofing and management of risk.

Innovative means to protect forests and balance the carbon cycle: The Call sees business
as having a crucial role in reducing deforestation, especially in developing
countries like Brazil. Mechanisms designed to value conservation can lead to
such reductions in deforestation.

## ■ World Business Summit on Climate Change

In order to mobilise the private sector engagement in the development of the New Climate Deal, over 500 business leaders from 40 countries met with leading climate experts, government officials and NGO representatives in Copenhagen. The meeting took the form of the WBSCC from 24-26 May 2009. The WBSCC was intended to address the twin challenges of climate change and the economic crisis, and to consider how these challenges could be turned into opportunities. Two cross-cutting themes emerged from the WBSCC, namely the crucial role of business in climate action and getting the mechanisms right. 19

In terms of the crucial role of business in climate action, the WBSCC agreed that it was important that business come to the party in financing, developing and deploying low carbon solutions. Since the bulk of investment in this regard is from businesses, investors from pension funds, companies or venture capitalists need to make returns on such investments. The role of governments would be to provide regulations and incentives that make low carbon investments commercially viable. Low carbon technology innovation and deployment was another area in which business would make a difference, especially through partnerships with other businesses and government.<sup>20</sup>

Government-designed mechanisms and regulations including carbon markets, public-private partnerships, specifications, standards, co-operation agreements or taxes could be designed in order to promote business 'climate action now'. Carbon markets were acknowledged as playing a pivotal role in climate action, but still need scaling up with consideration to other complementary policies. Complementary policies could be those supporting the Mexican Proposed Green Fund.<sup>21</sup>

During the WBSCC, nine working groups addressed nine thematic areas, including financing the transition to a low carbon economy; carbon markets; technology push; technology diffusion and collaboration; energy efficiency; forestry and terrestrial carbon; adapting to climate change through strategic planning and collaboration; measuring and communicating progress; and value chain. Four sets of cross-cutting recommendations for policy and the New Climate Deal emerged from

the nine working groups as follows:22

- Investors need robust, clear and long term regulatory signals whether trading programmes, performance standards or taxes.
- New collaborative financing mechanisms like green infrastructure funds, public-private partnerships and 'climate bonds' are required to support the development of low carbon technologies that are currently not commercially viable, and to scale up the deployment of those technologies.
- Governments should be 'technology neutral' and enable all cost-effective GHG
  emissions reductions. At the same time, governments should focus on incentives,
  energy efficiency improvements and limiting deforestation or forest degradation.
- Better disclosure is crucial in driving change among investors and consumers.
   Disclosure would include those on corporate strategy and capital investment decisions, greater use of carbon labelling and energy efficiency performance, robust monitoring, reporting and verification protocols, and transparency in the costs and benefits of new policies developed by governments.

## ■ UNEP's Green Paper on Financing a Global Deal on Climate Change

The Green Paper on Financing a Global Deal on Climate Change<sup>23</sup> emerged from the United Nations Environment Programme's (UNEP) Finance Initiative in June 2009. The Finance Initiative is a global partnership between UNEP and more than 170 financial institutions from the banking, investment and insurance sectors worldwide. Earlier, in June 2007, UNEP's Financial Initiative brought together heads of 23 of the largest financial service organisations globally<sup>24</sup> that came up with a Declaration on Climate Change and the Financial Services Sector.<sup>25</sup>

The 23 heads of financial service organisations acknowledged that efforts could be made much more effective by adequate political and economic frameworks created by governments. To that end, the 2007 Declaration called upon government leaders to facilitate the development of a New Climate Deal that:<sup>26</sup>

- Set clear and mandatory medium and long term emission reduction targets in industrial nations, building on the existing framework, such as proposals presented by the United Kingdom (UK) and European Union (EU). The proposal called for a mandatory emissions reduction target in the industrial nations of 20-30% by 2020 and 60-80% by 2050.
- Set ambitious emission targets to be formally adopted as part of the post-2012

- regime, in order to build confidence in the process and ensure time-sensitive carbon market continuity.
- Expand the use of market instruments such as emissions trading and those established through the Clean Development Mechanism (CDM) and Joint Implementation (JI) to produce a carbon price and help drive low carbon investment.
- Simplify, standardise and streamline the CDM/JI process by 2009, such that these
  instruments can maximise their role in delivering environmental and sustainable
  development objectives.
- Adopt ambitious goals and incentives for renewable energy production.
- Implement energy efficiency programmes and R&D initiatives that include public-private partnerships and support the deployment of low carbon technologies.
- As part of adaptation, stakeholders should look to integrate climate change into existing and new programmes on disaster reduction and management, and sustainable development.

The Green Paper identified priority actions that the financial services sector institutions should undertake in the New Climate Deal. Such priority actions should be aligned to address both mitigation and adaptation requirements.<sup>27</sup> Hence a proposal focusing on six critical areas that would enhance full participation by the sector in the New Climate Deal was put up. The six critical areas include: reducing the risk of low carbon investments in developing countries; improving the operation of the CDM flexible mechanisms; establishing funding for low carbon technology development; creating an international carbon insurance vehicle; enabling enhanced investment in low carbon buildings; and expanding the application of insurance mechanisms for adaptation.

In line with one of the emerging adaptation strategies by the financial services sector, especially the insurance sub-sector, it is important to deliberate briefly on this aspect. The Green Paper realises the need for the insurance sub-sector to expand the application of risk pooling and risk transfer mechanisms.<sup>28</sup> Such mechanisms would include natural disaster bonds, weather derivatives and climate proofed micro-products that would result in enhanced adaptability of clients in vulnerable localities. The Green Paper indicated its support for the proposal by the Munich Climate Insurance Initiative on the role of insurance adaptation. Such a proposal foresees the establishment of twin insurance pillars under a multilateral adaptation fund: one for prevention and risk assessment in vulnerable regions, and the other offering insurance cover for extreme weather events and support for new disaster insurance systems.

# Business calls leading up to and during Cancún 2010

## ☐ The Cancún Communiqué

The Cancún Communiqué is an initiative of the Prince of Wales' Corporate Leaders Group on Climate Change. The Communiqué called for an ambitious, robust and equitable global deal on climate change. It was also noted that businesses were already investing in a low carbon future and governments must respond to these efforts. Among the responses by governments were mentioned the redoubling of efforts to secure an international framework ensuring a smooth transition following the Kyoto Protocol first commitment period, as well as pursuing an ambitious parallel mitigation strategy of national and multilateral actions.<sup>29</sup>

The Communiqué also argued that the scientific evidence for action was overwhelming and an international framework was critical in delivering action at the required level. Businesses encouraged governments not to wait for success in the negotiations, but rather embark on other actions in parallel. Such actions included new sector-based bilateral or regional agreements focusing on energy efficiency; low carbon energy systems; emissions capture and storage; emissions from other GHGs; and urban planning, land-use management and land-use change.<sup>30</sup>

### ☐ Business for the Environment Climate Summit

In the lead-up to COP 16 the Business for the Environment Climate Summit called for a successful outcome in Cancún. Among the noticeable names of business corporations attending the Summit were: Walmart, The Coca-Cola Company, Hewlett Packard, Cemex, Tata and Sons, Siemens and Nestlé. Companies proposed that to address the negative impacts associated with climate change at the national level, there was a need to phase out fossil fuel subsidies, award soft loans on climate solutions and have smart grids, feed-in tariffs and buy-downs in energy. The businesses committed to assist governments to reduce GHG emissions by 7.6 Gt of carbon dioxide equivalent (CO<sub>2</sub>e) by 2020 on the information and technology front. The building sector committed to do likewise, reducing emissions by 40% in new buildings and improve energy efficiency by up to 40% in existing structures. A 100% renewable energy scenario by 2050 was deemed a possibility.

### ■ Worldsteel Association position paper

The Worldsteel Association (WSA) released its position paper on a low carbon future. The paper indicated that the association was doing its best to move towards a low carbon future. In doing so, the WSA maintained that it needed to work together with governments. This was to be done through a number of initiatives including maximising the collection and recycling of end-of-life steel products; using a life cycle approach when framing regulations and standards for energy efficiencies in domestic appliances, passenger cars, building codes etc; the long term R&D of new technologies to radically reduce steel's emissions to be co-funded with governments; and creating an active and ongoing dialogue with governments. <sup>33</sup>

#### Calls from the World Bank

There has been an increasing and unmistakable role of MDBs in COP processes. The World Bank stands out as the key player in this space. The World Bank currently has a number of carbon and climate funds that it administers, some from its own coffers and some multilateral and bilateral (Table 1). Additional carbon and climate funds not documented in Table 1 include: the Umbrella Carbon Facility, Prototype Carbon Fund, Netherlands Clean Development Mechanism Facility, Danish Carbon Fund, Spanish Carbon Fund, Community Development Carbon Fund, BioCarbon Fund, Italian Carbon Fund, Netherlands European Carbon Facility, Carbon Fund for Europe and The Carbon Partnership Facility.<sup>34</sup>

Table 1: Selected carbon and climate funds under the World Bank<sup>35</sup>

Fund	Amount	Areas of focus	Date
	(\$ Millions)		operational
Clean Technology Fund	4 400	Mitigation –	2008
		general	
Forest Carbon Partnership	221,27	Mitigation –	2008
Facility		REDD	
Pilot Program for Climate	972,00	Adaptation	2008
Resilience			

Forest Investment Program	512,60	Mitigation – REDD	2009
Scaling-Up Renewable	307,00	Mitigation –	2009
Energy Program for Low		general	
Income Countries			

In Cancún, the World Bank announced the launch of a new multimillion dollar fund to support developing countries in instituting domestic carbon trading systems.<sup>36</sup> The World Bank is believed to manage more than \$2.5 billion in mitigation and adaptation investments across 11 funds and facilities that are financed by 24 governments and government agencies, as well as 63 private sector companies. The World Bank indicated that financing low carbon and green growth initiatives, including energy efficiency, renewable energy, reduction of gas flaring, and policy, regulatory, and financial support, had reached a record \$5.5 billion by June 2010. The UNFCCC estimates that 85% of the financing needed to tackle climate change must come from the private sector.<sup>37</sup>

# Business calls leading up to Durban 2011

### ☐ Involvement of South African businesses

South African business has slowly caught up with the realities of getting involved in climate negotiations. One could easily highlight 2011 as the year that the involvement of the South African business in climate negotiations peaked. In terms of organisations and institutional mechanisms, the critical players from the business sector are Business Unity South Africa (Busa) and the National Business Initiative (NBI). Busa is recognised by the government as the official link between business and government, not only in climate change issues, but in all other policy matters.

The NBI plays more of a capacity development and awareness raising role in climate change strategies. The NBI has implemented the Energy Efficiency Accord (in partnership with the then Department of Minerals and Energy), the Carbon Disclosure Project (CDP) and the CDP Water. At another level, the South African business sector is actively involved with the King III Report that requires companies and directors to show environmental and climate change stewardship in their

operations. In addition, starting in 2010, the Johannesburg Stock Exchange's Socially Responsible Investment (JSE SRI) Index included climate change criteria. These and other regulatory drivers have pushed corporate South Africa to engage with climate change negotiations.

South African business also directly links with the national climate change negotiation structures through standing national committees established by the government under the national Department of Environmental Affairs (DEA). There is the National Committee on Climate Change (NCCC) and the Government Committee on Climate Change (GCCC). The NCCC is a multi-stakeholder group that advises and consults the Minister of Environmental Affairs on matters relating to national responsibilities with respect to climate change, in particular the negotiations under the UNFCCC and the Kyoto Protocol. The NCCC meets four times annually, unless additional meetings are urgently required. The composition of the NCCC is designed to provide representation from the main stakeholder groups involved in climate change issues across South African society. It consists of at least two (and at most five) representatives from each major stakeholder group including national and provincial government departments, business and industry, labour and the NGOs and community based organisations.<sup>38</sup>

In November 2010 the lead business associations Busa and the NBI concluded a co-operation agreement to work towards supporting government for a successful COP 17.<sup>39</sup> Busa was allocated its standing role in convening and synthesizing policy inputs into the national policy framework on climate change that was to inform the government position for COP 17. The NBI was to continue playing an advocacy, awareness raising and capacity building role to enhance active business participation in the national policy process and at COP 17.<sup>40</sup>

To follow up on its plan for Business Participation in COP 17, the NBI and Busa ran a series of presentations that involve major stakeholders in the negotiations. Details concerning the nature of talks that have taken place and those lined up are shown in Table 2. The NBI saw COP 17/CMP 7 as offering opportunities for South African business to<sup>41</sup> enhance understanding and awareness of the climate change issue and negotiations; interact with the South African government around negotiating issues as well as Busa to organise high level business-to-business as well as business-to-government interactions; interact with key players across sectors; interact with international business organisations and companies, particularly the WBCSD and the ICC, to organise the COP 17 Business Day; and showcase South African businesses' work around climate change. For COP 17/CMP 7, the NBI identified key issues for business as dealing with the Green Climate Fund, Technology Mechanism, discussions on MRV systems and discussions on market mechanisms. In terms of the way forward, the NBI spoke of the CEO Forum that was being established as the

public face of business initiatives.<sup>42</sup> Other initiatives included working with existing NBI and Busa climate task teams and all other stakeholders with interest around joint showcasing. Through Busa, there were engagements with the DEA on business requirements leading up to Durban.

Table 2: Selected NBI COP 17/CMP 7 Seminar Series<sup>43</sup>

Date	Event	Speaker
7 July	COP 17: Orientation and induction	Joanne Yawitch, CEO, NBI
14 July	Mitigation: Reducing emissions from deforestation and forest degradation plus (REDD+)	Dr Brain Mantlana, Director of Climate Change Policy, SANBI; Rohitesh Dhawan, Resource Economist
28 July	Markets and response measures	Mandy Rambharos, Climate Change and Sustainability Manager, Eskom; Brandon Vickers, Chief Director (Research & Policy), International Trade Economics Department
1 August	Sustainable development in the face of global climate change and the road to Rio+20	Seminar co-hosted by NBI and WBCSD with keynote speaker: Bjorn Stigson (President of the WBCSD)
12 August	Technology and intellectual property rights	Mac Makwere, Director of Multilateral Co-operation, Department of Science and Technology (DST)
19 August	Mitigation: MVR	Alf Wills, Chief Climate Change Negotiator, Dr Brain Mantlana, Director of Climate Change Policy, SANBI
22 August	Breakfast: Engagement of COP 17/CMP 7	Minister Nkona-Mashabane, incoming COP 17 President
23 August	Media breakfast session	Nic Dawes, Editor-in-chief of the Mail&Guardian newspaper

25 August	Green Growth Seminar	WWF/NBI, Keynote speaker:
		Trevor Manuel (Minister of
		Planning Commission)
26 August	Finance	Zaheer Fakir, Acting DG of
		Climate Change, Department of
		Environmental Affairs (DEA);
		Richard Sherman, Technical
		Advisor supporting DEA;
		Yannick Glemarec, UNDP Director
		of Environmental Finance
6 September	Business and	Full Day – Led by UNEP's CBD/
	Biodiversity – Gauteng	NB;
	Introductory Session on	Joanne Yawitch, CEO, NBI
	COP 17 and response	
	measures	
7 September	Business and	Full Day – Led by UNEP's CBD/
	Biodiversity – Cape	NBI
	Town	
16 September	Adaptation	Dr Sylvester Mpandeli, Specialist
		Advisor, Climate Change
		Adaptation, DST

## ☐ Calls from the African Development Bank

The African Development Bank (AfDB) has made its interests known in terms of engaging with the Green Climate Fund. The AfDB worked with the African Union to design modalities for an Africa Green Fund (AfGF). The AfGF complements existing instruments, and enhance the ability of African countries to respond to climate finance challenges. The AfGF will have a governance structure that involves both African countries and donors and is held in trust by the AfDB. The AfDB will receive and administer funds from the Copenhagen Fast Start Funds and the Green Climate Fund. In terms of focus, the AfGF will provide balanced allocation to both mitigation and adaptation, as well as support the transfer of low carbon technologies. Such technology will result in GHG emission reductions and climate-proofing of investments. Based on the nature of funding, "the AfGF shall provide

grants, concessional loans and guarantees to support public as well as private sector investments and capacity building in Africa".<sup>45</sup> The AfGF will also complement other global funds that include the Climate Investment Funds (CIFs), the Global Environment Facility (GEF), and the Adaptation Fund (AF). The AfGF will have a lean Governing Council, comprising equal representation from donor and African countries, with civil society and the private sector acting as observers.

## ☐ Statement by the International Chamber of Commerce

From COP 16, the ICC identified financing, technology and the future role of carbon markets as of particular interest to business. This could be coupled with more engagement of the private sector in the UNFCCC process. 46 The ICC viewed the Cancún Agreements as relief rather than achievements. The ICC maintained that as we move to Durban, much work needed to be done in order to establish a comprehensive long term climate change framework. Difficult decisions on emissions targets and timetables still needed to be addressed. The ICC recognised the central role played by business during COP 16 as associations and individual businesses got involved both inside and around the meetings. The ICC is a recognised UNFCCC business and industry focal point. The ICC was active in preceding the conference "Mexican Dialogues" jointly with the Mexican government and WBCSD.

#### Civil aviation emissions allowances

Although not a business call, the development in the EU with regard to the civil aviation industry was worth noting ahead of COP 17. On 26 September 2011, the European Commission set the rules for the allocation of free emissions allowances to airlines under the EU Emissions Trading Scheme (EU ETS). The industry became part of the EU ETS from 1<sup>st</sup> January 2012. Free GHG emission allowances were allocated to more than 900 aircraft operators.<sup>47</sup> The allowances are allocated using the benchmark values that provide certainty on how many allowances the industry will receive freely annually up to 2020. Drawing from the going price in September 2011, the free allowances represent more than €20 billion over the decade. It is, however, assumed that the potential revenues could be invested in modernising

fleets, improving fuel efficiency and using non-fossil aviation fuel.<sup>48</sup> The EU has taken the lead in this respect and the world will follow. During the 2012 trading period, 85% of the aviation allowances will be allocated free of charge to aircraft operators, while in 2013 this will be 82%. Fifteen per cent of the allowances in each period will be auctioned and in 2013-2020, 3% will be set aside in a special reserve for new entrants and fast growing airlines. This kind of pre-COP 17 positioning no doubt influenced the manner in which representatives from airlines presented calls in the climate negotiations on the sidelines.

#### Deductions from the business calls

A number of climate negotiation positions that reflect the wish of business can be deduced from the calls under discussions that led up to COP 17 in Durban. The calls reflected business fears and wish lists, some of which are discussed below.

- Consensus on putting equal weighting on mitigation and adaptation: Virtually all the calls and positions reviewed accept that there has been a bias towards climate change mitigation. This is mainly due to the current provisions of the Kyoto Protocol. Hence the New Climate Deal should redress the imbalance and put climate change adaptation at the same level of importance as mitigation. Enhancing adaptation will also witness significant growth in the development of national climate-compatible growth plans and adaptation plans. What this implies for business is that more and more will be expected from this sector, especially in adaptation, an aspect that links well with the financial services sector. Insurance, banks, fund managers and venture capitalists will take significant positions in addressing climate change through promoting adaptation initiatives. Business will then be called upon to input into processes that lead to the development of these plans, making sure that they are realistic and do not stifle business. In other instances, business might mobilise financial and other resources such as conference venues for policy consultation processes. This means business has to partner with government in such policy development processes.
- Climate change as a long term phenomenon: The negotiating parties were informed
  by a consensus that climate change is a long-term phenomenon that needs to be
  addressed as such. For business, this meant viewing efforts to address climate
  change as a long term business opportunity.

- Business unusual, GHG accounting and reporting: Business knows that it will be business unusual henceforth. A lot of business associations world-wide have accepted it and lots of initiatives have been put in place to account and report on GHG emissions. Examples of business initiatives in this space include the voluntary internationally recognised Carbon Disclosure Project. Business needs to continue being proactive and, where required, reactive in addressing climate change.
- Energy efficiency: This has been one of the top issues regarding effective mitigation
  of climate change. The energy sector is by default the chief contributor to GHG
  emissions. Industry has taken initiatives in this sector, with South African
  companies drawing up an Energy Efficiency Accord.
- Business carries much of the burden to transition to a low carbon economy: From as
  early as 2000, the UK Government put in place its Climate Change Programme
  (CCP) that called upon business to reduce GHG emissions. This decision was
  reached given that the business sector in the UK contributed the most (37%) in
  terms of total GHG emissions.
- Technological issues and innovation: Aspects pertaining to technologies leading to low carbon economies took significant negotiation space in Durban. CC&S, solar energy and wind energy are some such examples. Other aspects included how such technologies are deployed and diffused, especially in developing countries and least developed countries. The business sector is by far the largest custodian of most technologies (including innovation as well as R&D). To this end business plays a critical role in making technological inventions address risks associated with climate change.
- New Climate Deal as an opportunity: The negotiations also presented an opportunity for many stakeholders. For governments it is a moral obligation; for environmental NGOs and other rights organisations, it is the time to make it happen; for labour, it is time for green jobs; and for business, especially the financial services sector, it is more than just corporate social responsibility. The New Climate Deal presents new opportunities, especially in the insurance sector. Disaster losses were estimated to reach one trillion USD in a single year by 2040.<sup>49</sup> Hence, business is going to be called upon to do more, especially in adaptation.
- *Development of partnerships to address climate change:* Due to the complexity of climate change, no one country or individual company can go it alone. This looks

towards partnership that include public-private, private-public, public-public, private-private and other partnerships that can be developed to address climate change. The implication for business is that there needs to be continued and sustained development of partnerships involving business in addressing climate change. Such partnerships could be merely for socially responsible investment purposes or for pure business.

#### Conclusions

What emerged from this paper is the fact that many calls have been made by business associations towards what form a New Climate Deal must take. Business has accepted that it will not be business-as-usual in addressing climate change moving forward. Hence something needs to be done, and to be done now. Business indicated the need for a New Climate Deal to address, with equal importance, both adaptation and mitigation in climate action. The aspect of regulation was raised and business is clear and aware that there will be more regulation coming. Although such regulation can have the effect of short to medium term costs for business, the long term horizon is viewed as bringing opportunities. The aspect of technology innovation, deployment and diffusion remains central in terms of business financing. The carbon capture and storage technology is viewed as having potential to 'green' dirty industries. Overall, everybody needs climate action *now* and business is part of the solution.

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