



ORGALIME POSITION STAKEHOLDER CONSULTATION ON CLIMATE CHANGE POLICY

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ORGALIME speaks for 33 trade federations representing some 130,000 companies in the mechanical, electrical, electronic and metalworking industries of 23 European countries. These industries employ some 7 million people and account for 1175 billion euros of annual output, which is a quarter of the EU's output of manufactured products and a third of the manufactured exports of the European Union.

We welcome that the Commission consults stakeholders in the context of developing the EU's role in future climate change policy. We provide our reply to the Commission's set of seven questions:

1. Is it important for the EU to continue to show leadership on addressing climate change?

Leaders need followers: So far the international effort to reduce the influence of man made climate gas emissions is not very successful. Major players, such as the US and some fast growing economies, such as China and India, are not following the lead proposed by Europe. Hence, the risk is very real, that EU-Climate Policy will have the EU standing alone, while negatively impacting the competitiveness of EU engineering industry on global markets without solving the climate change problem.

Considering that the EU accounts for 14% of the world's CO₂ emissions and that emissions of other major regions of the world are increasing considerably at the same time, it is especially important for the second commitment period to include all major emitters and the majority of green house gas emissions.

Therefore, ORGALIME believes that the EU should play a major role in combating climate change at global level by bringing on board all countries and regions, especially those that are major emitters on a worldwide scale. If Europe's commitment "at home" would not be mirrored by similar determination and active participation of all other major players from a global perspective, we do not see how climate change as a global challenge could be effectively addressed. Thus, the EU's imperative for the post 2012 climate change policy should be on establishing a global permanent alliance on a truly common and shared international climate change policy.

In the light of the ambitious Lisbon objectives, which are far from being achieved, ORGALIME believes that the EU's future climate change policy must achieve a balance of the environmental, social and economic pillar of sustainability.

2. On the basis of the EU's 2°C long-term objective, what objectives should the EU set for global and EU climate change policy (including targets, timeframes and pathways for emission reductions)?

To our mind, any future EU strategy, including possible objectives, must be based on a global process that involves especially all major emitters of greenhouse gases worldwide. In particular, we do not believe that further quantitative targets should be established for the EU as long as major global actors are not on board. This is all the more important, as the EU's 2°C long-term objective has not been accepted on a global level to date.

Furthermore, particular EU activities must be determined by a full cost benefit analysis covering the different stakeholders (e.g.: application of emission trading system to further sectors).

To our mind, the focus should be on achieving a slow down in the fast rise of emissions by establishing full cooperation of all countries and regions at global level.

Also, for the time being a proactive attitude towards joint implementation, clean development mechanism and technology transfer is most promising for the EU and for achieving the target of CO₂ reduction. From an environmental perspective, European activities alone cannot be the ultimate solution for a global problem, such as climate change.

3. What type and level of participation should the future climate change regime seek from developed countries and developing countries, what should be the timeframe for such participation and what should the contribution from the EU and other countries?

The post Kyoto process should be entirely determined by a comprehensive international agreement that fully involves all countries and regions. This must not necessarily mean establishing a cap and trade system.

The rapid growth of some developing countries on the one hand and the expected sharp rise in emissions over the next two decades in these countries on the other hand, implies the importance of including developing countries in the global post 2012 climate change policy. For the same reasons, the realization of long-term climate change objectives will require developing countries being on board.

However, developing countries show particularities and specificities, which will need to be acknowledged by the international community.

4. Which technological solutions should be allowed or promoted (e.g. renewable energy, nuclear energy, carbon sequestration, carbon capture and storage)?

Technologies will be at the core of climate change mitigation. ORGALIME supports a well-designed mix of energies and technologies.

In order to benefit fully for innovation and ensuing the development of different technologies, we believe that climate change policy should not close the door on particular technologies at the expense of others. Moreover, if there is clearly potential in new technologies, the saving potential of existing technologies in combating greenhouse gases is still considerable. To tap this potential, a systems-approach is necessary. E.g. Improved energy efficiency of heating or cooling systems really makes sense when other energy efficiency measures, such as insulation of buildings (defined e.g.: in building codes) are established in parallel.

In our opinion, climate change policy should provide general incentives or goals to reduce CO₂ emissions rather than establish detailed technical regulation. Especially, increased research and development support measures, e.g. under the 7th Framework Programme for Research, for

competitive new techniques and technologies and further improvement of existing ones would provide the opportunity of achieving targeted solutions.

An incentive system to further innovation in energy efficiency and the promotion of new investment should help both, the economy and the environment.

5. Should the future global climate regime maintain the key elements of the Kyoto Protocol, including the Kyoto mechanisms (joint implementation, the clean development mechanism and emissions trading) and what other elements should such regime contain?

We support the use of flexible mechanisms to achieve the Kyoto commitments and believe that they can help arriving at a win-win situation for both, the global economy and the environment. However, we see a significant necessity of further improving them and making them more efficient, especially in the area of reduction of transfer costs. Also, the extension of the application of Clean Development Mechanism projects to the benefit of an even broader range of technologies, such as coal power plants that use best available technology or hydropower plants, should be considered.

There is great potential for developing countries to benefit from Joint Implementation and Clean Development Mechanisms to develop their own economies, as there is potential for companies that supply the necessary technologies.

6. What are the costs of taking further action on climate change, including competitiveness impacts, and how can/should impacts be addressed?

If Europe pursues an isolated path of regulating the EU market alone, this can only have a substantial impact on the competitiveness of European engineering industries: It is clear that such regulation, which impacts our supply chain (e.g.: electricity, steel or plastics production), will have a knock on effect in the prices of engineering products manufactured in Europe - higher prices of our final products made in Europe will put us at a competitive disadvantage to our foreign competitors, in particular on world markets, on which our industry as a major exporter is highly dependant.

From an environmental perspective, climate change needs to be addressed by a global policy and the EU's action must be framed into global agreements between all countries and regions. Furthermore, European action "at home" only makes sense if a positive cost benefit ratio in terms of impact on environment versus added costs to manufacturer (employment effect) and the consumer, established through impact assessment study, is demonstrated.

The economic and environmental potential of using Joint Implementation and Clean Development Mechanisms is real and substantial. In this area, similar paths at bilateral or multilateral level could complement the global approach.

7. What are the benefits of taking further action on climate change, including avoided damages, competitiveness impacts and ancillary benefits, and how can/should these be encouraged or optimized?

In our view, it is often difficult to assess what problems arise specifically from the change in climate in different regions of the world. There is a risk of damage, which will have also economic consequences. But to define those consequences in a more precise way and to estimate those costs, more research on the issue is needed.

In any case, climate change is a global issue, which can neither be analysed nor solved by one region or country.

To our mind, there is a clear potential for Europe, third countries and the environment to benefit from technology transfer instruments (such as JI, CDM). These, however, should be improved and put to better use (e.g.: reduction of transfer costs).

Furthermore, increased policy support for research and development programmes would show positive effects on the environment and the economy.

CONCLUSIONS

ORGALIME supports a comprehensive international approach for addressing climate change embedding all countries and regions worldwide.

Isolated European action, such as the present course of cap and trade in Europe, will not serve the ultimate environmental objective of preventing dangerous anthropogenic interference with the global climate. It however adds to the burden on European engineering industries and damages their competitiveness and performance in a global economy.

If legislative action is considered, this would need to be preceded by a thorough impact assessment.

A no regret strategy and area of European leadership may well lay in the further development and use of flexible mechanisms which can be implemented on bilateral and multilateral level. The economic potential of using Joint Implementation and Clean Development Mechanisms is real and substantial.

The flexible mechanisms can in our opinion deliver a win-win situation for the economies involved and the environment, but further improvements and adjustments will become necessary (e.g. reduction of transfer costs or extension of the range of possible CDM projects).

We also encourage public authorities, either national or European, to further improve and engage in R&D efforts (e.g.: 7th EU Framework Programme for Research).