

Co-hosted with the International Chamber of Commerce (ICC) at ICC Headquarters, 38 Cours Albert 1er, 75008 Paris, France

Meeting Report

The United Nations Environment Programme (UNEP) and the International Chamber of Commerce (ICC) co-hosted *Business & Industry Global Dialogue '08* in Paris on 23-24 October 2008. The over 130 participants included 35 business organisations and industry associations, 26 corporations, three labour union organisations, nine research institutions and think tanks, eight Governments and the European Commission, as well as OECD secretariat, World Bank and seven UN organisations. The meeting was opened by *Sylvie Lemmet, Director of UNEP's Division of Technology, Industry and Economics (DTIE)*, and *Guy Sebban, Secretary General of the ICC*. Ms Lemmet described the overall objectives of the meeting and gave participants an overview of the spectrum of activities by UNEP in the terrain of climate change. This included examples of partnering with other organisations such as the climate secretariat (UNFCCC), World Bank and UN Development Programme, as well as with groups of companies in industry initiatives such as finance, agrifood, buildings and construction. She noted alarming trends observed in recent climate science, such as record mass loss in glaciers and record levels of CO₂ emissions. She urged business representatives to agree on positions across sectors or regions and to identify collaborative opportunities that can help build solutions under the umbrella of the global climate convention. Mr Sebban called for concerted international cooperation and continued dialogue between business, Government and intergovernmental organisations to help find solutions to global environmental challenges. He argued that businesses all over the world are part of the solution and have already made significant changes in how they operate and introduced new processes, products and services to reduce greenhouse gas emissions, improving the quality of life and enabling improved stewardship of the world's resources.

Session 1 started the multistakeholder meeting with “Climate Change and Industry – A dialogue on sectoral responses”. A keynote presentation was made by *Richard Baron of the International Energy Agency (IEA)* on “Sectoral approaches to climate action – Complementary opportunities or dead end?” He described the challenges we face as we move since Kyoto '97 from ‘simple’ country caps to the complexity of specific mitigation policies being considered today. As most developing countries appear not to be ready for country-wide goals – due to political and capability issues, it is clear that some will need sector-specific support in (i) best policy practice and policy design, (ii) training (cf Asia-Pacific Partnership on efficiency of existing plants), targeted financial support and entering the carbon market. The focus under the climate negotiations today is on the possible role of sectoral approaches in facilitating technology diffusion and transfer. Considering areas for decisions by Copenhagen in December 2009, he mentioned principles for sectoral approaches, a possible registry format to record ‘pledges’, a pilot phase, a deadline for the submission of pledges or goals by developing countries, and a process for the evaluation of submissions by e.g. sectoral expert groups.

The subsequent panel discussion asked: “What is a sectoral approach? What is the status of current discussions on sectoral approaches? Can sectoral approaches boost technological change and cooperation?” The panel discussion was facilitated by *John Christensen, Head of the UNEP Risoe Centre on Energy, Climate and Sustainable Development* which hosts the database of over one thousand CDM projects under the Kyoto Protocol. He noted that discussions on sectoral approaches also have implications for the CDM and related capacity building and technology support by

multinationals working with developing country based subsidiaries of their sectoral value chains. The CDM has been characterized by learning by doing, evolving from a project based CDM to a program based approach. However, the implementation of programmatic CDM is still far from becoming operational in the current commitment period, mainly due to methodological restrictions by the CDM Executive Board. Accordingly, there is a strong need to re-open the discussion on sectoral CDMs for possible inclusion in a post-2012 framework.

Michel Colombier, Scientific Director, Coordinator of Climate Programmes at the Institut du développement durable et des relations internationales (IDDRI) in France asked for realism as we consider what needs to be accomplished in the years lying ahead. He for example asked when we can expect the data, whether we can afford to wait ten years for countries such as China. The discussion noted that basic measurement problems still exist, for example barriers in the form of data variability. He argued that globally coordinated action on climate change will among others help better conditions for business within China. Highlighting intellectual property rights and financing questions, he reflected on whether technology transfer is a push or pull issue, and how local demand and sense of ownership can be nurtured. Common and coordinated policies and measures (PAMs) could pave the way to agreed quantified emission reduction targets. It can also facilitate improved technology transfer. Technology risk is a normal part of doing business, but if society wants to accelerate the deployment of new technologies, Governments need to subsidise their demonstration.

With reference to targets and financing leading up to 2020, *Ned Helme, President of the Centre for Clean Air Policy (CCAP)* noted that among developing countries there is really a core group of six – eight countries that need to be engaged. The sectoral approach holds the opportunity to target key sectors and not whole economies. In a sectoral pledge process, each country will determine an intensity level for a given sector that is cost effective and does not unduly disadvantage its domestic industry in the world market. Panellists agreed that the Copenhagen COP needs to produce a well defined architecture and process. This can be complemented by bilateral and multilateral deals for implementation. *Ichiro Maeda, General Manager for International Affairs at the Federation of Electric Power Companies, Japan*, indicated that Japan intends to prepare a roadmap on best available technologies (BATs). This also requires agreement on indicators for minimum efficiency requirements. Japan seeks to advance comparability of actions across countries.

Andrei Marcu, Senior Climate Change and Emissions Trading Advisor at Bennett Jones, indicated that the idea of sector approaches is so topical due to the model followed in the EU's emissions trading scheme. He argued that whatever model introduced post Kyoto should not be too complex. This may require taking out complicated concepts such as additionality and finding practical ways of reducing investor risk. He said the idea of a top down, transnational standard or target is a "no go" today. Realism requires more focus on benchmarking, sectoral CDMs and the agreement of bottom-up "no lose" targets (combined with upfront financing). South Africa is proposing a toolbox of support instruments and the encouragement of no-lose PAMs. Considering sector and other defined standards, China wants a more technology-based approach. Like China, India questions common standards across the board and favours cooperative R&D. Brazil opposes working on the basis of amount of carbon per tonne of product output. Experience in countries such as Mexico shows the critical role of banks to take on low hanging fruits in local energy efficiency advances.

Session 2 discussed "What is viable, efficient and effective? Industry views on sectoral approaches", and was introduced by *Jonathon Hanks of Incite Sustainability, South Africa*. Cautioning that one size does not fit all, he summarised what options are currently under consideration in the global debate. They are:

Transnational sector-based initiatives (focus on the industry sector):

- *Voluntary industry-to-industry initiatives* (e.g. Cement Sustainability Initiative)

- Setting quantitative reduction targets or focusing on technology transfer
- *Public/private partnerships* (e.g. Asia Pacific Partnership)
 - Setting quantitative reduction targets or focusing on technology transfer
- *Government commitments* on transnational sectors
 - Agree targets, or a policy focus (e.g. on Best Available Technology) - Annex-1 and/or non-Annex 1

National government sector-based initiatives (focus on national government):

- *Country-specific quantitative approach* with scope for sectoral (no-lose) credits
- *Policy-based approach* (SD-PAM): recognition and support for policy commitments
- *Sectoral approach to CDM*: broaden from project to sectoral, programmatic CDM

On the efficiency of sectoral approaches, he noted that while the sectoral approach is a “second best option” over the current comprehensive approach followed under the UNFCCC, its value lies in its potential for encouraging the participation of developing countries (who are reluctant to accept national targets), addressing competitiveness concerns within sectors, and potentially facilitating technology diffusion while targeting high impact sectors. It can help minimise adjustment costs associated with reducing emissions and avoiding capital lock-in in outdated technologies. Despite these benefits the existing comprehensive approach remains the more efficient option, as it allows emissions reductions to occur where they are cheapest, and discourages leakage from regulated to unregulated sectors.

The ensuing panel considered industry responses as to the do-ability and potential efficiency of sectoral approaches in advancing change in technology and capacity. Discussion was moderated by *Nick Campbell, Chair of the ICC Task Force on Climate Change*. It kicked off with remarks from the World Economic Forum (WEF), which recently co-facilitated the development of CEO climate policy recommendations which were handed to G8 leaders. The statement among other recommends that prior to the linking together of national and regional policies into an international framework, particular approaches for reducing emissions within some industry sectors in the interim are worth exploring. These appear most feasible in energy-intensive industries that are relatively concentrated, trade internationally and where competitiveness is a concern. The examples highlighted are steel, cement, aluminum, paper and pulp, as well as the transportation sector. At the same time, *Randall Krantz, Associate Director for Environment at the World Economic Forum (WEF)* noted that service industries such as ICT cannot be ignored and need to look carefully at their electricity use. Power generation is causing 25% of GHG emissions, and like transport has significant growth forecast for years to come. *Ian Christmas, Secretary General of the World Steel Association* argued in favour of an integrated, value chains or industry cluster perspective that examines the role of construction, housing and transport. His industry is working with customers to find ways of designing products that are more energy efficient. Work on finding less energy intensive ways of making steel has a longer term focus. He argued against a transnational GHG reduction target for his industry, but would be willing to accept the introduction of parallel commitments for all industries. He didn't see the introduction of border taxes as a solution, cautioning that the price would simply be passed on to consumers. Looking at the position of steel industries worldwide, he mentioned that data collection remains a key challenge. Much progress has been made in the aluminium industry in getting systems in place to collect data with a life cycle perspective. This industry is currently looking at a possible role for “no lose credit agreements”. This could involve crediting non-annex countries for direct emissions beyond business-as-usual, using benchmarks of the International Aluminium Institute to develop baselines.

Patrick Verhagen, head of Corporate Environmental Relations at the Holcim Group and representing the *WBCSD Cement Sustainability Initiative*, indicated that the application rather than the transfer of new technologies is the real challenge in his industry. On new, mandatory commitments under a post Kyoto regime, he felt overall caps for all industries would be the most effective, and agreed

that sectoral caps would be a second best option. *Vaidhyanathan Raghuraman, Senior Advisor at the Confederation of India Industry (CII)* highlighted a national climate action plan in India, as well as related activities such as a new Energy Conservation Building Code and a Green Business Centre that is being set up. He spoke in favour of a step-by-step approach, introducing “next (best) practices” gradually, whilst at the same time saying that Indian business and industry will innovate and find ways to leapfrog and avoid mistakes made in industrialised countries. He reminded participants that millions of Indians still need access to electricity. The opportunity is to introduce these people to new technologies such as using energy efficient light bulbs. The Indian experience also shows the need for sectoral reforms and programmatic CDMs. *Heinz Leuenberger, Director of the Environmental Management Branch at the United Nations Industrial Development Organization (UNIDO)* cautioned that smaller, poor countries are likely to be sceptical about sector approaches, not having benefited themselves from CDM schemes. Still a relatively new scheme, the CDM has a geographical imbalance in its spread of projects that needs to be addressed. Only 27 CDM projects have been registered in Africa to date. He also asked what benefit could potentially lie for small companies (SMEs) in a sectoral model. Noting the need for engaging industries other than the heavy, energy intensive ones, he argued in favour of a more integrated, systems approach.

Break-out groups discussed approaches to and the feasibility (do-ability, efficiency) of different models from an industry sector and public policy view. Groups were formed along four industry clusters: infrastructure (incl power generation, building & construction), extractive industries, manufacturing industries and services industries. **Report back in plenary from the Working Groups** (see [Annex](#) for group summaries) showed that overall the sectoral dialogue has been polarizing and difficult due in part to a lack of understanding of the issues and a lack of awareness. There is geographical and sectoral complexity which compounds the discussion. Some observers see a sectoral approach as suboptimal, but for certain sectors it’s hard to know what other options there are. Additionally, for some participants it was clear that individual sectors could succeed with a purely voluntary approach but that the lack of infrastructure to support cross-sectoral successes undermines the overall viability. Participants noted the challenge of building in transformational thinking while at the same time building on things we know we can achieve within a sectoral response. There needs to be a clearer understanding and definition of a sectoral approach across a broader sweep of the stakeholders. The broader public also needs to be more engaged in the debate.

Many industry representatives underlined the need for a level playing field for industries in all countries. On the possibility of policies per sector, it was noted that the harmonized and common policies debate in the UNFCCC did not get broad acceptance to date. Some felt common policies and measures are not consistent with differentiated responsibilities between countries. At the same time enabling frameworks were seen by some as inevitably cross sectoral. Question to address include the definition and boundaries of sectors and linkages between sectors. This raises value chain perspectives and decisions on how much regulation should focus upstream or downstream, the supply or demand side – consider for example oil & gas and transport, land use and biofuels. One way to look at a sector is the life cycle approach, but it does not provide a simple basis on which to regulate. Some encouraged thinking of what technologies work and what is sell-able. In this reference was made to carbon capture and storage, bio-energy and nuclear as viable options. Sectoral approaches may produce or promote technology transfer. It was also felt that sectoral approaches today are aimed at short term goals, what you can do now and not one of the longer term solutions, such as research and new technologies.

The closing session 3 brought Government and public sector representatives into the debate and addressed “The way forward, global to local”. Its panel considered (i) lessons from the group discussions on what is feasible, efficient and effective, and (ii) what political and regulatory frameworks are required, from the global to national level. The session was started

with an online videoconference intervention by *Achim Steiner, Executive Director of UNEP*. He spoke of the recent Green Economy initiative of UNEP and the need to shape a Global Green New Deal at a time when the world economy faces a variety of crisis, an energy crisis, food crisis, and - of late - a financial crisis. He mentioned the role of innovation and new, climate friendly business in making new opportunities such as green jobs happen. He encouraged participants to discuss openly and seek a convergence in industry positions on the value – positive and negative – of sector approaches, helping to find solutions under the current climate negotiations.

Facilitator *Claude Fussler, Director of the Caring for Climate initiative of the UN Global Compact/UNEP/WBCSD* gave feedback from the 1st Caring for Climate meeting of the signatories held earlier that week in Geneva. He reminded participants that decoupling economic growth from carbon combustion necessitates massive and multiple innovations in the areas of energy efficiency, zero-carbon energy, carbon capture, as well as cooperation and burden-sharing. On the path towards an effective post-Kyoto agreement, the challenge is not cost, but the rules of burden distribution between rich and developing nations. At the same time, business must take early, bold and comprehensive action, including joining leadership initiatives such as Caring for Climate. Sectoral approaches have been included in the most recent G8 declaration and are important, but they will require strong business involvement and solution proposals. He asked how we could institutionalise dialogue between Government and business to focus even beyond the Copenhagen COP of December 2009. *Laurent Corbier, Chair of the ICC Environment & Energy Commission* noted the time pressure we are facing and called for a focus on what can be agreed in the short term. *Julio Cardoso of the Directorate-General Enterprise in the European Commission* argued that there are high expectations regarding the post-2012 climate change agreement and the role that sectoral approaches could play. He underlined that we need accountability and transparency to build confidence. To enable this we need a structured dialogue such as the one happening at this meeting convened by UNEP and ICC. On technology innovation, he supported a step-by-step approach that provides for BATs as well as “Next” technologies in the form of breakthrough technologies that can be introduced in all regions.

Kevin Nassiep, Chief Executive Officer of the South African National Energy Research Institute (SANERI) argued in favour of using existing mechanisms such as the CDM more effectively. He said South Africa intends to voluntarily introduce some policies and measures (PAMs) and no lose targets. He noted the value of emerging market innovation, indicating that his country seeks to advance “business unusual”. One example of this is the local development of a new electrical vehicle. *Michela Beltracchi, Policy Director at the International Emissions Trading Association (IETA)*, said if we are to have several mechanisms, regulators should make sure that proper measurement, reporting and verification (MRV) is in place, and that credits are fungible in different jurisdictions. If not, private operators will be reluctant to invest in these systems and the cost of achieving the global environmental objective may be higher than necessary. A stable legal framework and robust software is critical. In the area of MRV capacity building, the IETA among others offers courses on validation and verification based on a manual being developed with the World Bank, as well as workshops on contracts for CDM projects.

Adrian Lema, advisor in the Danish Ministry of Climate and Energy encouraged business and industry representatives to get their debates and positions more focussed. The debate at the meeting still showed a confusing variety of positions. He underlined that investors wanted predictability and legal certainty, and need to know whether for example credits from emissions trading will be recognised in all regions. He reminded participants of the importance of the principles of common but differentiated responsibilities, as found in the climate convention, and stressed that sectoral approaches could not replace the need for national targets. One option may be national level sectoral targets, used in combination with emissions trading. This can include a mechanism giving credit for no lose targets. The options currently considered in the climate negotiations include (i) sectoral CDMs, (ii) no lose targets, (iii) sectoral emissions trading and (iv) national action plans with a common baseline for developing countries.

Day II focused on “Resource Efficiency – Sustainable Consumption and Production”, and was opened by *Sylvie Lemmet, Director of UNEP DTIE* and *Ulf Jaeckel of the German Ministry of Environment*, representing Michael Muller, Parliamentary State Secretary of the Government of Germany. Mr Jaeckel gave background to the Marrakech Process and mentioned the valuable contribution that the business and industry representatives have made in the Marrakech Process Advisory Committee to date. He encouraged business and other stakeholders to become more engaged in the debate as a Johannesburg +10 or Rio +20 event approaches. Ms Lemmet described UNEP’s intention to focus on the economic case, the business case and the consumer’s case in building the resource efficient society, coupled with new activities related to the Green Economy. She thanked the ICC for its support and noted that discussions on Day 2 build on the Business and Industry Forum launched last year by the WBCSD and ICC at the 3rd International Meeting of the Marrakech Process.

The 1st session addressed “Resource Efficiency in a world of scarcity and abundance: A new, strategic approach”. *Arab Hoballah, Chief of the Sustainable Consumption and Production Branch at UNEP DTIE* gave participants an introduction to UNEP’s new Strategy on Resource Efficiency, one of the organisation’s six overall thematic priorities. One of the key goals of the strategy is that resource efficiency is increased and pollution is reduced over product life cycles and along supply chains. Activities towards this will include strengthening partnerships with the private sector to unpack the business case for Resource Efficiency. Special interest will be in highly resource intensive industry clusters or value chains such as buildings and construction, metals and automotives, and agrifood. In addition, new work will be undertaken to promote better information for consumers and widening their choice of sustainable products and services.

The panel discussion was facilitated by *Jacqueline Cote, ICC’s Permanent Representative in Geneva*. The 1st intervention was by *Stan Robijns, Environmental, Health & Safety Manager at 3M*, who gave highlights from over 30 years of running the 3P (Pollution Prevention Pays) programme of his company. The initial aim was to reduce weight and produce savings. It follows a step by step approach of continual improvement on prioritised issues such as packaging. Looking only at savings during the 1st year of having introduced an innovation, it is estimated that 3P has saved the company over 1 billion US dollars since 1975. It included having a competition with awards given to suppliers. 3M also does six sigma projects with downstream customers to help them find new ways of reducing waste. Looking at challenges such as climate change today, he noted that the company has among others set up a new division on renewable energy. *Raimund Bleischwitz, Co-Director for Material Flows and Resource Management at the Wuppertal Institute for Climate, Environment and Energy* gave an update on their research and findings on resource intensive value chains. Most resource-intensive sectors are construction, metals and automotive, as well as agriculture and food. In Germany – by example – those five sectors cover roughly 50 % of all direct and indirect total material requirements. One problem in getting reliable information is the absence of an international standard on data requirements for industry. At least tools such as the OECD Handbook on measuring the material flows of a national economy can also be applied at the company level. He reminded participants that Resource Efficiency is very much a business case issue, something very cost relevant over the full life cycle of products. He also noted the issue of scarcity for some critical metals and the need to look carefully at land use management at a time a global food crisis. The share of material costs usually is higher than e.g. energy costs, for most industries even higher than personnel costs. Increasing resource efficiency thus is not only connected with significant cost savings but also with innovation and new markets. Incentives are required to develop system innovation for a low carbon and resource efficient society.

Ulrike Ebert, Director for Environment at The Coca-Cola Company Europe described the three main environmental challenges her company faces today: water, carbon & energy, and packaging. Critical for an effective response to these challenges is for Coca-Cola to get its 300 independent bottling partners on board. She also described Coca-Cola’s global work in improving understanding water use in the supply chain, water efficiency, community investments and

collective action with other organisations within the framework of the CEO Water Mandate initiative of the UN Global Compact. She noted that the CEO Water Mandate addresses a path of deliverable targets, covering for example the need to assess water use in operations and to set targets for improvement. Going beyond this, Coca-Cola aims to become water neutral in its operations. Regarding the new collaborative work on water footprinting, she mentioned the importance of moving towards understanding and managing upstream or downstream use of water. Working with academia and suppliers, they are starting to apply water footprinting methodology and to engage in a stakeholder dialogue on how to address critical issues. On local level integrated water management, she noted the need for business to understand better the interdependencies and pressures on the water resources it depends on, which the company addresses through Water Risk Assessments and Source Vulnerability Assessments on plant level.

Dej Churdsuwanrak, Director of the Committee on Resources & Environment at the Thai Chamber of Commerce, reminded participants of the realities of an industrialising economy in Asia. Thailand has traditionally an agriculture export-oriented economy, but SMEs are playing a key part in building its new manufacturing and heavy industries. In seeking to support and provide training for SMEs, his chamber does a clustering of industries within which the big can help the small. He explained the so-called Sufficiency Economy concept as promoted by the Thai King, promoting principles such as moderation, reasonableness and integrity. A new paradigm for Thai industry includes approaches such as 3R and 3P. One major environmental problem the country faces is that of waste. He reported that half of solid waste in Bangkok today is not treated. Obstacles to take action on the green economy includes concerns around cost implications of doing for example green procurement as well as fears that new EU Directives will create trade barriers for their exports.

Session 2 addressed the Marrakech Process towards the 18th and 19th sessions of the UN Commission on Sustainable Development (CSD). An introduction to the proposed way forward on the 10 Year Framework of Programmes on SCP was given by *Mohan Peck of the UN Department of Economic and Social Affairs*. He described the aim of the process to provide a framework for national actions and international cooperation on SCP, to encourage commitments to provide knowledge, technology transfer, financing and capacity building for SCP activities, and to support countries or regions willing to set specific goals for activities related to SCP. By 2011 Governments should have for their consideration a framework for policy and operational actions that could significantly change patterns of consumption and production world-wide. Discussion in the following panel session assessed business perspectives and mutual expectations on the form of engagement and content of the Marrakech Process and its Task Forces (e.g. on sustainable products and lifestyles). The session was moderated by *Arab Hoballah of UNEP DTIE*. From the discussion he noted as recurrent themes the importance of building trust, the need to get the right information to consumers, the importance of capacity building also by the private sector, and the importance of recognised indicators and methodologies for measurement, communication and reporting.

Cheryl Hicks, Assistant Programme Manager at the World Business Council for Sustainable Development gave a preview of a forthcoming report by a group of consumer goods companies on the products of tomorrow, products for sustainable markets. She mentioned that many companies do not have clarity of “what is a sustainable product” and have basic marketing concerns related to the affordability of alternative products in the eyes of customers. Marketing and communications personnel in leading companies are grappling with this question today of deciding “what is a sustainable product?” *Bjarne Pedersen, Deputy Director at Consumers International* addressed consumer segmentation and argued that we need to get mainstream consumers to act. He cited the problem of information overload and – at the same time – the lack of credible information. In dealing with this, the value of independent certification is beyond question. *Marina Franke, Manager Global Sustainability of Procter & Gamble* reported that her company is focussing on the mainstream consumer. Their strategies and goals for 2012 include the aim to develop and market

at least \$ 20 billion in cumulative sales of “sustainable innovation products”, i.e. products with a significantly reduced (>10 %) environmental footprint versus previous or alternative products, ones that are sustainable from a life cycle perspective. She also noted the importance of innovation, such as their new ARIEL Cool Clean detergent that allows washing with cold water and enable significant savings in energy use. With reference to supply chain management, she mentioned that P&G regularly checks the performance of their suppliers under contract agreements via P&G’s Sustainable Guidelines for Supplier Relations that stipulate social responsibility and environmental performance.

Anabella Rosemberg, Occupational Health Policy Officer at the International Trade Union Confederation (ITUC) reminded participants of the need to link environmental and social initiatives more effectively. Her organisation recently was involved in the launching by WHO of a ten year framework on workers’ health. There needs to be a mutual linkage and support between this process and the ten year framework of the Marrakech Process on SCP. She made a plea for support for vocational training, mindful of the role of workers in the sustainable enterprise of tomorrow. She noted that in the draft way forward of the Marrakech Process there is so far no reference to workers’ issues. There is a need to grab the opportunities associated with workers organisations’ capacity to go from global to local, as well as with implementation of global framework agreements with multinational corporations. *Melissa Rizzo Battistella, Director of the TEAR Programme of Instituto Ethos, Brazil*, gave feedback of their recent survey of small companies (SMEs). It showed how some of the SMEs they supported in introducing sustainability measures have as a result managed to get new clients. The SMEs they are working with are able to meet their targets, improve their competitiveness and raise their revenue, and provide bonuses to their employees. The Brazilian experience is that SMEs need technical training much more than financial support. Again, referring to the earlier discussion, she agreed that there is a problem of access to reliable and quality information.

After plenary, parallel break-out groups met on themes of their choice, to discuss (i) preferred regulatory instruments and standards to improve resource efficiency, (ii) needs to promote investment and speed up change, and (iii) how to reflect this in the 10 YFP and partnering with UNEP. **Group chairs gave reportback in plenary** (see complete summary notes in [Annex](#)). The group on Sustainable Products was chaired by *John Atherton, Senior Program Director at the International Council on Mining and Metals (ICMM)*. Its discussion noted the potential that business-to-business (B2B) relations hold for bringing about change, citing the example of promoting material stewardship. Discussion on sustainable products should not be limited to a B2C focus. The B2B context also holds much untapped potential in sustainable services that can be introduced via for example product service systems.

The group on Responsible Value Chains was chaired by *Claude-André Lachance, Government and Public Affairs Director at Dow Chemicals*. He described the value chain as a cluster of markets, a series of supplier relations that can be leveraged for market change. Discussion on value chains among others considered the availability of user-friendly tools and toolboxes for small companies (SMEs), for example a dashboard approach to bring across basic performance information and measurement in a simple manner. Initiatives such as the Global Reporting Initiative use supply chain relations to promote training of SMEs through the support of larger, buyer companies who volunteer to participate in capacity building schemes. Another innovation recommended was value chain dialogues in which business partners from related sectors regularly exchange views on new technological demands, sustainability demands and related standards or regulations. The need to scale up responsible purchasing and sustainable procurement was also addressed in discussions of the group on Sustainable Lifestyles, chaired by *Marina Franke of Procter & Gamble*. Mindful of the need to define sustainable lifestyles in the context of different (sub)regions, the group also recommended the setting of absolute minimum standards that apply globally. Its discussions made a plea for putting the “consumer-citizen”, not products, at the centre of the sustainable lifestyles debate.

The closing 3rd session linked debate of the previous sessions and addressed “Moving to the resource efficient and climate friendly society”. Participants considered what business needs to promote energy efficiency, water efficiency and materials efficiency, whilst addressing climate change. The session also highlighted the social dimension, considering the link between resource productivity and labour productivity. Participants noted that efforts to cut costs cannot only focus on labour productivity but need to pay sufficient attention to energy and other resource productivity, resource requirements typically representing more than double as much in costs compared to labour costs. The panel was facilitated by *Jonathan Hanks* from South Africa.

John Evans, General Secretary of the Trade Union Advisory Committee to the OECD argued that we need to have Environment and Labour Ministers in a joint discussion to link the social dimension. He argued in favour of integration and having engagement processes that are truly multistakeholder and democratic. He welcomed the recent Green Jobs report by UNEP, ILO, ITUC and IOE. The report flagged as the most promising sectors for future, new green jobs the following industries: buildings, renewables, rehabilitation of ecosystems, forestation, agriculture, waste management and recycling. Considering the move to the resource efficient and climate friendly society, *Janet Asherson, Environment, Health and Safety Adviser at the International Organization of Employers (IOE)* called for pan-industry approaches and not an approach that focus on only the energy intensive sectors. The answer at enterprise level to what business needs to promote energy, water and materials efficiency is usually simple: they need money, know-how, tools and people and a clear vision of what a resource efficient organization looks like in their sector. Innovation and technology will bring the opportunities for enterprises to develop services and products to provide some of the solutions in a resource constrained world. At country or region level, each country has a different profile and a case-by-case analysis is necessary to consider what hurdles or support mechanisms there are to sustain decent employment and greener jobs in the context of prevailing resources, technologies, Government priorities, culture, employment and social conditions. She underlined that Governments must accept responsibility for assisting business and labour in any adjustment period. Most workers are not covered by formal agreements and need skills training, support and capacity building to be shown the opportunities.

Stephan Albrechtskirchinger, Director of Communications & Outreach at the World Energy Council (WEC) stressed the importance of education in energy programmes and made the case for institutionalising an energy efficiency framework that can be used in all countries. *Peter Poschen, Senior Advisor for Sustainable Development and Climate Change at the International Labour Organization* gave feedback from the recent Green Jobs report. The report shows that solutions to environmental problems can have positive and socially equitable outcomes. We can have jobs that are both green and decent. Whilst the report highlights green job opportunities, he also cautioned that the transformation to low-carbon economies can be very disruptive for enterprises and workers and this calls for a just transition. Equitable social outcomes and just transitions will be essential to politically sustain a new climate regime. Making a case for addressing soft technology issues, he said there is too much expectation around mere technical fixes. He made a plea for investing in investing to solve the human resource bottlenecks. In for example the building industry in China today the real challenge is not access to technology, but the ability to apply it. There is a lack of workers with the required skills. Skilled technicians and workers are also a limiting factor for the biofuels industry in Brazil and for renewable energy deployment in the USA.

The meeting was closed by *Sylvie Lemmet, Director, UNEP DTIE, and Laurent Corbier, Chair of the ICC Environment & Energy Commission.* Both expressed appreciation of the value of jointly convening a business, industry and multistakeholder dialogue. They undertook to consider convening follow up dialogues in 2009 related to the Copenhagen climate negotiations, industry sector approaches and other ways of promoting the resource efficient economy.

ANNEX: Work Group Discussions - Summary Feedbacks

■ Day 1: Climate Change and Industry – A Dialogue on Sectoral Responses

Group 1: Infrastructure

Viability: What are the views of your industry on the viability of industry sector approaches? - politically, technically, and institutionally

- Need to make distinction between transnational and national sectoral approaches
- Complexity of the sector: Infrastructure is different from other sectors, characterised by national markets etc.
- Climate policies are crucial; sectoral approach can strengthen and accelerate national plans; sectoral approaches need to be seen in the context of other drivers
- Domestic institutional frameworks are key to drive

Efficiency and effectiveness: (i) What does your industry need to lock out of outdated technologies? (ii) What incentives would you need coming from an international, post Kyoto framework? (iii) Based on these, where do we need to focus effort to build this new framework?

- New technologies were identified; they need the right policies and measures and economic instruments/finance
- In the short term it is difficult to lock out of technologies that required huge investments in the past; in the longer term appropriate phase-out plans are required
- A cross national approach has limited potential benefit, given the particular characteristics of the power generation sector
- Pay attention to trade barriers in the context of technology transfer
- Design appropriate new instruments to enhance GHG reductions in a country by taking stock of improvements/opportunities in the sector
- Sectors have long term inertia and decisions made now will have implications decades down the line – plan for the future
- Long term planning horizon is critical (international policy framework); sectoral approach can help establish more planning security (which technologies to develop) and address market volatility

Group 2: Services

Viability: What are the views of your industry on the viability of industry sector approaches? - politically, technically, and institutionally

- Some felt a sectoral response is viable: there needs to be legal certainty, infrastructure in place, and we need to learn from the past. Need solid monitoring reporting and verification, and the software to wire the system.
- Some felt a sectoral response not viable: Too many gatekeepers, transaction costs are too high, which imposes a heavy burden on developing countries. Explicitly, G8 countries will subsidize their troubled industries but won't create the financial mechanisms that incentivise technology transfer.
- Strategic alliances will emerge between sectors which might yield benefits.
- More than just a sectoral response is needed to ensure a more effective long-term result. This will be based upon a basket of policy measures. We need to factor in sustainable consumption and production issues and the thinking around sufficiency, although this will be on a phased basis and won't happen at the same time.

- Many industries, especially SMEs, are marginalized in the debate.

Efficiency and effectiveness: (i) What does your industry need to lock out of outdated technologies? (ii) What incentives would you need coming from an international, post Kyoto framework? (iii) Based on these, where do we need to focus effort to build this new framework?

- There is a real challenge of adequate data with respect to efficiency and effectiveness at the sectoral level, which translates into a real challenge in terms of monitoring, reporting, and verification. This applies to all sectors.
- It's important to introduce sustainable consumption thinking into policy formulation if we are to realize real transformation over the long-term.
- There's a clear need for financial incentives for technology development, transfer, and capacity building.
- For developing country industries the importance of leapfrogging within technology is critical. Also the provision of financial services such as credit, loans, and insurance is another important contribution that will effect change.
- The role of the retail sector, advertising, and broader media in creating a perceptual shift and sensitizing consumers is important across a range of sectors. Industries need to influence consumers to effect change over the long-term.
- There is a need for feedback and collaboration within and between sectors to optimize the broad business and industry response.

Group 3: Manufacturing

Viability: What are the views of your industry on the viability of industry sector approaches? - politically, technically, and institutionally

- How the boundary is defined taking the need for flexibility into consideration (sectoral, sub-sectoral, product or national)
- Need clarity on the policy framework: creating a levelled playing field
- Need to cover downstream and upstream factors of the value chain
- Presence of an institutional structure that can facilitate the moderation between the key players
- Initially focussing on sectoral support actions that include alignment of data gathering with UNFCCC procedures
- Give due consideration to the time constraints we have between now and Copenhagen, and the negotiation context to define the objectives we can achieve

Efficiency and effectiveness: (i) What does your industry need to lock out of outdated technologies? (ii) What incentives would you need coming from an international, post Kyoto framework? (iii) Based on these, where do we need to focus effort to build this new framework?

- Removal of distortionary subsidies on resource use
- Introduction of proper fiscal and tax regimes that considers the whole life cycle
- Mechanisms and capacities for facilitating the transfer of existing technologies vertically within the developing countries
- Establishment of technology platforms that promote radical innovation
- Knowledge and know-how transfer and sharing on existing technologies
- Sectoral approaches need to be considered as complement to other cross sectoral (demand) policy mechanisms

Group 4: Extractive Industries

Viability: What are the views of your industry on the viability of industry sector approaches? - politically, technically, and institutionally

- For information exchange and sharing of best practices, the industry sector approach is likely viable and industries would be happy to work on this. It needs to be properly organized. An example is the Asia Pacific Partnership. Others include sectoral initiatives. They are successful because they are essentially performance improvement initiatives.
- Viability of delivering emission reductions is really hard to do. Mining companies have to search deeper to get the resource so the energy requirements are increasing. It is more difficult to determine improvements because of changing energy requirements/baseline. This really depends on the particular circumstances in the industry and at the national level (politics).
- It difficult to benchmark industry performance because specific technical operations can vary significantly.

Viability of industry sector approaches politically?

- A level playing field should be maintained. If public policy favours one sector over another and causes distortions then all sectors would be concerned. There is also a desire to have flexibility in application of measures/solutions.
- Public acceptance. This is uncertain because this issue has not received much public attention. It is likely to trigger the attention of politicians, labour unions and companies.
- Can an agreement be reached through the negotiation? Are resulting wealth transfers viable or politically acceptable?
- Highly political to countries that have an economy that is highly dependent on one or more sectors. Any requirement that can impact the economy drastically will be carefully reviewed and possibly resisted.

Viability of industry sector approaches technically and institutionally?

- Aluminium and concrete have more defined technologies. In the chemical / petrochemical industry there are many proprietary technologies. How can the technical information be obtained / shared?
- If the sector has differentiated products, proprietary technologies etc, it is not easy to see how this will work. In real terms it is difficult to implement.
- Institutionally it will require a great deal of cooperation. Are the technology panels under the Montreal Protocol a good model?

Efficiency and effectiveness: (i) What does your industry need to lock out of outdated technologies? (ii) What incentives would you need coming from an international, post Kyoto framework? (iii) Based on these, where do we need to focus effort to build this new framework?

- We really should be looking at encouraging the use of new/better technologies rather than “locking out outdated technologies”.
- Who defines what an outdated technology is? Who innovates, develops etc?
- In terms of technology transfer, most industries in globalized sectors cannot compete with outdated technologies.
- Some energy subsidies, labour practices, scale of operation that exists in some countries allow obsolete technologies to survive.
- National issues (development, social, economic) are impacted by this issue as many small companies can survive with outdated technologies because of the lower operation costs.

- Controls in this area can have much broader political, social and economic impacts. Industry can work with the governments to seek solutions to support companies to phase out outdated technology and modernize while maintaining the societal benefits of the companies
- Some prefer more broad based incentives rather than industry-based incentives.
- Who pays? In most cases the taxpayer.
- Need a level playing field; clear targets and objectives; a financial mechanism to support implementation; institutional strengthening and capacity building support, flexibility in implementation.
- Need continued dialogue especially as the Bali negotiations narrow in on what international sectoral approaches may become.

■ Day 2: Resource Efficiency – Sustainable Consumption and Production

Group 1: Sustainable Products

What are your preferred regulatory instruments and standards to improve resource efficiency?

- Set standards that challenge designers
- The challenge as to how to stimulate the right type of innovation. Here lies a link with the question of sustainable lifestyles.
- Need long term goals
- If seeking to standardize in the field of eco-design, minimum requirements can be set. Best in class or best performance today becomes tomorrow's minimum requirements. Innovation is chaotic and cannot be regulated
- Internalize costs - this is often stated but not really done
- Need Government supported for development of standard and agreed methodologies on footprinting (carbon, water, etc). Benchmark models such as rating under Dow Jones Sustainability Index need also be promoted.
- In building context, energy performance standards, all three pillars are key
- European Commission standard body sets level playing field, based on state of the art.
- In requiring Environmental Product Declarations, clear product boundaries and categories are important
- Developing country economies offer potential as the new green economies
- Voluntary agreements must be backed up by consumer monitoring

What are your needs to promote investment and speed up change?

- Investment priority in closing the loop is key, in particular in the terrain of recycling, assessment of recycling methods
- Leapfrogging is popular; in industrialising economies like China there is much scope for technology transfer within the country itself
- Engage and educate, using examples of how. Some businesses tend to be more traditional and need a leadership comfort zone shift
- Need new business models, using created financial capital and invest as levers for change
- Extractive activities may be part of eco-solutions - implications of alternative energy industry
- Take a needs-based approach especially in emerging economies, and define new, low resource intensive business (for example leasing materials, product service systems)
- A change relationship is important, both in business to business (B2B) and in business to government (B2G) relations, partnering

How would you like to see the above reflected in the 10 Year Framework of Programmes on Sustainable Consumption and Production and in partnering with UNEP?

- Engage more companies on an industry sector basis, and make clear how business & industry will be engaged in the negotiation process under CSD
- Making the business case for the Marrakech Process; what are the benefits? How to engage?
- Need to ensure more concrete engagement; the Global Compact through its national network can help the Marrakech Process at national level engagement
- Particularly for SMEs – what is in it for them? Training and tools? Recognition, network? Industry forums (associations) could in part do this.
- Map out the intervention points: UNEP Resource Panel, Life Cycle Initiative, etc – making clear how they relate to Marrakech Process
- Business investment enablers need more consideration
- Sustainable Finance – need to explore the implication of greening accounts for financial ministries (engage them)

Group 2: Responsible Value Chains (including suppliers, SMEs)

What are your preferred regulatory instruments and standards to improve resource efficiency?

- The expectation of compliance defines motivation to green the value chain
- Recognise the role of multinational corporations and national champions to help operationalise the uptake of standards, especially with SMEs
- Pursue a Toolbox Approach, customized to reflect regional context and sectoral circumstances; there is no one size fits all
- Define a “core standard” with basic principles, such as the ten of the UN Global Compact
- Need to measure and report performance continuously
- Get the process right for setting standards, engaging relevant expert stakeholders
- Mobilize labour industry consultative processes, e.g. labour councils in support of sustainability strategies and programmes

What are your needs to promote investment and speed up change?

- Generate “state of play” assessments of what exists, what works and what can be leveraged
- Investigate marketing clusters as competitive entities
- Create reward system, including preferential public procurement / sustainable procurement
- Use incentive programmes as appropriate, considering how to incentivise green supply chains without creating barriers to trade
- Work with business organisations and industry associations nationally and internationally
- Government can be a key partner to realize investment opportunities; consider role of public private partnerships

How would you like to see the above reflected in the 10 Year Framework of Programmes on Sustainable Consumption and Production and in partnering with UNEP?

- Promote convergence and consolidation of the multitude of codes and standards to simplify uptake by value chain partners
- Initiate value chain dialogues, initiatives that work with related industry sector clusters, networks
- Create tools to build capacity and better integrate SME sectors into sustainable production initiatives

- Consider preparation and link with sectoral sustainability reviews for Rio+20, based on the 22 industry sector sustainability reports prepared by industry groups for Johannesburg / WSSD 2002

Group 3: Sustainable Lifestyles

What are your preferred regulatory instruments and standards to improve resource efficiency through sustainable lifestyles?

- Regulation: set minimum requirements related to e.g. infrastructure, water, transport, waste
- Promote eco-labelling and standards for sustainable products and services
- Encourage innovation and eco-design for products and services
- Internalisation of environmental externalities (right pricing, polluters pays internalisation)
- Policies and measures should place the citizens at the centre, but must reflect societal needs
- Effective communication and awareness raising programmes
- Advance responsible marketing and communications for sustainable lifestyles
- More policies and attention need to be focused on “*leisure*” and not only on products and services, encouraging sustainable actions during free time and holidays

What are your needs to promote investment and speed up change towards sustainable lifestyles?

- Clear messages from Government: facilitate innovation
- Getting the prices right, by designing and implementing innovative pay schemes – e.g. the ones developed for water and energy in South Africa, where citizens pay low fees until minimum needs are fulfilled, but after that limit the more they consume the more they pay.
- Financial schemes for investment in sustainable infrastructure that enables citizens to adopt sustainable lifestyles (e.g. public transport, containers to sort and recycle waste, e-shopping, public parks - rather than e.g. more shopping centers)
- Secure sustainable tourism: leisure; respect nature and cultural heritage
- Scale up and strengthen sustainable procurement by public institutions
- Check investments on sustainable principles

How would you like to see the above reflected in the 10 Year Framework of Programmes on Sustainable Consumption and Production and in partnering with UNEP?

- Sustainable Lifestyles should be one of the key programmes of the 10YFP. But it needs to define “sustainable lifestyles” in a regional and local context, considering local culture and needs
- Include programmes and activities promoting education, awareness raising and communications
- Develop a new programme on responsible advertising and communications, including principles for socially responsible approaches