



Private Sector views and activities with Market-based instruments

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Confederation of Finnish Industries





EK is the leading
business organisation
in Finland

We represent ~16,000
companies

70%

of Finland's
export of goods

70%

of Finland's R&D
expenditure

2/3

of the GDP created
by companies

2/3

of the private
sector jobs

EK is strongly committed to ambitious climate action

- We stand behind the objectives of the Paris Climate Agreement
 - **We are pushing for 1,5 C and net-zero for EU by 2050.**
 - **The investment challenge is massive: both in existing technology and new low-carbon solutions**
- Businesses call for a stable and predictable operating environment
 - **It is very important to look for the most cost-effective and market-based ways to reduce emissions.**
 - **Finland is one of the world's leading cleantech innovation countries – we have the opportunity to reduce emissions globally**



Nordic businesses are very much aligned in their views

- Nordic business federations strongly believe that Europe should continue to have a leading role in combatting climate change, also providing solutions beyond Europe.
- The aim of the EU's long-term climate vision should therefore be to:
 1. **Adopt an ambitious and market-based climate policy for Europe that will deliver on the Paris agreement.**
 2. Pave the way towards a competitive EU with net-zero emissions by 2050, through a balance between emissions and uptakes.
 3. Stimulate the possibility for European companies to provide climate solutions globally.



Nordic position paper on EU's long-term climate policy

The Nordic business federations from Denmark, Finland, Iceland, Norway and Sweden are committed to an ambitious climate policy, and support a firm implementation of the global Paris agreement. Nordic businesses are committed to contribute positively to the discussion on EU's long-term climate policy.

The Nordic region and Nordic business have successfully accelerated the green and just transition, while increasing the level of welfare and maintaining a competitive industrial stronghold. The path towards a low carbon economy in the Nordic region illustrates that high climate ambitions, based on market based instruments and the right regulatory framework, are crucial components of a modern business policy and economic growth.

Innovative and competitive companies are key in the low-emission transition. Business can provide the solutions and products needed to reduce emissions and increase economic and social welfare. Combined climate-, energy- and business policy is necessary to further stimulate innovation and development of new technologies, products and services.

Competitiveness and climate ambition go hand in hand. Firstly, only competitive companies will have the necessary resources to invest in future solutions. Secondly, companies that develop and export competitive low-emission products will contribute globally to tackle climate change, while competitiveness is strengthened. A generally good business environment in the Nordic countries is therefore an important part of a successful climate policy framework.

As for Europe, the Nordic business federations strongly believe that Europe should continue to have a leading role in combatting climate change, also providing solutions beyond Europe. The aim of the EU's long-term climate vision should therefore be to:

1. Adopt an ambitious and market based climate policy for Europe that will deliver on the Paris agreement.
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Guiding principles for EU's climate policy

Based on the experience from the Nordic countries, we believe that EU's long-term climate strategy should be based on the following principles:

- EU's successful achievement of the Paris agreement objectives should be the cornerstone of EU's long-term climate policy, obtaining a balance between emissions and removals.
- The climate objective should also enforce EU objectives for competitiveness and energy security.
- Cost-efficiency and market based regulation must be kept as the lead principle. Future EU action must build on a clear direction coupled with a market approach. This will optimize cost-efficiency and promote investor security. Markets matter. Hence, international commitment will assist to further lower EU's reduction costs and optimize market prospects.
- Carbon-pricing instruments, such as the EU ETS, must remain a key part of EU's efforts. The EU ETS must balance the need of meaningful price signals with the need to safe-guard international competitiveness.

<https://ek.fi/wp-content/uploads/A-Nordic-Climate-Vision.pdf>

European businesses are committed to ambitious climate action and market-based solutions



- BusinessEurope stands behind the EU ambition of net-zero greenhouse gas emissions (climate neutrality) to reach the objectives of the Paris Agreement. This ambition needs to be closely connected to Europe’s agenda on competitiveness and security of supply, in order to reinforce each pillar in this “triangle”.



- Condition 1: **Recognition of different conditions and starting points for EU member states.**
ACTION: Boost European coordination for cost-effective policy implementation.
- Condition 2: **Development and deployment of innovative technologies** to support the decarbonisation of value chains in Europe in a cost-effective way.
ACTION: Unleash investments through a comprehensive industrial strategy.
- Condition 3: **Large-scale availability of affordable, low-carbon energy.**
ACTION: Design an integrated value chain approach for energy supply.
- Condition 4: **Adaptation of consumer behaviour and public acceptance** for the low-carbon energy transition.
ACTION: Engage actively with citizens to gain societal acceptance.
- Condition 5: **Convergence of global climate ambitions**, with G20 countries in particular working together on updating their Nationally Determined Contributions (NDCs) and **developing common carbon market mechanisms to reach the Paris Agreement goals.**
ACTION: Consider additional safeguards depending on international actions to keep industrial production in Europe by preventing carbon and investment leakage.
- <https://www.businesseurope.eu/publications/european-business-views-competitive-energy-climate-strategy>

Why carbon markets are essential to ambitious climate action



- Carbon Markets offer both tangible and wider benefits
 - Create space for increased ambition, cost-efficiency and mutual benefit for buyers and sellers
 - Allow for greater knowledge-sharing and technical cooperation
 - Encourage countries that may sell emission reductions to adopt efficient domestic instruments
 - Greater political and public commitment to pursuing low-carbon growth and an increased ability to address some of the challenges that domestic carbon pricing creates around carbon leakage and competitiveness.

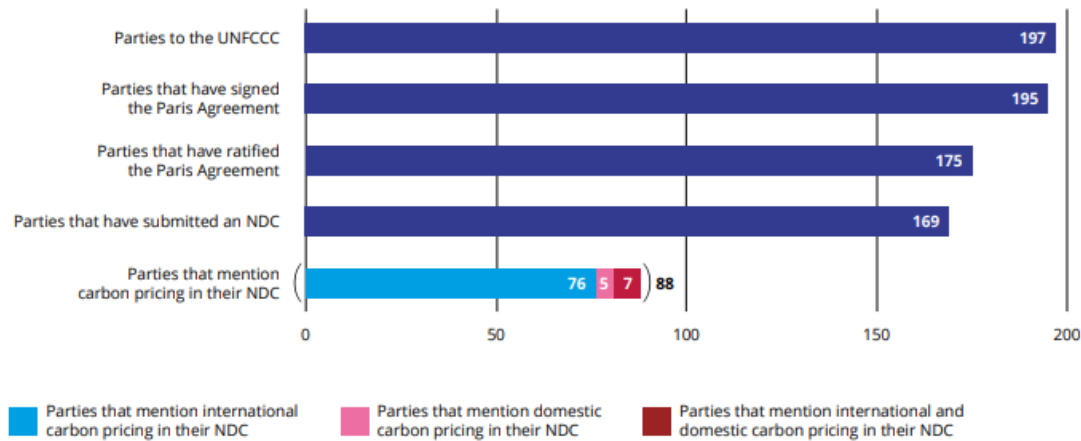
» ...the use of an international carbon market may reduce the cost of delivering the emission reductions identified in the current INDCs by a third by 2030 and more than halve the costs of delivering emission reductions by the middle of the century... «

Source: World Bank State and Trends of Carbon Pricing

Building blocks for market-based instruments are well in place



Figure 9 / Status of NDC submissions



Note: As the modalities and procedures for the NDC registry are not yet in place, there is currently no basis to enforce a timeline on the submission of the NDC even though the Parties are technically in breach of the provisions of the Agreement. See the discussion in the paragraphs below for an update on the development of the Paris Agreement guidelines in which requirements for NDCs will be communicated. The EU is included as a separate Party in the tally above.

- 95 Parties mention carbon pricing in their NDC, representing 56 percent of global GHG emissions
- Article 6 of the Paris Agreement recognizes that Parties can voluntarily cooperate on the implementation of their NDCs to facilitate higher ambition in mitigation and adaptation actions.
- Paris Agreement Rulebook successfully negotiated in 2018

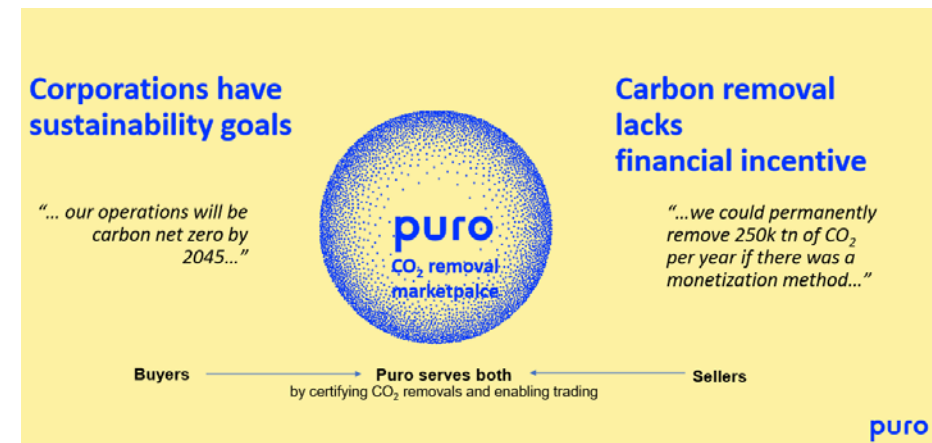
Source: World Bank State and Trends of Carbon Pricing

How companies are conceptualizing the use of market-based instruments



- Through Companies' own Emission Reduction / Carbon Neutrality Targets
- Through value chains, products and Services offered to consumers
- Experimenting and creating new instruments

Fortum Puro: The world's first marketplace to buy & sell verified CO₂ removals launched in April 2019



<https://puro.earth/>

What is needed to move forward with Market-Based Instruments?

- Reducing uncertainty and building trust that markets are part of the Paris Agreement and the 1,5 C goal
- Enabling the scaling-up of market-based instruments in a heterogenous mitigation world
- Overcoming both political and technical barriers
 - Robust Rules, transparency: domestic MRV and international standards/norms
 - Environmental Integrity: consistent and stringent international accounting, tracking, reporting and allocation of units



We support renewal and growth for Finland

