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

14.6.2019 Matti Kahra
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.

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.

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..."
Building blocks for market-based instruments are well in place

- 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
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