GLOBAL CLIMATE COALITION

Speech delivered by
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Speech Given By John Shlaes
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I am pleased to be here today representing the Global Climate Coalition and U. S. industry. I want to commend the United States, especially the U.S. Department of Energy and its policy office, and the Austrian government for organizing this seminar on joint implementation and technology, and I know my business colleagues and I are glad to meet the delegates from the Central European nations. I've learned a great deal in yesterday's and today's sessions, and I hope that industry will be invited to more of these kinds of meetings. It's been particularly helpful to hear of some of the needs and concerns of those countries whose economies are transitioning to new levels of activity and who are looking for ways to build their economic base through the development of a strong infrastructure and a strong energy base.

Let me take a moment to tell you a little about the Global Climate Coalition. The GCC was established in 1989 to coordinate the involvement of U.S. business in the economic, scientific, and policy debate concerning climate change, and has been involved in the climate issue from the beginning of the domestic and international debate. The GCC represents almost all sectors of U.S. industry, including utilities, oil, coal, chemicals, automobiles and manufacturing. We have been an active Non-Governmental Organization and advocate for business at all the negotiating sessions on climate change, both before and after the 1992 Rio Summit, where we were a lead business voice.

Over the past three years the Global Climate Coalition has participated in numerous national and international forums on technology cooperation. The coalition has spoken on technology cooperation issues before the Intergovernmental Negotiating Committee (INC) and co-chaired a conference with the U.S. Department of Commerce on technology cooperation in Eastern Europe. Many of our member companies have joint ventures and other projects through which they provide currently available energy and environmental technologies overseas.

The Coalition also has worked with various U.S. Government agencies on programs which promote the development and export of energy and environmental technology. These efforts include working with our government to develop a Resources Guide for Exporting to assist US companies in exporting environmental technology, and working with the National Association of Manufacturers and U.S. Chamber of Commerce in promoting the wide dissemination of this guide. The GCC has also supported the Department of Energy (DOC) in promoting the country studies program which we feel is one of the best means of aiding developing countries and countries with economies in transition in assessing their technology needs. The GCC has been active in encouraging industry-led technology cooperation initiatives especially through the promotion of joint implementation efforts. Our members have worked hard with the U.S. Administration on voluntary initiatives, and we continue to work with the U.S. Department of Energy, the U.S. Department of State, Agency for International Development (AID) and others on technology cooperation and industry involvement in development issues.

I think all of us here recognize that the climate change issue could have the potential to become a key vehicle in linking developing countries and the more developed countries. Further, the climate change issue is also being debated and discussed against the backdrop of a dramatically changing world, especially in the area of trade. This is exemplified by the passage in the United States of the new General Agreement on Tariffs and Trade, which includes the formation of a World Trade Organization. The passage of GATT, as well as other regional trade agreements such as NAFTA, are indicators of the United States' desire to develop aggressive and long term relationships with other countries. At the same time developing countries and economies-in-transition are anxious for new investment and the establishment of solid economic infrastructures.

When agreed to in May of 1992, the Framework Convention on Climate Change (FCCC) offered a new way for countries to work cooperatively on the transfer of technology and know how from one country to another. It says:

> "...These parties may implement such policies and measures jointly with other Parties and may assist other Parties in contributing to the achievement of the objective of the Convention..."

As we approach the first meeting of the Conference of the Parties in Berlin in March 1995, the concept of joint implementation is viewed as offering possibilities for new international relationships and new opportunities for trade. JI offers opportunities to create new partnerships between governments and industry, and make major contributions to the growth of nations' economies.

Through joint implementation, developing countries have a possibility to improve their standards of living and protect the global environment as they strive to build solid foundations for mounting populations and growing economies needs for more energy. Driven by rapidly expanding economies and populations that are growing nine times faster than in developed nations, the developing world's energy demands are likely to triple over the next three decades. Their share of global energy consumption could rise from 26% in 1991 to 40% in 2020, according to the U.S. Congressional Office of Technology Assessment. The challenge is to assure that increases in energy supply are met using efficient and environmentally sound energy sources and technologies.

Joint implementation could be a long term win--win solution to reducing world wide emissions of greenhouse gases. It provides the opportunity to develop environmentally sound, flexible, market-based ways to cut emissions globally while allowing countries flexibility in achieving these reductions. Where government systems and resources are currently inadequate, JI could generate billions of dollars in new private investment in environmentally sound economic projects. Surely, if we can find creative and flexible ways to design and implement the joint implementation concept, it could offer a viable means for developing countries and countries with economies in transition to move from older, less efficient energy systems to newer, more efficient ones.

In looking at the Joint Implementation concept there are several key points which I would like to make and then expand on:

1. The negotiation of the FCCC and other agreements on climate change have either been negotiated, or are being debated, against the backdrop of a rapidly changing world of new relationships and new concepts;

2. Joint Implementation should be viewed as a long term process;

3. Potential barriers to technology cooperation and transfer could be daunting unless serious attention is paid to addressing these barriers;

4. The international and regional banking community must develop new and open relationships with industry in the U.S., Europe and elsewhere;

5. Industry and developing countries need to find better and more expansive ways of understanding each other and each other's "cultures" and needs;

6. Investment in J. I. and technology transfer must not be encumbered by international regulations or standards that act as disincentives to the rapid and free flow of trade and investment;

7. A new world wide regulatory system is not necessary in order to launch effective J.I projects;

8. We must use early pilot programs to develop flexible concepts of crediting joint implementation which will spur investment.

Let me discuss these points in relationship to joint implementation.

1. The negotiation of the FCCC and agreements on climate change have either been negotiated, or are being debated, against the backdrop of a rapidly changing world. As a result, industry, while interested in participating in increased trade and improvement in the environment, will want to be sure that the "rules of the road" allow for relationships with countries that provide flexibility and encourage experimentation in engaging in new concepts such as J.I.

2. One has to view Joint Implementation as a long term process for a variety of reasons. One is the enormous challenge of developing projects and experiences that will provide viable investments and also have an impact on the environment. Another reason is that many industries and companies who have the kinds of know how and technology that will truly make an impact on greenhouse gas reductions will be engaged in international transactions perhaps for the first time. Finally, we must also remember that we are talking about a very new concept which could involve not only industries and countries, but the interest of international institutions, such as U.N. agencies, as well. Relationships of this diversity--especially on an international level-- take time to develop.

3. Countries will have to work together to take a long hard look at barriers to technology transfer and J.I. Some of these barriers are institutionally based and, from a specific country's point of view, perhaps understandable as developing economies go through transitions. Nonetheless, they will have a "chilling" effect on industry's desire or willingness to bring in new concepts and technologies. These barriers include:
    * inadequate protection of intellectual property rights (such as patents, trademarks and copyrights);
    * inequitable legal systems
    * difficulty of achieving a fair return on investment
    * lack of access to the market

* lack of a long term commitment to the project and partner
* inability to repatriate profits or engage in capital recovery

4. The international and regional banking community must develop new and open relationships with industries in the U.S., Europe and elsewhere. We do not want to be critical of these institutions, because in many areas of the world they do enormous good. However, as we move into an era where there will be increased pressures not only to build economies through trade, but to assure that the trade which is taking place provides sustainable growth, these banking institutions will need to become more aggressive partners with industry in looking at the feasibility of projects, as well as providing a "leg up" in implementing the projects. We are aware that many institutions, such as the World Bank, work through national governments, not individual companies. But governments do not own technology. It will be the private sector that will provide the instruments for economic growth and environmental progress. It must be recognized that few firms would undertake joint implementation projects on the basis of reducing greenhouse gas emissions alone, although support by investment institutions could be sufficient to tilt the balance in favor of perhaps an otherwise marginal economic venture. Financial institutions could provide a dramatic "spur" for enhancing progress on J.I. and technology transfer.

5. Industry and developing countries must find new and creative ways to better understand each other and each other's needs. Developing countries and countries with economies in transition will have to increase their outreach to the private sector. What does this mean? For one, as noted earlier, there will have to be a minimization of barriers to technology transfer -- whether for J.I. or other technology approaches. Further, a great deal more work will have to be done to identify where the opportunities for investment lie and what the needs are, perhaps the development of a technical shopping list. Industry can help with this. Also, experience will have to be gained. This experience is most beneficial if it is technician to technician, technologist to technologist, engineer to engineer. Governments have a role to play as well, similar to this excellent effort here in Vienna today. They need to "broker" the relationships, create opportunities for experience to be gained, and develop and make accessible information on country needs.

6. Investment in J. I. and the transfer of environmentally efficient or sound technologies must not be encumbered by international standards that will act as disincentives to trade and investment. Industry has heard a great deal of talk regarding the possible establishment of a world wide code of standards -- a program that could have international institutions tryinng to direct the specific kinds of technology to be employed in precise circumstances. We have to be sure we don't try to "squeeze technology through a funnel" in getting it to the places where it needs to go. This is especially apparent when following the debate on J.I., where there is an instinct among some representatives of international institutions and others not only to try to steer the types of investment that should be made, but also to direct what kinds of return one should get on those investments. In looking at this, we should remember some key points concerning technology transfer. First, industry will make investments that provide a reasonable rate of return or opportunities for the future. Secondly, host countries will have a great deal to say about the quality of the investment. Thirdly, most technology, especially in developed countries, has gone through several generations of development, especially in relationship to the environment, and should provide a developing economy with more efficiency, whether in a production process or in product performance.

7. World wide regulatory schemes are not necessary in order to luanch J.I. projects. As noted, Joint Implementation will be a long term process -- there is much to learn and much to test. We need to gain a great deal of experience first. If you were to design a new plane, don't you first test your design? Don't you assure that the physical characteristics will withstand the pressures of flight? Don't you make sure the engines are adequate? And once assembled, don't you test its aerodynamic qualities and sustainability? The point is, industry and the countries in which they are going to partner need a great deal of mutual experience. Challenges and solutions are often region and country specific. We should support a wide range of pilot projects that we are just now beginning to identify and develop. While international lending agencies can assist private industry and recipient countries in gaining experience through broadened working relationships, private sector analysis and activity will more likely identify and implement viable projects. Multilateral institutions don't operate in the private sector, and while their assistance in promoting JI is welcome, the private sector will implement projects. We must remember that we need not only to engage in an aggressive pilot phase on J.I., but we also need to try and gain a good deal of new knowledge and experience from these pilot programs -- both the good experiences and the challenges.

8. In gaining this experience we need to look at one other issue that has been raised by some - the question of "recognition". Some say we need to track every transaction, every investment and every process so some sort of international crediting scheme can be established to make JI work. But isn't it enough that an industry's investment in a country is both economically viable and reduces emissions at the same time? As we look at these very new concepts, countries which engage in J.I. can offer different kinds of recognition or credit, such as access to markets, granting of franchises, opportunities for joint ventures, and access to resources. The private sector can also get recognition in their own country for their effort to reduce emissions abroad. As you know the U.S. has set up an elaborate system of reporting that allows its companies to record and catalogue with the Federal government any emissions reductions, including those from JI projects. Again, we need to think "outside the envelope", remembering that J.I. projects will take hold and technology will flow if there is a range of opportunities and flexibility with which to implement them.

I think we also need to note that many of the current activities of US industry abroad are fully compatible with the joint implementation concept, and consideration should be given to possible ways and means for incorporating these kinds of projects in the new initiative. In fact, U.S. industry already has experiences that can help in this area. For example:

- In the Aluminum industry, Reynolds International Inc. has been involved in the past 20 years in a number of projects involving smelters in developing countries. In each of these projects, they supplied technology and know-how to build, start-up, and operate these plants. Projects for which this technology has been or is being supplied are taking place in Venezuela, Brazil and Nigeria.

- Since 1986, the coal industry has been working with the Department of Energy and other agencies to develop clean coal technologies and to market these technologies both at home and abroad. Currently, clean coal technology projects are underway in Eastern Europe and have also begun in China.

- In the chemical industry the Chemical Manufacturing Association has its worldwide responsible care program which promotes formal and regular environmental audits of all chemical facilities.

- Du Pont has participated in technology sales and management assistance agreements with China, India, Turkey, Indonesia and other developing countries. Use of these technologies has enhanced productivity and minimized energy use and emissions, as well as allowed employees of the facilities to become more familiar with modern energy efficient technologies.

- Still another example involves the government of Malaysia and a US utility -the New England Electric Company. New England Electric is currently involved in a three year timber management project in Malaysia for which it hopes to gain domestic credits for emissions offsets.

I started out by saying that the climate issue is being negotiated against the backdrop of a rapidly changing world. The implications of our decisions could be beneficial for generations to come. Let's make ourselves look at this issue globally. We should look at this issue globally and in a pragmatic way to understand better how transactions flow and to encourage the development and dissemination of the widest range of technologies and systems that will truly provide continued growth to developing countries who will have so many challenges in the next century -- both economic and environmental.

GCC members are committed to moving ahead, looking for more energy savings and working with government to bring to bear new and enduring technologies. In the future we must make sure that the laws we adopt and regulations we agree to -- both in the U.S. and abroad -- balance both environmental and economic issues, promote growth, and reflect where we want to be in this new and rapidly changing world.