



## Summit on Sectoral Cooperation

Ministers  
and business leaders  
towards common responses  
to climate change

# | Background note

| Poland, Warsaw, 27-28 November 2008



MINISTRY OF ECONOMY

## 1. Introduction

Climate change is one of the most significant challenges facing the world today. It is not solely an environmental problem, rather it has economy-wide implications requiring a transition towards a low-carbon economy by making production and consumption patterns less carbon intensive. This radical change requires restructuring the current world economic model, taking full account of the carbon constraint and establishing a global low carbon economy as the next model. Policy-makers and economists are still looking for the most adequate, cost effective way to mitigate climate change while still encouraging the sustainable development of the world economy. New technologies can contribute to this process by generating value added in a more environmental-friendly, less carbon intensive way and contributing to maintenance of economic growth with respect to the principles of sustainable development. Win-win solutions provide the answer that guarantees success of modern climate policies.

Public-private cooperation provides the conditions in which combining economic growth and protection of the environment can be achieved in most effective way. Currently, in many different parts of the world, efforts are undertaken to create favourable conditions to disseminate innovative solutions which facilitate climate change mitigation. Nevertheless, these efforts vary across countries and sectors, and in many cases are insufficient to bridge the gap between the performance of best available techniques and today's market practice. It is therefore crucial to identify the areas and instruments to accelerate the transition towards low-carbon practices across a wide range of sectors. Sectoral cooperation offers a great potential – and examples of such collaboration already exist. Sectoral considerations and approaches can inform and contribute to cost-effective, economy-wide solutions as part of national actions in a post-2012 framework. Many sectoral initiatives have already demonstrated real progress in reducing greenhouse gases, improving energy efficiency and contributing to the development of technologies. Energy- and greenhouse gas- intensive industries have been particularly active; existing initiatives could be further developed through intergovernmental and business cooperation.

## 2. Purpose and scope

Taking into account the principle of “common but differentiated responsibilities and respective capabilities” of the United Nations Framework Convention on Climate Change, it is crucial to find a common ground for developing and developed countries to stimulate fruitful cooperation in mitigating climate change. In this respect, we recognise a great potential of business in delivering the effective solution once provided with a clear policy signal. Global enterprises are keenly aware of different circumstances across various parts of the world. Therefore their knowledge and experience could assist in the next phase of climate policy-making. Business has repeatedly declared its willingness to collaborate and often emphasised its ability to move forward, but clear, predictable and stable framework for long term planning and investment is needed. This is an important basis for implementing and accelerating technology cooperation for projects related to energy access, supply and energy efficiency. In this context, policy-makers have their role to play in exploring avenues for climate mitigation action.

Building on this concept, the Minister of Economy of Poland is hosting on **27-28 November 2008** a high-level meeting of Ministers of industry and the representatives of energy intensive sectors – **Summit on Sectoral Cooperation** with the following motto: **“Ministers and business leaders towards common responses to climate change”**. The aim of the meeting is to gather especially those global industries that play an important role in the global carbon picture by their significant contribution to global greenhouse gases emission, as well as their presence in carbon markets. As regards industry representatives, the Summit will focus on cement, steel as well as aluminium producers, which together account for about 11% of global greenhouse gases emission. Moreover, due to unquestionable significance of power generation sector for climate policy-making and its direct linkage to industry’s activity, representatives of power sector will also be present at the meeting.

There are three basic objectives of the meeting:

- To facilitate cooperation within energy intensive sectors in facing the challenge of their own emission;
- To present industry ministers’ and business representatives’ views on climate change policy to COP14;
- To promote public-private collaboration, especially in terms of climate change policy making.

This event should facilitate discussion and foster cooperation among governments and the private sector which are not often able to meet and dialogue in a holistic manner, by providing an opportunity to discuss the aspects of the potential of industry for responding to climate change challenges. In particular, it will address the question of how national industrial policies can facilitate transnational sectoral cooperation to address this crucial issue. The meeting will be summarized by Chair’s summary, which will identify possibilities and challenges for sectoral cooperation. The output of the Summit will be presented to COP14 and during Poznań Business Day.

### 3. Why energy intensive industries? |

With the growing share of industrial emissions in total greenhouse gases emission, especially in emerging economies, undertaking measures to mitigate climate change could have important implications for national development strategies. Energy intensive industries accounting for the majority of industrial emissions, are particularly important in this matter, especially considering their significance in supply and value chains. On this ground, several think tanks and organisations have started developing climate policy approaches tailored to the characteristics of these sectors. These various options address concerns ranging from environmental effectiveness to carbon leakage due to distortions of competition. Some of these concerns have been already reflected in ongoing initiatives by some of the energy intensive industries. In this respect cement, steel and aluminium in particular seem to be the most advanced in their attempts to develop international sectoral cooperation. The current initiatives may constitute a milestone for further cooperation in the aforementioned sectors and bring useful lessons for other sectors. The issue is whether and how governments could support these efforts and turn them into efficient international climate change policy.

#### ■ Aluminium

The activities undertaken by the International Aluminium Institute (IAI), provide a valuable example of a voluntary, continuous programme to lower the climate impact of the global industry. The “Aluminium for Future Generations” initiative comprises thirteen voluntary objectives, covering all key phases of aluminium’s life cycle. In the context of the climate change the most important issues are the objectives of achieving an 80% reduction of PFC process emissions (a very potent greenhouse gas), and a 10% reduction in energy intensity, compared to 1990, by 2010. This IAI initiative serves as unique example of a industry-led sectoral approach that sets clear quantitative goals, although without government endorsement.

#### ■ Steel

The International Iron and Steel Institute (IISI), representing approximately 180 companies responsible for over 75% of global steel production (excluding China), has expressed interest in developing an international sector-wide approach to climate change mitigation, bringing together industry and governments. The IISI encourages the phase-out of obsolete technologies but also launches an ambitious research and development programme. The “CO<sub>2</sub> Breakthrough Programme” aims at preparing the sector to produce steel with minimal CO<sub>2</sub> emissions; it is based on several regional research initiatives and the explorations of different technology routes to low-CO<sub>2</sub> steel.

#### ■ Cement

The cement sector, under the auspices of World Business Council for Sustainable Development, launched the Cement Sustainability Initiative, which is oriented to lead industry to progress on the path toward sustainable development – in the areas of climate protection, emissions reduction, ecological stewardship, innovation and industry cooperation. CSI also seeks to be integrated in the UNFCCC.

### 4. The state of play |

## 5. The reference to power generation sector

The power generation sector has become the most carbon-intensive one in recent years and its share in total GHG emissions is expected to significantly increase in coming decades due to growing demand for electricity. Industry has the fastest growing demand among other electricity consumers, which reflects the current trends in industrialisation processes. Therefore, industry can play a vital role in improving the energy-effectiveness of economies. Nevertheless, it seems to be insufficient in face of energy sector's significant impact on climate change. That is why a strong support form policy measures, which will address whole power generation system, is needed. In this regard, the future of coal as main fuel for power generation requires adequate policy actions. Considering the above, the favourable framework should guarantee faster diffusion of best available, climate-friendly technologies, including clean coal technologies, what seems to be very promising. International R&D cooperation offers a great potential in accelerating achievement of this goal. Enhancement of international data collection, comparison and sharing of best technologies and cross-border perspectives need to be further encouraged. There are several initiatives that could serve as a good example of such cooperation, of which the most spectacular is The Asia-Pacific Partnership on Clean Development and Climate.

