



UNITED STATES COUNCIL FOR INTERNATIONAL BUSINESS

Peter M. Robinson
President & CEO

November 23, 2010

The Honorable Timothy F. Geithner
Secretary of the United States Treasury
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Mr. Secretary:

In advance of the U.N. Cancun climate meetings, I would like to convey recommendations and concerns on financing for climate change on behalf of the United States Council for International Business (USCIB).

We wrote to you last year to point out where progress was most needed in this area from the perspective of our multi-sectoral membership of leading U.S. companies. Those priorities included the need for improved synergy of public-private sector finance, the importance of markets and enabling frameworks, and the shaping of institutional frameworks to credibly administer and deploy the large sums envisioned.

We wish to bring to your attention our priorities for COP16 and thereafter in the area of investment and finance to advance ambitious action in a post-2012 framework under the UNFCCC. The attached paper by the International Chamber of Commerce (ICC), "A Public Policy Roadmap on Finance and Climate Change," lays out further recommendations in this regard.

In USCIB's view, the role of public finance for climate change should, in most cases, be to mobilize and leverage private sector investment in the developing world. In general, this should be achieved, with appropriate modification, by utilizing existing mechanisms and institutions to make them more effective in attracting private capital and private technology for projects that reduce GHG emissions. New UNFCCC institutions – including the proposed technology mechanism – could assist in this regard, providing information about and bundling relatively small projects for potential project financiers in an accessible and user-friendly way.

Post-2012 funding mechanisms should:

- Ensure sustainability over the duration of the investment period through control procedures and by establishing trust and confidence in both donor and recipient countries that funds are being wisely used;
- Establish appropriate audit procedures to ensure continuous improvement and guard against abuses;
- Impact the bottom line by improving returns to make investment more commercially attractive;
- Provide a clear regulatory framework within a stable regime.

In addition, funding mechanisms should contain clear, objective eligibility criteria for financing; timelines and procedures for decision making and project selection; and linkage to proposed Nationally Appropriate Mitigation Actions (NAMAs). Failure to address these issues will increase the perception of risk for financiers, and is likely to result in a greater need for direct public finance tools to make a commercially attractive investment case.

Businesses and governments are intrinsically linked through economies – and climate change solutions will need the public and private sectors to work and support each other within markets. Where potential market instruments such as charges and taxes are considered as a means to raise revenues for climate change, their potential to add drag to economic activity should be borne in mind, and those that impose additional costs on business could work against motivating innovation and broad deployment of technologies. Markets in the UNFCCC, including greenhouse gas markets, should be designed to:

- Ensure environmental integrity - which will require a close look at the basis for issuing allowances and qualifying offset investment through measuring, reporting and verification (MRV) requirements;
- Encourage research and entrepreneurship in the business community;
- Provide a clear market signal that drives low carbon investment decisions and consumer behavior;
- Be compatible with existing and evolving national policies and measures;
- Work consistently with strong protection for intellectual property rights to encourage innovation and deployment of advanced technologies;
- Implement safety mechanisms against trading of a highly speculative nature;
- Embody rigorous enforcement procedures to identify and eliminate illegal transactions; and
- Allow private finance to participate.

USCIB promotes open markets, competitiveness and innovation, sustainable development and corporate responsibility, supported by international engagement and prudent regulation. Its members include top U.S.-based global companies and professional services firms from every sector of our economy, with operations in every region of the world. Our members understand the critical connections across these issue areas, and their synergies with climate change progress. With a unique global network encompassing leading international business organizations like the International Chamber of Commerce (ICC), USCIB provides business views to policy makers and regulatory authorities worldwide, and works to facilitate international trade and investment.

A return to global economic growth is an indispensable condition for the needed funding for climate action. Going forward from Cancun, USCIB hopes to see the creation of more effective ways for the UNFCCC to benefit from U.S. business expertise and actions through opportunities to collaboratively define mitigation and adaptation to climate change, and to implement effective policies to promote them.

Respectfully,



Peter M. Robinson

Cc: Todd Stern, U.S. Special Envoy for Climate Change, U.S. Department of State
Jonathan Pershing, Deputy Special Envoy for Climate Change, U.S. Department of State
Ann Condon, Director and Counsel, EHS Programs, General Electric Company
Chair, Environment Committee, USCIB