



The Voice of OECD Business

Meeting of the OECD Environment Policy Committee

at Ministerial Level

Paris, 28-29 April 2008

BIAC thanks the OECD for the invitation to participate in the 2008 OECD Environment Ministerial and is pleased to submit the following papers. The first paper summarises our views on the main theme of the Ministerial meeting, focusing on environment and global competitiveness. The second paper highlights the importance of the OECD environment, health and safety programme, in which BIAC is actively involved. The third paper focuses on climate change and the OECD's role in this area and was previously submitted to the G8 Business Summit held in Tokyo on 17 April.

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PART I

Environment and global competitiveness

As the process of globalisation brings nations closer together than ever before, these nations find that they have more common interests than may have been perceived in the former, more fragmented global society. The protection and amelioration of the environment has proven to be one of these common interests as environmental problems continually reveal themselves to have increasingly complex and geographically widespread ramifications. Problems such as climate change, air quality, water quality, and deforestation, to name only a few, are interlinked in numerous ways and have multifaceted environmental, social and economic consequences.

The relationship between the economy and the environment can be as complex as the planet's ecosystem itself, and as such is the case, our aim is to contribute positively to the amelioration of the environment and to pursue its activities with a view to achieve environmental, social and economic sustainability. A globalised business environment is an excellent channel through which these goals can be achieved, though the contributions of the private sector can only reach their full potential in a business climate that encourages competitiveness through open and free markets.

The role of the private sector

With the right circumstances in place, the private sector can make a positive contribution to addressing environmental challenges. More and more companies are discovering that environmentally friendly business is good business, as improved efficiency lowers costs while environmentally conscious consumers help drive a "race to the top" where companies compete for credentials. Furthermore, as many multinational enterprises (MNEs) use a single set of policies to manage firms across borders, these corporate policies, technologies and production methods can be transmitted and deployed in countries that are on a less sustainable path. This is a particularly important capacity as it allows for the improvement of environmental conditions in developing countries whose environmental impacts are often rising more quickly than those of OECD nations.

Additionally, MNEs can serve as leaders for small and medium enterprises (SMEs), which form a significant portion of the business community and in many developing countries represent the vast majority of the private sector, thus warranting particular attention. Allowing MNEs to lead the improvement of environmental standards for SMEs in developing countries can help lock into place a solid business foundation of environmental conscientiousness that will flourish as these enterprises grow and find their place in the global economy. Ultimately, policies that make environmentally responsible industry more competitive can eventually lead to positive economic and social outcomes such as stability and poverty reduction. Policymakers should take these aspects into account when developing environmental policy regimes. Sustainability requires a delicate balance of factors that influence environmental protection, social development and economic competitiveness. Approaches to managing this balance must be comprehensive, as a

combination of many seemingly small distortions can eventually lead to negative consequences. BIAC would also like to underline the importance of public-private cooperation and partnerships in addressing environmental challenges.

Addressing competitiveness impacts

Though it is politically easy to target certain sectors, such as energy-intensive industries, these industries are essential to society and should not be unduly burdened by measures that have major and immediate consequences for their competitiveness. As at a global level, many of these sectors are expanding, it is important to ensure that they can continue to operate and be profitable in countries which have a robust environmental policy framework in place and that the investment environment in these countries remains attractive. For this reason, when designing policies for environmental protection, policy approaches must take into account the long-term impacts on the competitiveness of such industries, which can be facilitated by close dialogue with business prior to the introduction of new policy instruments.

The environmental gains from competition and trade-distorting measures would most likely be short-lived and ultimately lead to worse outcomes. We are concerned about discussions on border tax adjustments to address competitiveness impacts. We consider the fact that such measures should be consistent with WTO provisions as a minimum requirement, and believe that their usefulness is often over-estimated while the difficulty of implementation is underestimated. Furthermore, impacts on downstream industries should be carefully addressed. Border tax adjustments have the potential to lead to retaliation measures and could thus impact negatively on the global environmental dialogue as well as on trade.

Designing effective and efficient policy instruments

We underline that there is no one-size-fits-all solution to environmental problems. Country situations vary to an often great degree, and attempts to impose supposed silver bullet solutions, that have not been carefully analysed, can sometimes do more harm than good in the long term. Policies must be closely examined for their effectiveness and efficiency and be carefully weighed against their costs and benefits. Additionally, the value of all approaches must be taken into consideration, and policymakers should avoid bias toward certain mechanisms with potential for distortions. This can apply to unilaterally introduced or insufficiently analysed tax-based measures that are used as revenue-raising mechanisms. Fiscal neutrality should be given due attention.

Voluntary measures have sometimes been dismissed as ineffective and have thus been minimised in suggestions for environmental policy frameworks. This is a flawed approach. Like any other tool, voluntary measures are not a fix-all for environmental problems, but they have a positive role to play and in many cases can extend beyond the geographical limitations of individual governments. Industry-led sectoral measures are an excellent example of this. By voluntarily adopting sector-wide environmentally responsible policies, energy intensive industries can have effects beyond national borders, fostering responsible policies, production methods and technologies among firms across the globe. At the same time, it should be recognised that there is a wide range of voluntary initiatives. We call upon Ministers to encourage such

initiatives, in order to help them reach their full potential in contributing to sustainability and foster partnerships both within and among industry.

Like in the case of new policy initiatives, we underline that existing policies need to be assessed on a regular basis for the costs and benefits. All policies and measures should be considered and the selected measure or mix of measures be based on cost-benefit analysis, taking into account environmental effectiveness, economic efficiency and potential competitiveness impacts. The importance of effectiveness and efficiency cannot be overstated. Regulatory certainty and stability are important conditions which encourage and facilitate long-term investments. At the same time, regulatory approaches need to be able to provide a supportive framework for future innovative approaches. Without these qualities, policies for environmental protection risk falling short of their goals. We call upon Ministers to take a forward-looking and solution-oriented approach towards fostering innovation, R&D, and public awareness.

Recognising the fundamental role of innovation to address environmental challenges

Experience has shown that in a rapidly expanding world economy, innovation will be essential for breaking the links between growth and environmental degradation. Upgrading technology is a prerequisite for more effective resource use and for improving environmental performance, which becomes all the more important in view of a rapidly growing world population and high growth rates in emerging economies. In most cases, newer technologies and processes are both more efficient and less polluting than the technology they replace, allowing increased production using less material and causing less pollution. The spread of these technologies to non-member countries, including through private sector investments, needs to be given the utmost importance.

Technology development depends on the effectiveness of the R&D efforts both in the public and private sectors. While government efforts are key, it should be borne in mind that most R&D takes place in the private sector. There are continuous, robust industry research programmes under way in the areas of materials, materials management, process engineering, etc., which are focused on the efficient and cost-effective use of product inputs and natural resources. Public policies need to take into account both the potential and the complexity of these innovations as well as of the flexibility and incentive structure that encourages firms to innovate and diffuse new technology, bearing in mind that commercial success depends upon carrying out business in value-creating ways. The vast majority of financial and investment flows will come from the private sector. Therefore, providing an enabling framework that facilitates these financial flows and the spread of technologies through private investment will be essential. We call upon Ministers to give the highest priority to an enabling policy framework that fosters innovation and deployment when considering environmental policy initiatives.

Strengthening cooperation with non-member economies

Given the increasingly global nature of environmental problems, progress toward environmental goals will require increased global cooperation, particularly since some of the fastest growing environmental problems are in rapidly developing non-OECD countries. We welcome OECD's decision to start accession talks with five countries and to involve major emerging economies

through enhanced OECD engagement, and we strongly recommend that environmental policy should form an integral part of these discussions. The high level of economic growth in these nations makes it indispensable to closely involve them in discussions on global environmental challenges. In the coming years, this situation will most likely become increasingly acute. OECD countries will be unable to make up for the increases in environmental degradation in the developing world, and in attempting to do so will likely create immense distortions in competition.

It is only through cooperation with these countries that a solution will be possible that would balance the many factors at play. Ensuring a more geographically widespread regime would benefit the environment while maximising trade and competition forces and facilitating the economically beneficial process of globalisation. No solution that excludes major non-member countries will reach a global level of success, and the benefits of including these countries are extensive. Creating policies that make sense globally will be difficult, but through cooperation with all important stakeholders will be possible. BIAC congratulates EPOC on having included major non-member economies in the Ministerial discussions, and encourages the OECD to continue on this route.

Concluding remarks

In order to achieve the goals of sustainability, we must foster an open and competitive business environment, with policies that help enable the necessary solutions to be reached. Within this environment, policies should be designed to be flexible and to take into account impacts on global competition. To foster the necessary business environment to reach environmental goals, major non-member countries must be included, as they are becoming an increasingly important environmental and economic force. Policy instruments should seek to improve environmental conditions at all levels, from the global, such as reducing greenhouse gases that cause climate change, down to the local, yet they should recognise that sustainability has environmental, social and economic components. Each one of these is necessary for achieving sustainable growth. The way forward will be to go through a careful case-by-case process of judging a policy instrument based on its capacity for achieving the desired results and ensuring that policies chosen positively influence companies' ability to innovate.

PART II

Why the OECD environment, health and safety programme matters

On the occasion of the 2008 OECD Environment Ministerial, BIAAC would like to express its support for the OECD Environment, Health and Safety (EHS) programme. We call upon Ministers to recognise the value of this programme, which fosters cooperation on chemicals management both among OECD member countries and in an increasingly global context.

The chemicals industry is a very diverse sector producing a great number of different substances, which are present in numerous products, which we all use and value in our daily lives. It is one of the largest sectors of the world economy and a major employer, with heavy reliance on research and development and constant need for innovation. While production in OECD countries currently accounts for almost 75% of the world total, this sector is growing rapidly in major emerging economies.

The OECD system of Mutual Acceptance of Data (MAD), established through several Council Decisions, helps avoid conflicting data requirements, provides a common basis for co-operation, and avoids the creation of non-tariff barriers to trade. According to this system, OECD countries agreed that, when the various safety tests required for registration or notification purposes are carried out in one OECD country in accordance with the OECD Test Guidelines and Principles of Good Laboratory Practice (GLP), the other OECD countries will accept the data for assessment purposes. Annual net cost savings are estimated to amount to €60 million.

In BIAAC's view, the OECD Environment, Health and Safety programme plays a major role by helping to reduce barriers to trade, optimise the use of resources, and save time and money for industry through co-operative work on the testing of chemicals (both organic and inorganic), pesticides, biotechnology products, and manufactured nanomaterials. The OECD programme provides an excellent forum for member countries and industry to join forces, share the work of chemicals evaluation, harmonise national regulatory requirements and thus eliminate duplicative testing and assessment, including reduction in the use of animals. This leads to efficiency improvements and major cost savings for both governments and industry.

Recognising the practical value of OECD work, BIAAC recommends:

- **Strong support for the activities which create value and lead to cost-savings thanks to mutual acceptance of data:** The specific value added of the core parts of the OECD EHS programme lies in its concrete cost-saving effects for industry and governments by harmonising select approaches and avoiding duplicative data requirements. BIAAC actively supports the work that leads to cost effectiveness and ensures consistency and coherence in chemicals management.

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- **Integration of economic considerations into chemicals policy:** As a multi-disciplinary organisation with strong economic capacity, the OECD is uniquely positioned to analyse the complex interactions between economic and environmental policies and to ensure that economic considerations are duly reflected in the developments of environmental and chemicals-related policies.
 - **An active role in the “Strategic Approach to International Chemicals Management” (SAICM):** BIAAC has consistently emphasised the importance of OECD’s role in SAICM implementation as an organisation providing a high level of both technical guidance and economic expertise. BIAAC welcomes the close dialogue and cooperation that has been established between the OECD and SAICM and encourages policymakers to acknowledge the role of the OECD in the implementation of SAICM objectives and in supporting capacity building aspects of chemicals management.
 - **Outreach and capacity building:** Recognising that the chemicals industry is rapidly expanding in many emerging economies, increased cooperation with non-member countries will be essential. While these countries are setting up their chemicals management systems, it is in everyone’s interest that they are able to benefit from the OECD experience and that duplication is avoided. It is therefore important to make the outputs of this programme accessible to non-member countries and to provide assistance with the implementation of OECD Council Acts.
 - **Preparedness for addressing future challenges and opportunities in a cooperative manner:** BIAAC congratulates the OECD on the quick progress that has been achieved concerning work on manufactured nanomaterials and stands ready to work cooperatively with the OECD on further developments with a view to ensure that business considerations are taken into account. The OECD has shown that it is ready to respond quickly to new opportunities and challenges.

BIAAC believes that the OECD has an important role to play in setting and implementing an international framework for chemicals management and in contributing to global discussions in this area. BIAAC brings considerable expertise to the table and works in partnership with the OECD as illustrated, for example, by cooperative work in the areas of high-production volume chemicals, new chemical notifications, pesticides, biotechnology and manufactured nanomaterials. BIAAC thanks the OECD for the opportunity to act as a partner in this important work programme and calls upon OECD Ministers to support further efforts in this area.

PART III

(This paper was previously submitted to the G8 Business Summit on 17 April 2007)

Tackling climate change: considerations for a post-2012 framework

The Business and Industry Advisory Committee (BIAC) to the OECD thanks Keidanren for the opportunity to participate in the second G8 Business Summit. We welcome the fact that climate change will again be high on the agenda at the G8 Summit in Hokkaido, which will provide an important opportunity to foster discussion on key issues arising out of the Bali conference. This paper summarises BIAC's key considerations for a post-2012 policy framework, focusing in particular on our cooperation with the OECD and IEA, which we believe can make an important contribution to the G8 and UN processes with a view to ensure that business considerations are adequately reflected and that the post-2012 policy framework rests on a sound economic basis.

The road from Bali

According to the 2008 OECD Environmental Outlook, world greenhouse gas emissions are projected to grow by 37% by 2030 and by 52% to 2050 compared to 2005 levels, if no new policy action is introduced. The overarching nature of the global warming challenge bears significant consequences on nearly every sector of modern economies and poses challenges to all countries, developed and developing alike. Solutions, therefore, require collective action and holistic approaches. It is in this context that BIAC expressed its support for the outcome of the UN climate change conference, which was held in Bali in December 2007. This event opened the door to broadening cooperation on climate change and paved the way for post-2012 discussions calling for a new agreement to be decided upon by COP-15, which will be held in Copenhagen in 2009. In this context, the G8 summit will provide an important opportunity to deepen discussion and cooperation among major economies.

The Bali conference rightly acknowledged that G8 countries and major emerging economies can no longer individually address the challenges that global warming represents. BIAC welcomed the call for a shared vision for long-term cooperative action as well as the clear signal to enhance action on technology as a crucial prerequisite to achieve breakthroughs and long-term improvements. The outcome of the G8 summit in Hokkaido should help deepen international discussions in the run-up to Copenhagen to make progress towards an agreement that would be economically sound and would involve all major emitters.

A key role to play for the OECD and IEA

The OECD and its sister organisation, the IEA, have an important role to play both in the G8 and the UNFCCC processes. Their work provides fact-based policy recommendations based on input from the 30 OECD governments working in close cooperation with the business community and with the increasing participation of major emerging economies. BIAC welcomes the recent

OECD decision to start accession talks with five countries, including Russia, and to increase cooperation through enhanced engagement with Brazil, China, India, Indonesia and South Africa. This is an important step forward and will allow the organisation to increasingly include major non-member economies in their deliberations on key policy issues, including climate change, for which a broad-based international approach is urgently needed.

The OECD's comprehensive work programme covers most of the relevant policy areas that have an impact on climate change policies, contributing an economic and cross-cutting focus. The IEA has made a major contribution to recent G8 Summits and has carried out groundbreaking work in the area of energy efficiency, which business greatly values. At the same time, BIAC sees the OECD as ideally placed to provide a platform for a mutually beneficial dialogue between G8 and other major economies on cross-cutting policy issues. We welcome the Heiligendamm Process, for which the OECD provides the forum to foster dialogue with major economies on four key policy topics, including energy efficiency.

Defining a global policy framework

In order to be effective and efficient, the post-2012 policy framework needs to bring all major emitters on board. It is in this context that the OECD decision on enlargement and enhanced engagement can play an important role by fostering discussion and trust building among major economies. The wider the coverage of abatement efforts across sectors and countries, the more affordable the economic costs of action. While industrialised countries have committed to provide leadership in addressing climate change, practical immediate opportunities for emission reductions exist in non OECD countries, for example through greater use of energy efficient building practices in new construction or through ensuring that new power stations use the latest technology. Equitable burden-sharing needs to be pursued in a constructive and balanced manner.

It is essential that major emerging economies find incentives to join, which should be an integral part of the OECD analysis and a key focus of discussions in the framework of accession and enhanced engagement. At the same time, broad-based coordination is needed to ensure consistency between the various policy instruments developed in different parts of the world with a view to limit abatement costs and eventually work towards a unified climate change policy framework. The OECD can make an important contribution by providing fact-based policy analysis and recommendations to support countries in achieving emissions reductions in an efficient and cost-effective way, which will be crucial for reaching an agreement on the way forward.

Providing an economic basis to future climate policies

The Bali conference identified mitigation, adaptation, technology and finance as key areas to be considered for a post-2012 agreement. BIAC believes that these four building blocks should be addressed, taking into account the most cost-effective ways of achieving them and considering actual impacts on economies. The costs of tackling climate change and the role of cost-effective policy instruments in the control of greenhouse gas emissions deserve the highest attention. BIAC therefore welcomes the new OECD efforts to shed further light on the economics of

climate change and assess the economic impacts of policy options, while at the same time analysing the incentives for emerging economies to get involved in discussions on climate change mitigation objectives.

To be acceptable to a broad range of countries, it is important that climate change economics take into account a long-term vision, the extent and nature of uncertainties, the role of technological innovations, the international scope of the issue, and the uneven distribution of policy costs across space and time. The approach needs to be comprehensive and integrated, taking into account both macro- and micro-economic implications and capturing the most cost-effective mitigation policies as well as incentives for major emerging economies to pursue international climate objectives. It is important that clear messages about the likely costs and benefits of climate change measures and who will bear the costs can be conveyed to policymakers, including G8 leaders, the governments of other OECD countries and major emerging economies, the business community and society at large.

Fostering flexibility and private sector activities

Policymakers choose from a vast range of climate change mitigation instruments. Alternatives include emissions taxes, emission quotas, cap and trade, abatement subsidies, and performance standards. While environmental efficiency and safety are important, all policies should be carefully examined with regard to their impacts on economic activity and innovation to ensure cost-effectiveness and equitable burden sharing while preventing carbon leakage. Approaches that maximise the dynamism of the private sector will be essential in making lasting progress. The role of consumers and users should be given due attention. BIAC calls upon governments to maximise efforts to address both mitigation and adaptation through approaches that take into account national circumstances and sectoral implications and that allow the private sector to make its contribution most effectively.

If unilaterally introduced without careful analysis, some policies have the potential to affect competitiveness. In particular, energy intensive sectors can be severely impacted if far-reaching measures are taken in the absence of a level playing field. It is important that these industries continue to develop in countries which have a robust environmental policy framework in place. BIAC calls on policymakers to foster consultation with industry and give due consideration to competitiveness and regional impacts as well as the administrative costs of implementation. Early discussion with affected sectors is an immediate step that should be taken. However, BIAC has concerns about proposals relating to border tax adjustments and urges G8 leaders to exercise the greatest caution. Such measures would not only be difficult to implement, but could invite retaliation from targeted countries, thus negatively impacting the global environmental dialogue as well as trade.

Encouraging voluntary initiatives

The private sector has and should maintain an important role in addressing climate change, and it strongly supports the role that voluntary approaches can play. Business has the advantage of possessing unique expertise on technical trends, customers' needs and management related issues, enabling it to come up with the most efficient and cost-effective measures for its

respective industry, while at the same time providing benefits for involved partners. Given the current emphasis on sectoral approaches, the value added that industry-led voluntary approaches can provide in addition to government action should be given due attention. At the same time, it should be recognised that there is a wide range of voluntary approaches, which can serve as a flexible and cost-effective way to achieve environmental objectives.

Voluntary sector discussions are already underway in several energy intensive industries, such as the aluminium industry. Such industry-led cooperation encourages the dissemination of best-practices and technology across a sector, while facilitating international cooperation. In this sense, industry-led voluntary initiatives can provide incentives for companies in emerging economies to reduce their emissions. However, in discussions on sectoral approaches, it should be recognised that further clarity on their scope is required. A balanced effort among sectors and countries as well as flexibility for companies and sectors need to be maintained, and differing national circumstances must be considered. Business should be closely involved in these discussions.

Benefiting from free trade to help address climate change

BIAC underlines the fundamental importance of reducing trade barriers across the board for all products and commercial services. Furthermore, with the right policy framework in place, trade can have positive effects on environmental quality by increasing the efficiency of resource use, stimulating competition and generating innovation and economic growth, which may facilitate improved environmental protection. Trade policy and climate change objectives should not be seen as opposing each other. Open trade enables the dissemination of environmentally friendly technologies not only within OECD countries, but also to emerging and developing economies, which are often most vulnerable to climate change. Reaching a comprehensive agreement that lowers barriers to trade in both goods and services can thus positively influence the course of global climate change policy. On the other hand, if trade and climate policies are set against each other, this would fuel protectionism and complicate the task of reaching a global consensus. BIAC calls upon G8 leaders to continue to support free trade and consider the contribution it can make in addressing climate change and fostering technology transfer.

Addressing the economics of adaptation

The mainstreaming of climate change adaptation into all relevant areas of public policy has recently become increasingly prominent in climate change discussions and is expected to remain a major theme in discussions on the post-2012 policy framework. Adaptation to climate change is now recognised as an important and complementary response to climate change mitigation. It is essential that adaptation measures, which are increasingly being considered both in developed and developing countries, rest on a sound economic basis. Further work is necessary on exploring ways of estimating the costs and benefits of adaptation, which requires flexible and proactive approaches. The business community stresses that adaptation efforts need to be based on cost-benefit analysis and encourages policymakers to consider adaptation from an economic angle in terms of whether the benefits of such actions exceed the costs incurred.

Boosting energy efficiency

As illustrated by a number of IEA studies, including those in response to G8 requests, energy efficiency needs to be part of the solutions pursued to achieve both short and long-term goals in greenhouse gas reduction. Improving energy efficiency in the major consuming sectors, including buildings, appliances, transport and industry must be a top priority for policymakers. In view of the major potential, BIAC hopes that energy efficiency efforts will remain high on the G8 agenda. Business appreciates the work carried out by the IEA and welcomes the additional emphasis on energy efficiency in buildings. It will be important to involve businesses of a wide range of sectors and sizes, including the financial sector, in this response by providing information that improves understanding of the potential financial and competitive benefits. This process can also help the banking sector when developing environmental credit risk assessments. Cooperation at the international level, including major emerging economies, is essential.

In a number of cases, OECD-based companies are using energy more productively than industry in other countries, and many cost-effective solutions to reduce energy consumption are already available on the market. It is therefore important to identify the right framework and positive incentives that should be provided to spread these solutions throughout the world. Integration of climate change and energy efficiency considerations in buildings, transport and industry investment is important as today's investments will lock in the infrastructure, fuel and technologies to be used for decades to come. BIAC hopes that energy efficiency will continue to figure prominently in both national and international policy discussions.

The crucial role of technology

In line with the Bali roadmap, BIAC supports the need for technology innovation as a primary tool for sustainable climate change mitigation and economic growth and encourages G8 leaders to continue to focus their attention on the importance of innovation to address climate change. It is unrealistic to think that the issue of climate change can be dealt with by a solely mandatory approach. Both public and private sector research & development and new innovative approaches will be key, bearing in mind that most of the funding for more climate friendly technologies will originate in the private sector. Public policies need to take into account the potential and complexities of environmentally beneficial innovations, as well as the flexibility, support and incentive structure that encourages firms to innovate. The vast majority of financial and investment flows will come from the private sector. Providing an enabling framework for the private sector that facilitates these financial flows and that encourages firms to address climate change is therefore essential.

Existing technologies have significant potential for reducing emissions that is not yet realised. At the same time, the development of new innovative approaches and technologies requires a policy framework that provides adequate incentives to create and adopt new technologies. The full range of technologies bringing efficiency improvements needs to be considered, including those that enable more productive use of fossil fuels, safe nuclear energy, renewables and carbon capture and storage. Specifically, we require:

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- Greater emphasis on international collaboration to foster R&D while avoiding duplication of efforts and maximising opportunities for international co-operation in basic research;
 - An overall policy framework that provides adequate incentives to create and adopt new technologies in all areas, including a high-quality intellectual property rights framework;
 - Cooperation between governments and the private sector for the range of new technologies;
 - A policy framework which encourages the private sector to invest and thus engage in technology cooperation;
 - A forward looking and solution-oriented approach that looks beyond the energy sector and considers improvements that can be achieved through progress in other sectors, such as information and communication technologies, nanotechnology and others.
 - Trade and investment liberalisation to facilitate the diffusion of technology.

BIAC believes that the work of the IEA as well as the horizontal OECD Innovation Strategy can play an important role both in advising countries on how to set an overall beneficial innovation framework and to consider specific recommendations on using the potential of innovation to address the climate change challenge. It is important that the post-Kyoto framework incorporates a broad-based technology strategy to accelerate the development and commercial deployment of low-emission technologies. Financial support and incentives should be broad-based targeting all emissions abatement measures with due attention being placed on encouraging the dissemination and application of best-available technologies in emerging and developing countries. In this context, barriers to private technology transfer need to be identified and removed.

Concluding remarks

BIAC considers that the OECD and IEA offer an excellent platform from which to encourage international dialogue in the fight against global warming, thus making an important contribution to G8 and UN-led discussions. Solid and rigorous economic analysis including a wide range of countries will be necessary to provide the foundation for formulating future climate policies that merge both realities and opportunities for the wider goal of sustainable development. Such research and analysis will be an essential foundation for discussion at G8 and UN levels.

We underline that resolute and concerted international action is urgently needed, which can and must be undertaken in a way that fosters innovation and technology dissemination and supports sustainable growth in developing, emerging and industrialised economies, while avoiding economic distortions. BIAC encourages G8 leaders to promote broad international cooperation, stable and transparent international frameworks as well as opportunities for the business community to provide practical input with a view to come closer to an effective and equitable strategy to tackle climate change. BIAC would be pleased to provide on-going assistance in these initiatives.