



Business and Industry Advisory Committee to the OECD

Comité Consultatif Economique et Industriel Auprès de l'OCDE

## **BIAC RECOMMENDATIONS:**

### **TECHNOLOGY COOPERATION AND CLIMATE CHANGE**

Since the rate of greenhouse gas emissions is increasing outside the OECD Member states, the OECD should take as a priority increasing co-operation among industrial and developing countries to reverse this trend while preserving economic growth. BIAC believes that technology cooperation is a priority area for such OECD-non-OECD partnership. Since the main vehicle for this form of co-operation has been and will continue to be the private sector, through its day-to-day business activities of technology development, foreign direct investment and technology sales and dissemination, BIAC looks forward to working with the OECD in technology cooperation efforts targeted at addressing climate change.

Industry researches, develops, utilizes, commercializes and shares new and cleaner technologies, processes and products, to increase market share and to decrease its own costs. Moreover, the business sector has extensive experience in project identification and development, in technology management and dissemination in developed and developing countries; in the funding and management of technology investments and joint ventures through which technologies are shared; and in environmental management protection and enhancement.

The development, dissemination, application and improvement of a wide range of technologies are already making a significant contribution to reducing emissions of greenhouse gases and the implementation of sustainable development. Thus, a correct understanding of what technology is and how it is transferred, is essential. There continues to be room for improvement and potential for efficiency gains through the increased deployment of both existing technologies and of better ways to manage and maintain them.

As private sector investment levels surpass overseas development assistance, both OECD and non-OECD countries will benefit from the establishment of supportive frameworks, market conditions and incentives for more environmentally-friendly technologies and business practices. With the correct regulatory, legal and economic framework in place, OECD-based companies - applying their experience and expertise in both home and foreign markets - will continue to improve environmental performance and contribute to economic prosperity, while reducing greenhouse gas emissions. In emerging economies, companies will continue their pre-eminent role in technology sharing directly through the increased introduction and use of effective technologies and proven good management practices in joint venture and supplier-contractor relationships.

Consequently, the OECD could contribute to realizing the potential environmental, climate change and economic developmental benefits of new and existing technologies by promoting a better understanding of the respective roles of business, government and society, taking fully into account the need for the proper enabling conditions, capacity and incentives for implementing technology improvements. Technology cooperation and capacity building require trust, long-term commitment and clearly demonstrated mutual benefits for all partners to support this more integrated approach.

The OECD should seek to determine to what extent opening industrial sectors to private capital, both domestic and foreign, will help accelerate investment in energy-efficient infrastructure. BIAC believes that trade and investment liberalisation promotes an efficient use of resources and sustainable growth, and makes a vital contribution to creating the conditions necessary for environmental improvement and greenhouse gas reduction.

Foreign direct investment (FDI) sustains economic growth in developing countries, the transfer of modern technology and know how, the spread of efficient management practices and better access to external markets, all key building blocks to promoting development based on more climate friendly policies and technologies. The Clean Development Mechanism (CDM), which allows governments or private entities in industrialised countries to implement emission reduction projects in developing countries and to receive credit for these projects in the form of 'certified emission reductions', presents an opportunity to foster technology cooperation and to attract investment from industrial to developing countries.

Trade and investment liberalisation is essential to speed the transfer, adoption and diffusion of environmentally friendly technologies. OECD governments should continue their efforts to work with developing countries to establish appropriate incentives to encourage private investment, which requires a conducive legal framework and a clear definition of investors' rights and liabilities.

Whether as a commercial transaction or as part of an overseas development assistance package, successful technology cooperation is beneficial both for the host nation, by offering economic growth, better training of workforces and improved environmental management, and for the investor, in that it can be an attractive investment opportunity.

Governments should set enabling legal, fiscal, economic and social framework conditions for private investment and technology co-operation, including the CDM. A number of conditions have to be met to encourage these activities and foster technology co-operation:

- stable economic, financial and tax systems for investing partners
- a transparent legal and regulatory structure and sound foreign ownership regulations
- flexible and sound labour rules for local workers and key expatriates
- protection of confidential business information and intellectual property rights
- sound environmental laws and standards, based on scientific assessment
- free capital flows and stable rules for foreign currency exchange
- well-functioning administrative structures at the local and national levels
- a stable regulatory framework fostering innovation in a cost-effective manner
- absence of excessive bureaucratic rules and delays
- regular and open communication between government and industry

In addition to these general conditions, incentives should be provided, and GHG emission reductions should be recognised as soon as possible to foster private sector participation in CDM projects. OECD discussions should approach technology improvement and cooperation in a more holistic fashion, including the accompanying technological, commercial and managerial know-how. BIAC should therefore be consulted throughout the OECD's discussions of regulatory and voluntary frameworks, economic conditions and international cooperation to better support industry's pre-eminent role in technology cooperation and capacity building.