Market based mechanisms, technology transfer, trade & climate change
FICCI highlights industry perspectives on key issues at Durban climate change talks

NEW DELHI, November 29, 2011. Indian industry has reiterated over the years that carbon markets, technology transfer and finance can serve as enablers for its enhanced role in the transition to low carbon economy. As the stage is set for the international climate change negotiations in Durban, **FICCI Climate Change Task Force in its third Report** released today highlights the expectations of Indian industry with respect to the three key issues of discussion at the climate change talks, namely market based mechanisms, technology transfer and unilateral trade measures in the pretext of climate change.

FICCI will be in Durban with a business delegation from December 2 onwards and will organize an official side event under the UNFCCC on Indian industry's perspective on market mechanisms, technology transfer, trade and climate change.

*Says, **Rita Roy Choudhury, Director, FICCI,** "market based mechanisms, technology transfer, trade and climate change are the three key issues for Indian industry and we want to highlight this at Durban to reinforce Indian industry's expectation that Durban result in positive outcomes on these critical issues that will help shape industry action on mitigation in future. Durban should signal the way for strengthening market mechanisms, accelerating technology transfer, and removing barriers to trade that is a route for tech transfer to happen."*

Industry is hopeful that the Durban climate talks should result in positive outcomes for the markets that play a key role in shaping mitigation actions from the private sector. These outcomes should clearly reflect on the importance of technology transfer. Durban can establish a progress on this by providing a window for tech transfer under the Green climate fund, the NAMAs and new market mechanisms, each of which should enable accelerated tech transfer for developing countries. Industry also expects a clear regulatory signal on the existing as well as new market mechanisms with the guiding principle of enhancing tech transfer and financing for mitigation projects as well as reducing transaction costs to enable significant scaling up of emissions reductions. Trade is an important route for technology transfer. The Durban negotiations should address the removal of barriers to trade and ensure that provisions for Unilateral Trade Measures (UTMs) do not enter the realm of international climate policy regime.

FICCI believes the carbon market is a key mechanism for ensuring long-term mitigation actions. Indian businesses and investors need a clear cut market signal to sustain interest in the carbon markets and international policy makers should ensure that the market created as a result of the Kyoto Protocol is strengthened to sustain the momentum in mitigation activities worldwide. The international negotiations must also provide a clear cut direction on the second commitment period of the Kyoto Protocol as well as continuity of existing market based mechanisms such as CDM that have successfully mobilized positive action and innovation on

GHG mitigation from Indian industry. Indian industry is hopeful that the carbon markets will be further enhanced by the establishment of new market based mechanisms that are designed to accelerate technology transfer, finance and reduce transaction costs. However there should not be any effort to replace the existing mechanisms such as CDM rather GHG mitigation activities can be taken to the next level if the new mechanisms complement the existing mechanisms such as CDM and build upon the infrastructure already created as a result of these mechanisms. The global service provision facilities created as a result of CDM should be leveraged to play a major capacity building role in the coming years with the introduction of new international market mechanisms.

Indian industry also looks on with hope towards the evolution of effective frameworks enabling technology development and diffusion that would enable a greater degree of mitigation action from developing countries. The Green Climate Fund (GCF) should clearly allocate a separate window for technology transfer and 25 % of the fund could be allocated specifically for tech transfer by way of payments for technology royalties. Projects sanctioned under GCF should clearly have Capacity Building in respect of endogenous R&D built into the project. Existing market based mechanisms should be strengthened and new market mechanisms should be designed to enable accelerated technology transfer as well as enhanced adoption of clean technologies in developing countries. Technology transfer should be a key element of the Nationally Appropriate Mitigation Actions (NAMAs) being proposed as new mechanisms under the Convention and should be accounted for under the monitoring, reporting and verification (MRV) mechanism of the developed countries. Industry recommends early operationalization of Technology Mechanism, Executive Committee, Centre and Network. Indian industry proposes the setting up of Climate Technology Centres on Public Private Partnership (PPP) models. Further, there should be a clear funding mechanism to overcome the IPRs barrier in order to tackle the incremental cost of technology due to IPRs.

Trade is an important route for technology transfer, therefore it is important that international negotiations on climate change not only address the removal of barriers but rather ensure that provisions for Unilateral Trade Measures (UTMs) do not enter the realm of the international climate policy regime. Unilateral Trade Measures will have distortive effects on international trade, restrict the exports of developing countries, and negatively affect the trading sectors, and therefore hinder the social and economic development of the developing countries.

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