

InBrief

# Principles for climate change policy design

Climate Change  
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## Introduction

In November 2009, ICMM released its **Policy on climate change: Implementing a global solution to managing a low emissions economy**. The policy builds on an earlier ICMM position statement published in 2006 and was intended as input into negotiations at the UNFCCC Conference in Copenhagen, December 2009.

In the intervening period, the international climate change situation has continued to evolve. It is now clear that a legally binding global agreement – covering all major economies’ emissions – is a distant prospect. A consistent and stable global regime remains an important long term goal and ICMM’s current work is intended to contribute to that end.

However, the world will see more of a “patchwork” regime emerge for now, with all major economies and even states and provinces within countries offering individual targets and actions and developing independent policy frameworks and regulations. In this new policy regime, actions to reduce greenhouse gas emissions will be devised, implemented and verified more through “bottom-up” nation-by-nation decision-making rather than “top-down” international institutions. The result is likely to be a complex regulatory environment for everyone, especially multinational groups with cross-border activities such as mining and metals companies.

In addition, ICMM and its members acknowledge that policies and measures taken to reduce greenhouse gas emissions will, by and large, continue to focus on where emissions are directly produced, while also noting that consumers will ultimately bear the cost.

## Looking to the future

ICMM’s long-term objective remains the eventual establishment of an integrated and globally effective carbon regime. To this end, and recognizing current global circumstances, ICMM advocates the use of an integrated set of seven principles to achieve effective and efficient national and sub-national specific climate change policies and measures. If consistently applied, these principles will work to ensure a measured transition to a low carbon economy that: (1) does not detrimentally impact the local and international competitiveness of major industries and (2) encourages the development and use of low carbon technology. In short, it is a pragmatic approach aimed at achieving intended results while minimizing the potentially damaging and unintended consequences of climate change-related decision-making.

In that respect, climate change policy and measures are needed that reflect the economic and social development goals of various countries. In the case of developing countries, they need to complement sustainable economic growth and poverty reduction while enhancing countries’ “climate readiness” to adapt to the impacts of climate change.

The principles offer a framework and approach as input to developing and implementing policy in different sovereign political jurisdictions around the world. The specific design of national policies will vary from country-to-country and even within countries. The principles should be regarded as an integrated set: all of them are required in developing appropriate national policies and measures.

For their part, ICMM member commitments provide a legitimate platform from which the mining industry can advocate the principles and become part of the policy design process. They also open the door to concrete ways that mining and metals companies can make a difference.

As a minimum, ICMM members accept their responsibility to:

1. develop greenhouse gas emission reduction strategies and implement economic emissions reductions opportunities
2. ensure efficient use of natural resources
3. support research and development of low greenhouse gas emission technologies that are appropriate to the industry
4. measure progress and report results.

## Our climate change program

In October 2010, ICMM’s Council of CEOs committed its members towards establishing a comprehensive and rigorous climate change management program of policy principles, leading practice and company commitments.

The program is aimed at: (1) ensuring ICMM companies continue to contribute to sustainable development while participating positively in resolution of the climate change challenge; and (2) securing the continued competitiveness of the mining and metals industry in a future low carbon economy.

This initiative seeks a measured transition to a low-carbon future. The principles-based approach at its core is intended as a contribution to the evolution of climate change-related public policy when policies are being designed and implemented. This approach recognizes the reality of nation-specific solutions and is not intended as a means of driving a particular policy mechanism or package of approaches.

Importantly, it recognizes the need for respecting the different cultural, social, political, economic and physical environments around the world and a country’s different priorities (for example, poverty reduction, development, adaptation).

The climate change issue has the potential to be a defining issue for ICMM and its members in the eyes of critical external audiences, including governments, industry, civil society and the media.

The core of ICMM’s climate change program implementation is provided by:

- a) an integrated set of seven principles for climate change policy design that build on those contained in the 2009 policy.
- b) three focus areas which address the climate change issues which are important to mining and metals companies:
  - national climate policies and competitiveness
  - land use and adaptation to the impacts of climate change
  - measurement, reporting and verification of net greenhouse gas activities.
- c) a set of ICMM member company commitments.

## Principles for climate change policy design

Overall, we are advocating an approach to policy and action that will ensure our industry plays its full part in contributing to sustainable development while remaining competitive in a low carbon economy. Our approach is based on applying a set of seven principles for guiding development of policy and action and industry commitments.

In summary, the principles for climate change policy design are:

1. provide clear policies for a predictable, measured transition to a long term price on greenhouse gas emissions
2. apply climate change related revenues to manage a transition to a low carbon future
3. facilitate trade competitiveness across sectors
4. seek broad-based application
5. be predictable and gradual
6. be simple and effective
7. support low-emission base-load generation technology development.

ICMM and its members will work with governments to develop climate change policy and regulation reflecting all of these principles and supported by a strong analytical foundation.

### 1. Provide clear policies for a predictable, measured transition to a long-term price on greenhouse gas emissions

#### *Why is this principle needed?*

To ensure that the long-term cost of greenhouse gas emissions is clearly articulated so carbon consumption is reduced in a way that provides for an orderly transition contributing to sustainable economic growth. Such policies should also work to ensure that low carbon alternatives be developed in a timely manner. Without a clear price signal, members' ability to plan and make sound decisions is at risk.

#### *Why is a clear price signal the best way forward?*

Any actions to address climate change inevitably result in a price signal for greenhouse gas emissions. Regardless of which mechanism (or suite of mechanisms) is chosen, a clear long-term price is required to provide: (1) clarity for all regarding the link between human activities and greenhouse gas emissions; and (2) for investors (public and private), a means to fully and fairly integrate the cost of external factors in investment decisions. This effectively releases powerful free-market mechanisms to best allocate resources in bringing about a low-carbon future.

#### *What would implementation of this principle mean?*

National and/or sub-national policies and measures needed to allow a predictable longer term price of greenhouse gas emissions will be dependent on each country's or region's circumstances.

### 2. Apply climate change related revenues to manage a transition to a low carbon future

#### *Why is this principle needed?*

To emphasize that the primary objective of policy measures should be to address climate change-related challenges – particularly progressively reducing emissions – not revenue generation.

#### *What would implementation of this principle mean?*

There are two significant implications of applying this principle to climate change policy-related revenues. Emission reduction policies and measures provide new sources of revenues for governments. Such revenues should be directed towards two specific areas: (1) supporting the development of climate friendly technologies; and (2) helping 'exposed' economic sectors and populations adjust to the costs associated with a carbon limited future.

### 3. Facilitate trade competitiveness across sectors

#### *Why is this principle needed?*

National/regional climate change policies and regulations create the risk that the competitiveness of certain internationally trade exposed products and industries will be negatively affected. The result could be a decline in investment, employment and tax revenues over time, along with potential distortion of trade flows. It can also lead to carbon leakage. Climate change policy should recognize and seek to mitigate this risk.

#### *What would implementation of this principle mean?*

Governments must ensure appropriate safeguards are in place to avoid trade-exposed sectors (imports and exports, as opposed to international competitors) incurring unreasonable costs due to transition to a low carbon economy. Climate change regulation should be fully consistent with World Trade Organization rules and principles.

### 4. Seek broad-based application

#### *Why is this principle needed?*

The most cost effective reduction of greenhouse gas emissions is needed, so policy design must consider covering the broadest possible range of carbon emission activities, policy mechanisms and low carbon energy strategies across sectors internationally.

#### *What would implementation of this principle mean?*

Developing and implementing a comprehensive approach that considers: (1) all greenhouse gas emissions; (2) all options for sequestration; (3) all policy mechanisms; and (4) seeking synchronized international and regional/national government policies and regulations. An initial critical part is to ensure national plans to reduce greenhouse gas emissions are pursued in a way that does not target selected parts of an economy. Any plans should be allocated across all relevant sectors and activities. A particular focus should be on those sectors where the most cost-effective low carbon technologies or abatement options are possible.

The International Council on Mining and Metals (ICMM) was established in 2001 to act as a catalyst for performance improvement in the mining and metals industry. Today, the organization brings together 20 mining and metals companies as well as 31 national and regional mining associations and global commodity associations to address the core sustainable development challenges faced by the industry. Our vision is one of member companies working together and with others to strengthen the contribution of mining, minerals and metals to sustainable development.

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## 5. Be predictable and gradual

### *Why is this principle needed?*

Imposing sudden, erratic and unclear climate change policies can render parts of the economy irreversibly uncompetitive and can unnecessarily harm consumers. Instead, policy should provide long-term price signals, incentives and time for all segments of the economy to adapt to a low-carbon future.

### *What would implementation of this principle mean?*

Transition to a carbon constrained global economy would be sought through a policy framework that provides sufficient time, consistency and clarity for consumers and industry to adapt and make the necessary investments to maintain competitiveness – while achieving the rate of transition that is needed to effectively address the climate change issue.

## 6. Be simple and effective

### *Why is this principle needed?*

Policies and regulations must lead to a climate change management regime which: (1) is simple to understand and to administer so that the associated costs do not outweigh the benefits; and (2) delivers on the environmental objective of effectively reducing greenhouse gas emissions.

### *What would implementation of this principle mean?*

Simplicity would be enshrined in the regulations themselves, providing clear incentives and measures, as well as in their monitoring and administration. Most importantly, associated policies should seek to provide maximum clarity on providing consumers incentives to bring about a reduction in greenhouse gas emissions.

## 7. Support low-emission base-load generation technology development

### *Why is this principle needed?*

It is clear from all credible scenarios that the transition to effectively address climate change will require a significant technology transition over the next few decades, in particular base-load generation. Investments developing such technologies are substantial and high-risk, so a collective effort will be required to ensure sufficient emphasis is placed on seeking such technological solutions.

### *What would implementation of this principle mean?*

Governments would develop a policy environment that will focus on establishing effective public-private investment partnerships in appropriate technologies and practices.

ICMM and climate change related processes			
2009	2010	2011	2012
<p><b>NOVEMBER</b> ICMM releases policy on climate change</p> <p><b>DECEMBER</b> UNFCCC, Copenhagen</p>	<p><b>MAY</b> ICMM Council forms climate change working group chaired by Xstrata CEO, Mick Davis</p> <p><b>OCTOBER</b> ICMM CEOs commit to developing comprehensive climate change management program</p> <p><b>DECEMBER</b> UNFCCC, Cancun</p>	<p><b>MAY</b> Director appointed and climate change program launched</p> <p><b>JUNE</b> ICMM releases principles for climate change policy design</p> <p><b>DECEMBER</b> UNFCCC, Durban</p>	<p><b>JUNE</b> UNCSD (Rio+20), Rio de Janeiro</p> <p><b>DECEMBER</b> UNFCCC, Qatar or South Korea. First phase of work completed on the four areas</p>