



APEC Business Advisory Council

SGWG II 2023

**Climate Change:
The imperative of a well-designed response**

**Presentation by Brett O'Riley, ABAC New Zealand
29 April 2023**

www.abaonline.org

ABAC Climate Leadership Principles



1. Reduction

Businesses should play their part in the transition to a low-carbon region
Emissions reductions targets; measuring, monitoring and reporting GHG footprints; decoupling from fossil fuels



2. Adaptation

Businesses should support behavioural and technological adaptation
Low-carbon technology; digitalization; ESG investing; risk assessment and management



3. Just Transition

Businesses should seek sustainable and equitable transitions within open rules-based trade
Building a fair transition; supporting under-served communities; challenging polarisation

The Principles in Action



1. Reduction

EIWG: CBAM research, sustainability in trade agreements, environmental goods and services, WTO workstream (environment Joint Initiatives), Digital trade finance (**FTF**)

SGWG: Digital technologies for greener industries, Democratisation of climate risk scenarios, MSME ESG Inclusion Framework (**ITF**)



2. Adaptation

EIWG: Environmental goods and services, WTO workstream

SGWG: Digital technologies for greener industries, Realistic energy transition, nuclear energy, Transition Finance, low-carbon transformation, Roadmap for Trade & Investment in renewable energy, Financing sustainable innovation (**FTF**)



3. Just Transition

Inclusion Task Force: Accessible MSME ESG Inclusion Framework

Finance Task Force: Democratisation of climate risk scenarios, financing sustainable innovation, Transition finance & just energy transition

SGWG: Food Security workstream; **EIWG:** Supply Chain Resilience for MSMEs

Reduction still really matters

IPCC Report 2023

- We are likely to hit 1.5°C between 2030 and 2035
- At current levels of GHG emissions, many parts of the planet will become unliveable in the next few decades
- The poorest and most vulnerable will be hit hardest
- The next 7 years are critical to keep within 1.5°C:
 - Reductions of at least 43% by 2030, 60% by 2035

*The world needs “**substantial reduction** in overall fossil fuel use, minimal use of unabated fossil fuels, and use of carbon capture and storage in the remaining fossil fuel systems...”*



The role of subsidies

- Subsidies can help – or hinder – the climate fight
 - e.g. fossil fuel subsidies work against GHG reduction; but **FFS reform** and complementary policies could reduce GHG by 13% by 2030
- Vast investment is needed for asset and energy transition, and subsidies can play a helpful role:
 - Boosting the transition, spurring innovation
- **But** depending on design, subsidies can be discriminatory and cause significant market distortion:
 - nationalistic approaches risk starting tit-for-tat
 - also risk leaving developing economies behind
- We need to ensure that trade responses are not weaponised for protectionism or unduly distort markets: good design and cooperation/coordination is key

Recommendations

- Members to continue to use and advocate the Climate Leadership Principles to shape priorities and action
- Members to continue to call for inefficient fossil fuel subsidy elimination
- Members to acknowledge the risk that trade responses to climate change can create new market distortions: good design and coordination are important