

13th January 2012

To whom it may concern,

CDM Policy Dialogue

The Business Council of Australia (BCA) and the Australian Industry Greenhouse Network (AIGN) welcome the opportunity to provide input on the issues to be addressed by the CDM Policy Dialogue.

The BCA represents the chief executives of over 118 of Australia's leading companies. The businesses that the BCA members represent are amongst Australia's largest employers and represent a substantial share of Australia's domestic and export activity.

AIGN is a network of Australian industry associations and businesses that have a serious interest in climate change issues and policies. Its members account for over 90% of Australia's mining, manufacturing and energy transformation emissions, and play a key role in forest sequestration.

Together the BCA and AIGN represent those businesses that will participate in the entire chain of the CDM, from project development through financing to using the CERs for acquittal under Australia's Clean Energy legislation.

The ongoing development of the CDM is important to Australian industry. From 2015 it is likely that Australian business will be significant participants in the international carbon market, with the Australian Government anticipating that, by 2020, 100 million tonnes of units could be purchased on the international market for use in Australia.

It is the view of the BCA/AIGN that the following key issues that should be examined by the CDM Policy dialogue:

1. **Efficiency of the CDM processes:** The efficiency and timeliness of the CDM process has been identified as a key barrier to participation and further growth of the CDM. We understand that there has been work to address issues raised by stakeholders regarding the efficiency of processes including the restructure of the Secretariat. While this work is ongoing BCA/AIGN recommend that the Policy dialogue consider the barriers to efficiency including:
 - a) Resourcing of the CDM secretariat to effectively manage their workload
 - b) Considering the impediments to efficient processing of submissions.

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2. **Transparency of decision-making and resolution of policy issues:** The growth of the CDM is predicated on the confidence potential participants have in the mechanism. The decision-making processes, specifically those of the Executive Board with respect to policy, are a source of frustration to stakeholders and are an impediment to the future of the CDM. The CDM Policy dialogue must consider the transparency of the decision making processes and how the Executive Board can better consider the views of stakeholders, and ensure that policy decisions are timely and promote confidence in the mechanism for all participants.
3. **Standardisation:** As countries move closer to implementing national abatement programs, particularly domestic carbon pricing mechanisms, it becomes critical that international market mechanisms can demonstrate consistency in the application of methodologies. This enables a robust and effective market that domestic programs can have confidence in. The CDM Policy dialogue should consider how the CDM meets internationally recognised standards.
4. **Creating a larger supply pool:** From the perspective of Australian industry, which will be a significant buyer of international units, the supply of international units is critical to meeting their emissions acquittal obligations. The issues raised in the first three points are impediments to the growth of a robust and effective mechanism that has great potential to provide abatement opportunities.

A key consideration of the CDM Policy Dialogue should be the future of the CDM itself and how it is positioned in the international market. The current status of international negotiations has created uncertainty as to the future of the CDM. The CDM has a critical role to play in the market and, irrespective of future agreements under the UNFCCC, that role must continue. It is our view that the institution should establish itself as the single agency delivering international abatement units under all current and future mechanisms agreed within the UNFCCC (CDM, REDD+, NAMA's etc). It must establish its own position as an internationally recognised institution with independence, standing and integrity similar to that of the World Bank. The issues we have discussed earlier are barriers to the CDM becoming the market participant that it must become if an effective and efficient international market is to prosper into the future.

We look forward to commenting further on the CDM Policy dialogue when the discussion paper is released.

Yours sincerely



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