




BUSINESSatOECD

Ensuring a Resilient and Healthy Environment for All

*Business at OECD (BIAC) Contribution to the
Meeting of the OECD Environment Policy Committee
at Ministerial Level*

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Established in 1962, *Business at OECD* (BIAC) stands for policies that enable businesses of all sizes to contribute to growth, economic development, and societal prosperity. Through *Business at OECD*, national businesses and employers' federations representing over 7 million companies provide and receive expertise via our participation with the OECD and governments promoting competitive economies and better business.

We appreciate the opportunity to participate in the 2022 OECD Meeting of the Environment Policy Committee at Ministerial Level under the theme “*Ensuring a Resilient and Healthy Environment for All*”. We reiterate our strong commitment to work closely with governments on addressing the important environmental challenges we are facing, including on climate change, biodiversity, plastics pollution and circular economy, as we maintain our strong efforts to transition to a more sustainable global economy.

Addressing these challenges will require close public-private partnership, innovation and major investments. As the Ministerial is taking place at a critical point in time, we also take this opportunity to highlight the urgent need for action on energy security and affordable access to energy in the current geopolitical context through the below key messages and recommendations.

We look forward to actively joining the discussion with Ministers and OECD leadership, and continuing our close collaboration to advance economically efficient and economically effective policies.



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Key messages

- **Moving to net-zero:** A net-zero global economy will require business to invest vast amounts in low-carbon infrastructure and technologies over the next decades. According to OECD estimates, USD 6.9 trillion of annual investment in infrastructure alone will be needed until 2030 to meet climate and development objectives. To this end, addressing climate change must become a fantastic market opportunity rather than an expensive problem, and that's why close public-private-partnership is indispensable. To support the availability and scaling-up of green finance, the right frameworks need to be put in place to foster transparency, ensure long-terminism and avoid inefficient policy fragmentation. As energy systems are the backbone of OECD economies, steps need to be taken to foster the green transition, while urgently safeguarding energy security and affordable access. In light of the Russian aggression against Ukraine, the extremely disruptive effects on energy and energy-intensive industries and ultimately consumers need to be given due consideration, including in the context of carbon pricing discussions.
- **Maximizing synergies between trade and the environment:** Open trade is critical to foster climate-friendly investments, disseminate cleaner technologies and energy, and deploy environmental services. The liberalization of trade in environmental and low-carbon goods and services provides an essential opportunity in this regard. The OECD should work to inspire international collaboration and action in support of a sustainable future, while ensuring that environmental policies are not used to artificially and arbitrarily hamper international trade. It is paramount that sustainability initiatives are implemented in a complementary manner with existing trade relationships and the rules-based multilateral order. WTO compliance should be an essential criterion in the design of any policy measures – including proposals on carbon pricing and border adjustment mechanisms. As further strains on the international rules-based trading system must be avoided, global progress on trade and climate change should be made through negotiation, not litigation.
- **Aligning the digital transition with a more sustainable economy:** As digitalization and sustainability go hand in hand, the OECD and governments should leverage digital technologies as key enablers for sustainability, while ensuring sustainable digitalization. In this regard, it is important to promote digital opportunities and technologies that advance sustainability objectives, including by measuring and tracking progress, optimizing business processes, ensuring resource productivity, enabling decentralized energy systems, or advancing the sharing economy. More can also be done to increase resource efficiency and move towards more circularity for electronic wastes, including through open trade policy. The so-called 'digital and sustainable twin transition' should be an indispensable part of the OECD's agenda.
- **Addressing the global plastics challenge:** Strong, lightweight plastics enable us to live better while contributing to sustainability in many ways – be it by lowering greenhouse gas emissions, saving energy, extending the shelf life of fresh foods and beverages, or allowing us to ship more products with less packaging material. It is clear that plastics do not belong in our environment, and steps need to be taken to prevent leakage of plastic waste. As the OECD's Global Plastics Outlook highlights that the current plastics lifecycle is far from circular, and plastic recycling rates vary significantly by country, waste stream and polymer type. More can be done to share best practice, close loops towards more circularity, strengthen waste management and support business in the sustainable design of plastics. Addressing the global plastics challenge is a serious yet solvable, problem. It requires everyone to play a role - including business, governments and consumers in OECD countries and beyond.

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- **Accelerating action to address biodiversity loss:** Biodiversity loss is among the top global risks to our economies and society, and accelerating action in this regard will require strong public-private partnership. As there is a multitude of factors that drive biodiversity loss - including land-use change, over-exploitation of natural resources, pollution, invasive alien species or climate change - cross-cutting dialogues are needed between business, governments and stakeholders to build on the significant expertise that already exists within many business sectors. It is clear that increasing productivity and resource efficiency – which lie at the heart of each business – will be critical to solve this challenge. The OECD should promote policies to address biodiversity loss based on scientific evidence, a good understanding of the socio-economic consequences, and sound impact analysis. To this end, the OECD can make a useful contribution through solid measurement frameworks and tools to assess the value of biodiversity, and to evaluate the effectiveness of policy approaches across multiple government levels, regions and industries.
 - **Harnessing policies for sustainable ocean management:** Ensuring a healthy ocean environment is a fundamental precondition for successful business operations, and addressing current challenges also provides a substantial business opportunity. The growing ‘blue’ ocean economy which encompasses multiple sectors - including fishing, aquaculture, shipping, tourism, offshore wind energy, oil and gas, mining and marine technology - is projected to double in size by 2030 reaching USD 3 trillion and employing more than 40 million people. Economically efficient and environmentally effective policies for a sustainable ocean economy should be evidence-based and ensure a multi-sectoral, multi-disciplinary and multi-stakeholder approach. Effective climate policies and waste management make a critical contribution to ensuring a sustainable ocean.
 - **Enhancing environmental justice and the meaningful involvement of all people:** Recognizing that the green transition will critically depend on the benefits from technological advancement, it is clear that our societies will only support innovation to solve global environmental challenges when these are accompanied by appropriate domestic policies to prepare people for change and allow them to participate. It should be a priority for OECD to ensure that our workforce is prepared with the new skills profiles needed by employers, aligning education and training with the new in-demand jobs of the green transition.
 - **Strengthening environmental protection to improve human health and safety:** Sustainable economic growth is critical to ensure that people live longer, and better lives. Recognizing that more can be done to address environmental health challenges – including those resulting from air pollution, hazardous substances or climate change - business works continuously to improve environmental performance to safeguard human health and safety. This is done by supporting research to help us understand knowledge gaps, by ensuring compliance with existing regulations, by implementing commitments on responsible business conduct, and by innovating processes, products and services. Excellence in operations, taking measures to minimize risks and prevent accidents, and addressing occupational diseases lies at the heart of business competitiveness, ensures human health and safety, and promotes environmental performance.

Business Recommendations

Moving to net-zero

Recommendation 1: Set coherent, reliable and evidence-based green transition strategies, working with business to advance sustainability, safeguard competitiveness, and ensure energy security.

A coherent, reliable and evidence-based policy framework is a key lever to create fair and attractive market conditions that accelerate the green transition. Policy uncertainty significantly slows down investment efforts into environmentally-friendly technologies, including by the most carbon-intensive sectors. The OECD and governments should strengthen their engagement with representative business organizations and employers to draw from their experience and expertise to undertake transformational change at a scale and pace that better meets the aspirations of the Paris Agreement. Moving from commitment to action, regular monitoring, policy evaluation and feedback on results and good practices – including through the OECD International Programme for Action on Climate (IPAC) – can make a critical contribution to help countries ensure effective implementation of their climate policies.

Business investment decreases by 2-3, if environmental policy uncertainty increases by 10%, as measured by newspaper coverage frequency.

[\(OECD Source\)](#)

Recommendation 2: Ensure affordable access to energy, support the development of infrastructure towards a carbon-neutral energy mix, advance electrification of our economies, and promote energy efficiency.

Given that our businesses have witnessed a surge in energy prices over recent months, the OECD and governments should take necessary steps to safeguard our competitiveness, energy security and affordable access. To facilitate the energy transition, an enabling environment for the modernization and digitalization of grid facilities, energy storage systems, and a proper charging network for the electrification of our economies are indispensable. In order to “pull” our energy systems towards carbon neutrality, emphasis should also be placed on energy end-uses, including by advancing the electrification of transport, building energy uses and industry. To decarbonize “hard to abate” industrial sectors, it is important to promote the development and scaling up of relevant innovation - such as green hydrogen, bioenergies, and synthetic fuels - safeguarding an inclusive, flexible and technologically neutral approach. More should also be done to increase the energy efficiency of our economies, including through green public procurement. The OECD and government should foster holistic approaches to the energy transition, working closely with the International Energy Agency.

Energy annual inflation in the OECD already hit 26.2% in January 2022. The Russian invasion of Ukraine significantly drove up energy prices further: Gas spot prices in Europe are now more than 10 times higher than a year ago while the cost of oil has nearly doubled over the same period.

[\(OECD Source 1\)](#) & [OECD Source 2\)](#)

Recommendation 3: Foster the development, diffusion and deployment of green innovations, ensuring that Covid-19 recovery measures yield “double dividends” towards sustainability goals.

Governments should foster an enabling environment for the development, diffusion and deployment of new business solutions – including by facilitating planning certainty, reducing unnecessary regulatory burden, ensuring robust intellectual property systems, and fostering open markets. Facilitating international co-operation and public private collaboration in research and development can contribute to achieving a step change in environmental innovation. Underlining the importance of technology-neutral policies, governments should identify general-purpose technologies with environmental benefits and diversify the portfolio of technologies for which support is provided. As the OECD green recovery database shows that over USD 677 billion have been allocated to recovery measures that the OECD classified as “environmentally positive”, it will be critical for to assess implementation, track spending progress, and ensure a more level and “greener” playing field.

\$677 billion have been allocated environmentally positive recovery measures over the coming years. This is almost double the total allocated to measures with negative or mixed environmental impacts as recorded in the OECD Green Recovery Database.

([OECD Source](#))

Recommendation 4: Enable green finance and investment, including through well-designed definitions and taxonomies, and promote the consistency of environmental sustainability reporting standards.

The OECD and governments should foster enabling conditions for green finance to reorient private sector investments into sustainable economic activity. Well-designed sustainable finance definitions and taxonomies could help foster transparency, reduce fragmentation across markets, and avoid undue administrative burden. Proper and cautious consideration should be given to those activities that may not be zero-carbon but are needed to bridge the green transition. The OECD has a unique role to play to coordinate initiatives and avoid regulatory fragmentation across jurisdictions that create significant inefficiencies for business.

The value of sustainability-themed investment products was estimated at \$3.2 trillion in 2020, up more than 80% from 2019. The capital market is increasingly aligning itself with sustainable development outcomes.

([UNCTAD Source](#))

Recommendation 5: Ensure our workforce is prepared with the new skills profiles needed by employers, aligning education and training with the new in-demand jobs of the green transition.

Accessible and affordable retraining options are needed for workers in sectors under transition. Governments should facilitate job-to-job transitions for workers by underwriting retraining costs and identifying skills adjacency profiles to better align workers with new opportunities. OECD and governments should also ensure that all jobs, rather than a selected few “green jobs”, can become more environmentally sustainable in the long-run. Close consultation with employers can be instrumental to maximize participation in labor markets, support skills and employability, and promote inclusion and diversity.

24 million jobs will open up in the green economy, and offset job losses of 6 million elsewhere.

([ILO Source](#))

Addressing the global plastics challenge

Recommendation 1: Tap the upside potential of plastics recycling, and encourage the development, diffusion and deployment of a variety of recycling techniques.

Available today in many shapes and forms, plastics have become part of everyday life. However, their popularity and almost endless applications present a series of challenges for the recycling industry. Focus should therefore be put on the development of new plastics recycling capacities and capabilities, including in OECD countries and beyond. Governments should encourage the development, diffusion and deployment of innovations and a variety of recycling techniques, including conventional and advanced recycling, as well as automation and disassembly technologies. The Organisation should give consideration how countries can finance stronger recycling and collection systems. To promote collaboration, foster synergies and avoiding duplication of efforts, the OECD should identify ways to work with the UN Intergovernmental Negotiating Committee that is developing a global instrument to address plastic pollution, especially on sustainable financing for waste collection and recycling systems.

Only 9% of plastic waste was ultimately recycled in 2019, about 19% incinerated, and 50% went to sanitary landfills. 22% was disposed of in uncontrolled dumpsites, burned in open pits or leaked into the environment.

[\(OECD Source\)](#)

Recommendation 2: Encourage investment into recycling operations through economically efficient and environmentally effective trade policies, and facilitate the transboundary movement of recoverable wastes.

Given the loss of key overseas markets for scrap, OECD governments should seek economically efficient and environmentally effective trade policies. As the *OECD Decision on the Control of Transboundary Movements of Wastes Destined for Recovery Operations* may facilitate transboundary movements of recoverable wastes between OECD member countries, the Organization and different government ministries should ensure that the Decision delivers against its objectives, is implemented, and can be used by the private sector to its full potential. In this regard, the OECD and governments should agree on a decision in a timely manner that facilitates continuous trade in non-hazardous used plastic among OECD countries. In addition, national resource efficiency and circular economy initiatives should not create unnecessary barriers to a circular economy and global trade.

Between 2014 and 2020, the global share of plastic waste exported in overall plastic waste generated declined from about 5.3%, and fell to only 1.8%.

[\(OECD Source\)](#)

Recommendation 3: Ensure policies on single use plastic waste are evidence- and market-based, and avoid potential collateral effects on sustainability caused by a shift to substitute materials.

Governments, businesses and consumers should consider reducing their plastic consumption where alternative materials with comparable product characteristics and quality attributes are available. We caution however that policy interventions - including bans of specific products or applications - without a complete and evidence-based understanding of their impact and substitution effects often have unintended adverse consequences. In this regard, adequate impact assessments and stakeholder consultation are indispensable to avoid potential collateral effects from a shift to substitute materials. Voluntary company initiatives towards waste prevention - often designed with the participation of third parties such as environmental NGOs – can effectively improve environmental performance beyond legal requirements.

Substituting plastic in consumer products and packaging with alternatives that perform the same function may increase environmental costs 4 times, from \$139 billion to a total of \$533 billion.

[\(Source\)](#)

Recommendation 4: Work with business to better understand microplastics, their sources and potential risks posed to humans and the environment.

Microplastics is an intricate, multi-faceted issue. Business is committed to helping people and governments better understand what we know, based on science, about microplastics and their potential effects on people's health and the environment, and has committed to significant research funding to understand potential impacts. As there is also more to learn about the sources of microplastics in the environment, one of the best ways to address potential concerns is to avoid having plastic waste enter the environment in the first place.

More research is needed on microplastics to develop a thorough accounting of pollution levels and risks.

[\(OECD Source\)](#)

Recommendation 5: Strengthen international cooperation and work with OECD non-member countries to ensure universal access to waste collection.

Plastics leakage causes environmental damage on a worldwide scale that requires international cooperation to address. To stop plastic leakage linked to poor waste management practices in developing countries, including in Southeast Asia, consideration should be given to strengthen awareness raising, capacity building, and financial support. As OECD companies can play an important role in this regard, exporting alongside their investments knowledge and best practices concerning environmental management, governments should ensure that host country environments as well as financing conditions are supportive of foreign investments.

While OECD countries account for close to 50% of global GDP, they account for only about 14% of the total plastic leakage. In comparison, in many Asian, South East Asia and African economies account for a larger portion of the total global plastic leakage than their share of the global economic output.

[\(OECD Source\)](#)

Maximizing synergies between trade and the environment

Recommendation 1: Disseminate analysis on trade and environment policy synergies, and avoid unilateral use of carbon pricing and border adjustment mechanisms as a protectionist measure.

In several OECD countries, trade measures are being considered to rebalance potential competitive disadvantages and to avoid carbon leakage. As carbon pricing and proposals for respective border adjustment measures are discussed, the WTO compliance of such measures needs to be ensured. To strengthen fact-based and prudent decision-making, further evidence on technical design as well as the trade, economic, and development impacts and environmental effectiveness of such measures will be critical prerequisites to avoid illegitimate, arbitrary or unjustifiable discrimination or disguised trade restrictions. Given the magnitude of the climate challenge, carbon pricing and border adjustments in isolation are not instruments that can mobilize sufficiently all investments needed to support low-emissions pathways.

Overall, the ex-post empirical literature finds, if any, only a small effect of climate policies on carbon leakage and competitiveness.

([OECD Source](#))

Recommendation 2: Build momentum towards liberalizing trade in environmental and low-carbon goods and services to foster diverse sources of environmentally-friendly solutions.

Liberalizing trade in environmental and low-carbon goods and services provides an opportunity to foster diverse sources of environmentally-friendly solutions. Trade agreements, rules, and customs procedures should be supportive of open markets, which will advance environmental or other policy goals. Evidence-based OECD work at the intersection of trade and the environment should ensure that environmental policies are not used to artificially and arbitrarily hamper international trade.

If they abolished tariffs and other barriers, the top 18 developing countries ranked by greenhouse gas emissions would be able to import 63% more energy-efficient lighting, 23% more wind power equipment and 14% more solar power equipment. ([WTO Source](#))

Recommendation 3: Enable the circular economy, including by removing trade barriers for goods for direct reuse, repair, refurbishment, and remanufacturing.

As circular economy and resource efficiency initiatives – such as recycling to close material loops, product service systems, or loops such as repair, reuse, refurbishment, and remanufacturing – continue to largely take place within national boundaries, further studies are needed to identify methods in which trade policy can support resource efficiency goals on a global scale, for example by facilitating the use of remanufactured goods and the environmentally-secure movement of used products for recycling and/or reuse.

Direct references to circular economy is still a very limited practice in RTAs. Provisions related to circular economy can be found in 385 RTAs out of 730 RTAs signed between 1945 and 2018.

([OECD Source](#))

Recommendation 4: Provide an enabling environment for international investment that helps to advance sustainability objectives.

International trade and investment go hand in hand, and greater quantities and greater qualities of investments are needed for the green transition. In this regard, the OECD and governments should focus on ensuring an enabling international investment environment, as our businesses operate under increasingly uncertain global conditions. This should include clearly communicating expectations on what constitutes ‘green investments’ but also ensuring appropriate safeguards and sound investment protection and tackling remaining as well as newly emerging barriers to international investment. The OECD and governments should also conduct cross-Committee work and explore how the rules-based international investment environment can better deliver in light of growing international tensions.

More than 60% of all FDI on energy systems is dedicated to renewables in OECD countries.

([OECD Source](#))

Recommendation 5: Support private sector efforts to spread responsible business conduct, ensuring effective implementation of existing OECD standards through outreach and capacity building.

Businesses are subject to increasing expectations to live up to the highest standards of conduct in all operating areas, including towards environmental objectives. As OECD business is leading the way in this regard and momentum is continuously growing, OECD instruments on RBC - namely the OECD Guidelines for Multinational Enterprises (OECD Guidelines) and related OECD due diligence guidance - play an important role in providing companies with practical guidance. To scale up action, more focus should be put on further promoting the OECD’s consensus-built standards, and supporting capacity building in OECD countries and beyond. Close consultation with business is critical to ensure that approaches remain realistic and that practical challenges are duly taken into account, with the ultimate goal of fostering a more level and ‘greener’ playing field.

Doing good is good business. Responsible business conduct and sustainable practices can provide significant competitive and financial advantages. For example, effective CSR can increase the market value of a company by 4 to 6%.

([OECD Source](#))

Aligning the digital transition with a more sustainable economy

Recommendation 1: Ensure access to quality and reliable data through consistent data sharing frameworks and infrastructure to support sustainability and energy efficiency across sectors.

Data sharing and information exchange are critical to guide smart decisions towards a green transition, increase energy efficiency and advance our economies. The OECD and governments should therefore ensure access to quality and reliable data, supported by common interoperable data standards, and based on other market openness principles including non-discrimination, transparency, and avoidance of unnecessary restrictions and regulations. Privacy and respect of personal data and should be ensured. Governments can pair these gains with policies and regulations that encourage migration to the cloud. Digital technology can provide solutions for reducing emissions. In particular, high capacity, reliable and resilient networks are fundamental enablers for more efficient and greener economies. Cloud-based services can in many cases drive energy efficiency gains.

Digital technologies can provide solutions for reducing emissions by up to 15% – or one-third of the 50% reduction required by 2030.

([Source](#))

Recommendation 2: Encourage multi-stakeholder collaboration and dialogue to enhance the understanding of the digital and environmental transitions.

Dynamic progress towards the dual digital and environmental transition implies many opportunities and challenges for all stakeholders in the global economy. To apprehend and prepare people our business and governments for the upcoming changes, the OECD should encourage and foster cross-sectoral and multi-stakeholder dialogue and action to deepen the cooperation between public authorities and business leaders to build on and expand initiatives supporting the digital transition and sustainable economies.

The OECD's convening power and robust multi-stakeholder approach allows the facilitation of co-operation among the private sector, the technical community, civil society, academia, governments, the regulatory community and other international organizations.

Recommendation 3: Promote the transition towards smart energy systems, the use of data analytics and digital solutions to increase the resilience and efficiency of energy grids.

As our economies become increasingly reliant on the energy grid to complete the green transition, we must ensure the reliability of supply and distribution, especially during times of crisis. The changes that our energy supply is going through must also be managed in a safe and cost-effective manner. Smart grid technologies are one of the key enablers for this change. In this regard, the introduction of data analytics in their public and private management can ensure that secure and efficient operation strategies, as well as optimal business decisions, are made.

The introduction of cloud computing devices into the operations of energy grids reduces energy consumption by an average of 34 %, efficiency is increased by 12 %, and network failure is reduced by 14 %.

([Source](#))

Recommendation 4: Foster investment in research and development of AI technologies and related infrastructure to strengthen environment and climate resilience, and advance energy and resource efficiency.

To strengthen climate and economic resilience in the transition to a low-carbon economy, the OECD and governments should support business to better anticipate, prepare for, and respond to climate change events, trends, and disturbances. AI technology is increasingly used by companies and administrations to address environmental and climate risk, and provides great opportunities to foster energy and resource efficiency. Further investments in AI are essential to advance innovative uses of the technology to tackle challenges raised by climate change, mitigate its negative impacts and help societies adapt.

Environment and environmental resilience are not, as of date, a priority of the national AI strategy for a majority of OECD countries.

([OECD Source](#))

Recommendation 5: Support businesses efforts to achieve higher resource efficiency and scale up circular economy operations, including for electronic wastes, through trade.

Our businesses are strengthening efforts to achieve higher resource efficiency and gear their operations towards a more circular economy - including for electronic wastes – and the OECD and governments should support our businesses in this regard. As trade plays a key role to achieve the economies of scale needed for the circular economy, more consideration should be given to further enabling the circular economy through global trade – including for second-hand goods, goods for repair, refurbishment and remanufacturing, waste and scrap, and secondary materials, as well trade in related services – while safeguarding the achievement of important environmental, health and safety goals through effective policies.

Circular economy solutions remain niche, with some estimations that the global economy is only 9% circular.

([WTO Source](#))

Energy security, affordability and transitions in the context of the Russian aggression against Ukraine

In today's geopolitical situation, energy security and affordability issues are a priority for governments, business and society at large. At the same time, we must keep our focus on addressing the important environmental challenges we face.

Business at OECD and its members condemn the Russian aggression against Ukraine, and our thoughts are with the Ukrainian people. While the war is causing insurmountable human suffering, it will also destabilize the region and have significant negative consequences for the world economy, as well as global discussions on climate change. Our businesses are preparing to bear an important share of the burden to defend our common values and security - especially those invested in and trading with Russia.

The macroeconomic impacts of this crisis have led to economic uncertainty and inflationary pressures. While our companies had been facing surging energy and gas prices for months before the crisis, the prospect of further price increases now poses a significant threat to the recovery from the pandemic. For many businesses, the current energy situation is the most serious challenge they face, and even existential.

This crisis provides a powerful incentive for OECD countries to decisively move forward with the energy transition geared towards long-term climate objectives while addressing energy security concerns. More than ever, governments and businesses need to work together to take the necessary steps to diversify energy supply, considering the potential of different energy options; promote the development and modernization of energy infrastructures that sustain the transition towards a carbon neutral energy mix; and strengthen energy efficiency to reduce the energy intensity of GDP.

We reiterate our commitment to address the global challenge of climate change, and our strongest efforts to make it happen. Still, this crisis is a game changer, and we need urgent policy responses now to safeguard energy security and affordable access in order to maintain employment, mitigate the effects on consumers, and that our companies can have a viable business case to continue the necessary investments in the climate transition. In this context, we call on the OECD and governments to take the necessary short-term measures to reduce the burden of surging energy prices on business.

We also underline that climate change remains a global issue, and no single country or region can solve this on its own. We are highly concerned about the impacts of this crisis on global cooperation, the future of the Paris Agreement, and implications for common contributions towards net-zero. The Russian Federation is the third largest emitter of worldwide greenhouse gas emissions, and economic pressures will not only harm its economy, but may also significantly reduce the capacity of Russian companies for climate action.

In light of these major challenges, it is now more important than ever for the OECD to act as a platform for holistic policy dialogue on the economy, energy and climate pathways, building on updated energy scenarios. The Organization should work across Committees to foster the dissemination of facts, quantifications and policy advice, looking at interactions between environmental objectives, innovation and investment requirements, among others. We also call on the Organization to work closely with the International Energy Agency. *Business at OECD* stands ready to work closely with the Organization to address these challenges and provide private sector input.

Business considerations for an OECD Inclusive Framework on Explicit and Implicit Carbon Pricing

As carbon pricing and related policies harbor both risks as well as opportunities, a comprehensive understanding of the effects of carbon prices on our economies and societies must be carried out before considering any steps under the right economic conditions.

In principle, OECD governments should promote evidence-based policies, which are holistic, market-oriented and foster international cooperation, while contributing to the reduction of greenhouse gas emissions. By pricing emissions, well-designed carbon pricing frameworks can contribute to sending economic signals to agents across the value chain to decarbonize in a cost-efficient way, while ensuring a level playing field. However, as policy approaches are diverse and often uncoordinated, any comparison should account for explicit prices established through carbon taxes or emission trading systems, as well as implicit prices arising from by other policies, and also take into account administrative burden.

To this end, we support OECD efforts to establish a joint evidence-base and commonly accepted measurement of carbon pricing to allow for meaningful and transparent comparison of different approaches, while flexibly reflecting national and regional circumstances. *Business at OECD* (BIAC) and its members look forward to engaging with the OECD and governments on this issue, as the Organization develops an *Inclusive Framework on Explicit and Implicit Carbon Pricing*.

Taking into consideration the current situation, and given countries' unique economic, environment and energy circumstances, the establishment of globally more coherent market and pricing approaches should be considered a long-term objective.

In this regard, the OECD and government should consider the following points:

- More international co-operation on carbon pricing and related policies is needed, including among like-minded OECD countries, as the UNFCCC and Paris Agreement conclude remaining technical details of Article 6, implementation gets underway, and governments seek to increase ambition in mitigation, technological cooperation and finance.
- A comprehensive systems thinking approach is indispensable to ensure effective policy making. To avoid double regulation, risks of overlapping economic incentive tools should be addressed, particularly when market mechanisms and energy taxation based on 'carbon footprint' are combined to achieve the same goal.
- With regard to the process whereby 'carbon footprints' are determined, such analysis should be rigorous, non-discriminatory, and not lead to anti-trade assessments.
- Sector-specific framework conditions for pricing carbon – including price-sensitivities, willingness-to-pay, avoidance costs and risks of carbon leakage – vary significantly and require tailored and targeted approaches. If framework conditions change, a step-by-step convergence of sectors and systems might be explored over time.
- As complementary trade measures are being considered to rebalance competitive disadvantages against third parties and address carbon leakage, the compliance with WTO rules of any such measures must be safeguarded. Any initiatives in this regard must not add further strains on the global trade and investment system.

- Given the magnitude of the climate challenge, carbon pricing and markets in isolation will not sufficiently mobilize all investments needed to support low-emissions pathways, and other complementary investment- and finance-promoting instruments and enabling frameworks need to be employed. An investment offensive needs attractive funding, appropriate risk-sharing and smart pricing that complement each other to step up deployment of climate-technologies to the market.
- Consideration should be given to using carbon pricing revenues to further incentivize the development and deployment of decarbonisation measures, and counterbalance negative effects. Environmental goals, rather than raising revenue, should be the primary goal of such mechanisms.
- In order to mitigate risks of economic counterincentives and social upheaval that may eventually impede climate ambitions, any steps related to carbon pricing should be announced early on to ensure that consumers can adjust to price signals without immediately depriving them of purchasing power. Quick shots should be avoided.



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