



## **Statement from the French “Conseil national de l’industrie” ahead of the Paris Climate Change Conference**

**October 2015**

**« French industry must play an essential role in combatting climate change through the innovative scientific and technological solutions it develops and delivers to society. »**

The French “Conseil national de l’industrie” (CNI) gathers industrial organizations and federations, labour unions and public authorities. It informs the government on the situation of French industry, gives advice and make proposals and recommendations to improve the competitiveness of industry, strengthen industrials activities and develop the associated jobs and skills.

All CNI members agreed with this statement.

**On the occasion of the Paris Climate Change Conference (COP 21), the French “Conseil national de l’industrie” (CNI) reaffirms that French industry must play an essential role in combatting climate change through the innovative scientific and technological solutions it develops and delivers to society. As a key economic player in the energy transition and the in the circular economy, French industry strives to be respectful of environment and fully aware of its responsibility to society.**

Since the early 1980s and especially over the past 20 years, the greenhouse gas emissions of French industry have decreased by 36%. This is partly due to declining industrial activity in France, but it is also the result of the considerable efforts that French industry has deployed to earn its place among the world’s best-performing industries in this respect. From 1990 to 2008, efforts by France’s industrial actors have generated significant gains in energy efficiency, a 60% reduction in waste through recycling, and a 30% increase in material productivity. This progress is ongoing and must be intensified in order to achieve a steady reduction in the environmental footprint of French industry.

The R&D organizations of the french big, medium sized and small industrials companies have spawned numerous innovations. These constitute major contributions and drivers of progress for our energy value chains. Today, more and more companies are integrating the climate change imperative into their strategies and pursuing a sensible and responsible policy that places energy consumption – and more broadly environmental stewardship – at the core of their product design and industrial improvement processes. Today, energy performance and environmental performance, like social responsibility, have become entirely part of industry’s performance and sustainable development.

The French CNI hopes the forthcoming Paris Climate Change Conference achieve full success, and calls particular attention to the

following stakes for French and European industry:

### **1 – Reaching an international agreement guaranteeing that the world’s largest emitters commit to an ambitious trajectory of greenhouse gas emissions reduction**

Europe is currently the only region of the world to have significantly curtailed its greenhouse gas (GHG) emissions, and is contributing to the fight against climate change in a proportion that exceeds its share in world economic output<sup>1</sup>. Although France accounts for under 1% of global GHG emissions, it is among the EU Member States that has contributed the most to this strong European performance; France’s emissions per unit of GDP are substantially lower than the global average<sup>2</sup>.

**The French CNI acknowledges these efforts and supports the target of a 40% reduction in GHG emissions in Europe by 2030 compared to the 1990 level. CNI is calling on the European Union to ensure that this commitment is aligned with the target of seeing industry’s share of European GDP rise to 20% by 2020.**

The European Union must make sure that the agreement will guarantee a level playing field among the States that are party to the agreement in particular with respect to energy prices and products exposed to international competition. This is key to success both in reinforcing Europe’s industrial activity and in making an ambitious ecological and energy transition which benefits employment, economic growth, enterprise development and the quality of life of European citizens.

It is thus imperative for the international conference to focus on **balancing the commitments of all global stakeholders**, particularly the major emitters. Otherwise, the effectiveness of Europe’s climate efforts would be considerably undermined by carbon leakages<sup>3</sup>, which would hamper Europe’s

ability to pursue its low-carbon strategy over the long-term while safeguarding its jobs and its industrial competitiveness. Moreover, differences in levels of development must also be factored into the equation to sustain the momentum of countries now in the process of economic and social development.

It is therefore important for the agreement to:

- define a framework that affords long-term predictability, to give businesses enough visibility for their investment projects;
- formally bind **all States** to a GHG emissions reduction trajectory;
- be backed up by coordinated and reliable national, regional and international monitoring, reporting and verification systems (such as regular follow-up of energy prices and costs, analysis of carbon leakage);
- lay the foundations for the eventual linking of regulated carbon pricing instruments between the main emitting countries;
- encourage the implementation of adequate financial assistance for developing and deploying low-carbon solutions (e.g., carbon market tools, climate finance);
- continue to use project mechanisms<sup>4</sup> that help optimise the cost-effectiveness of GHG emissions reduction policy and play a role in accelerating sustainable development in developing countries.

**Introducing an adequate price on carbon is essential for taking decisions and promoting investment in low-carbon solutions and disseminating those solutions across the entire value.** The agreement must promote implementation by the major emitting countries of a carbon pricing system that guarantees a meaningful and predictable carbon price – one able to stimulate investments that afford the best cost-effectiveness. It is essential to define a realistic phasing that avoids competition distortion while accommodating the various points of departure, in order to move forward towards a full linking of

regulated carbon pricing systems on an international scale.

## **2 - Promoting research, innovation and investments in low-carbon technologies, practices and solutions to encourage the emergence of new development and employment models.**

Limiting greenhouse gas emissions requires greater use of low-carbon energies of all kinds – nuclear and renewable – as well as a change in production practices and consumer behaviour. It also depends on market uptake of new resource-efficient and low-emission technologies. The goal is to promote **a new model of green growth based on an industry that is efficient in economic, social and environmental terms**, yet without opting for any form of negative growth: industry is vital to meeting the world's environmental and social challenges.

New business models, based on the digital transformation and the circular economy, are redefining industrial production; power generation and management systems; transport infrastructure and mobility practices; building construction and renovation; urban organization and water management; and food production, processing and consumption. Every industrial sector is now affected by the trend towards resource efficiency and conservation, low-carbon energies, waste recycling and use of recycled raw materials, eco-design of products, deployment of industrial ecosystems, and function-oriented business models in which usage prevails over ownership.

All these trends **must be encouraged by public policies at both the national and transnational levels; by support for R&D, innovation and investment namely via special investment funds** to support businesses in assuming the financial risks; **by suitable training policies designed to anticipate and accompany professional transitions**, and, where applicable, **by appropriate regulatory changes** to avoid competitive distortions while upholding labour rights.

**In all these areas, French and European businesses have many capabilities and advantages. The energy transition, with the fight against climate change, is an opportunity to reinforce our industrial production capacities and can potentially boost growth and employment.** European policy-makers have an active role to play in supporting the development of an enhanced European offer able to address the needs of citizens and new markets. It can also be leveraged to consolidate the industrial companies, particularly SMEs which are a source of long-term job creation.

France's industry also calls on the European Union to make progress toward integrating Europe's energy market and strengthening cooperation to ensure a secure and competitive energy supply in a context where Europe's rate of energy independence is on the decline<sup>5</sup> and where the competitiveness gap with competitors in non-EU countries on energy cost has widened substantially.

### **3 - Enlisting all industrial stakeholders in drafting the agreement (companies and the workforce)**

A key factor in fulfilling commitments will be the involvement of the entire population – namely the industrial stakeholders who can deliver new solutions and lead the management of change. Initiatives such as the

“Business & Climate Summit” held on 20-21 May 2015, and the establishment of a “business dialogue” between the leaders of global corporations and high-level negotiators are steps in the right direction. The French CNI would like to see this enlistment of stakeholders extended to include representatives of industrial labour unions, who are active participants in this transformation.

Enlisting the participation of industrial stakeholders is especially meaningful with regard to:

- deploying a global system of carbon quotas that can ensure fair competition and avoid carbon asymmetries between imported and locally-made goods, while providing industry with predictability over carbon price trends;
- the means by which sectors not subject to carbon quotas – namely transport and building – can be involved in GHG mitigation efforts, addressing their specific situations via dedicated support mechanisms;
- working with the relevant authorities to devise training policies and programs to support workforce transitions, both to meet the need for new skills and to assist businesses and employees in sectors subjected to a gradual decline in their activity;
- identifying measures and implementing contractual incentives to promote the development of industrial ecology and the circular economy.

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<sup>1</sup> By 2012, the European Union had lowered its GHG emissions by 18% compared to 1990, whereas global emissions had risen by 50% over the same period. At that time, the EU accounted for 11% of global GHG emissions, compared to 16% for the United States and 24% for China.

<sup>2</sup> France emits 5.5 t of CO<sub>2</sub> per inhabitant per year, versus 6.2 for China, 8 for the United Kingdom, 9.4 for Germany and 16.5 for the United States (2013 figures). This is primarily the result of France's low-carbon power generation (36 gCO<sub>2</sub>/kWh versus the European Union average of 290 gCO<sub>2</sub>/kWh), which makes it one of the six countries in the world that has already met and amply exceeded the target of more than 80% low-carbon energy supply by 2050, as recommended by the IPCC (Intergovernmental Panel on Climate Change) in its latest report to governments in preparation for COP 21.

<sup>3</sup> Outsourcing and transfers of global production to countries making less of an effort to reduce greenhouse gas emissions and therefore offering a competitive advantage in terms of energy costs.

<sup>4</sup> Mechanisms introduced by the Kyoto Protocol to limit the costs associated with the emissions reduction obligations imposed on States and facilitate implementation: for example, an industrialised country can contribute to meeting its own targets via a greenhouse gas reduction project implemented in a developing country.

<sup>5</sup> From 52.6% in 2001 to 46.2% in 2011.