

IETA's views on Article 6 of the Paris Agreement

October 16, 2018 - Glion



IETA
CLIMATE CHALLENGES
MARKET SOLUTIONS

What is IETA?



The screenshot shows the IETA website homepage. At the top is the IETA logo and a navigation bar with links: HOME, MEMBERS ONLY, IETA COUNCIL, ABOUT IETA, and NEWS. Below the navigation bar is a section titled "MARKET SOLUTIONS FOR CLIMATE CHANGE" with a brief description of IETA as a nonprofit business organization created in 1999. To the right of this text is a large graphic of the number "4" with the words "IETA INSIGHTS" and "ANALYSIS AND RESEARCH" below it. Below this is a section titled "WHO WE ARE" with three columns of text describing IETA's vision, its role as a collective voice, and its mission to enable members. Below this is a banner for "IETA @ COP23 FIJI" with a logo featuring palm trees and the text "ON CLIMATE CHANGE CONFERENCE BONN 2017". Below the banner is a section titled "OUR MEMBERS" with logos for Commonwealth, firstclimate, Marubeni, and VCS. At the bottom is a link to the "2018 EVENT & PUBLICATION CALENDAR".

MARKET SOLUTIONS FOR CLIMATE CHANGE

IETA is a nonprofit business organisation created in 1999 to serve businesses engaged in the field of carbon markets. Our objective is to build international policy and market frameworks for reducing greenhouse gases at lowest cost.

WHO WE ARE

Our vision is a single global carbon price produced by markets of high environmental integrity. We pursue this vision with an eye to pragmatism, political reality and sound economics.

With deep relationships in key policy centres and commercial arenas, IETA is the collective voice for the full range of businesses involved in carbon pricing - all around the world.

We enable our members to capture opportunities, mitigate risks and manage uncertainties of global carbon policy.

IETA @ COP23 FIJI
ON CLIMATE CHANGE CONFERENCE
BONN 2017

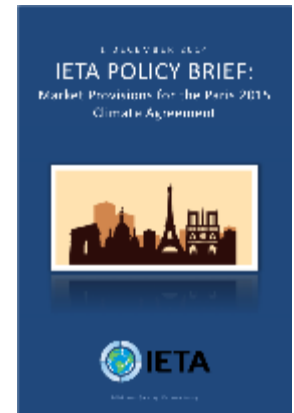
OUR MEMBERS

Commonwealth, firstclimate, Marubeni, VCS

2018 EVENT & PUBLICATION CALENDAR

- Collective voice of business on carbon pricing, markets and finance
- Global non-profit association
- Policy design, thought leadership, global capacity building, best practices, knowledge transfer
- Global Partnerships & Dialogues with UNFCCC, World Bank, OECD-IEA and many, many more!

IETA Vision for Article 6



COP21·CMP11
PARIS 2015
UN CLIMATE CHANGE CONFERENCE

IETA



A VISION FOR THE
MARKET PROVISIONS
OF THE PARIS
AGREEMENT



Open source analysis for Article 6 of the Paris Agreement

The Paris Agreement is a landmark agreement in the history of climate change negotiations. It is the first time that all 195 Parties to the UNFCCC have agreed to a legally binding instrument to combat climate change. The Agreement sets out a long-term goal of limiting the increase in global average temperature to well below 2°C above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5°C. It also sets out a goal of achieving a balance between emissions and removals around 2050.

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IETA Vision for Article 6

- * **Inspire action at scale:** Paris 2°C objective requires a massive push, countries in partnership with business – Article 6 will be crucial
- * **Enable efficient economic transition:** business needs tools to keep costs in check while meeting emissions goals
- * **Carbon pricing driver:** can facilitate the uptake of C pricing in new jurisdictions
- * **Technology neutrality:** allow business to adopt technologies that meet their unique circumstances
- * **Fair competition:** enable businesses in key sectors to access similar carbon prices
- * **Practical & workable:** simple, effective rules, use of familiar terms and procedures

Article 6 holds potential to draw these strands together, enabling the markets to send clear price signals to drive the transition

Article 6.2

- * Article 6.2 provisions are a way to account for transfers of mitigation outcomes across borders, rather than a tool to generate such outcomes
- * Article 6.2 provisions should provide a means to balance, without double counting, any carbon-based transaction between NDCs that might take place

ITMOs

The transfer of ITMOs is the process by which there is a quantitative transfer of emission reduction capability between two Parties either in the form of:

1. Allowances;
2. Reduction units;
3. A carbon delineated inventory adjustment

Article 6.4

- * While Article 6.4 provisions clearly include project-based mechanisms, their scope must be significantly broader, to enable mitigation activities at the scale needed to achieve the goal of the Paris Agreement
- * Article 6.4 should facilitate the process of quantification of mitigation activities, such that transfers can be executed and the necessary adjustments to the NDCs then made.

The Emission Mitigation Mechanism

Article 6.4: The Emissions Mitigation Mechanism (EMM) is a process for unitizing an activity for:

1. Climate finance (e.g. results-based finance)
2. A subsequent transfer of a mitigation outcome between Parties;
3. Enabling the use of domestic carbon pricing systems

All of which should be measured in tCO₂ in a standardised way against the baseline of an NDC.

Elements of Article 6.2

- * Originated from quantified portions of NDC, but with transition period
- * Measured in tCO₂e
- * Based on emission accounts
- * Tracking net flows of MOs over time
- * CAs at issuance and use, with regular reporting
- * MOs deriving from NDC quantification, national policies and Art6.4 mech
- * Limitations could hinder potential

Elements of Article 6.4

- * Operates within NDCs, but with transition period
- * Use to quantify NDC sectors, mitigation activities
- * Could quantify and bring new sectors into NDCs
- * Full quantification of NDCs and CAs reduce additionality concerns
- * Robust baselines are needed
- * Governed by a Supervisory Body
- * If transferred internationally, MOs (from 6.4) subject to 6.2 guidance

Priorities for Art 6.2

- * The Rulebook should give clarity on:
 - * Metric, form and scope of ITMOs
 - * Relation between ITMOs and the originating Party's NDC
 - * Accounting method for ITMOs and the rules for corresponding adjustments

Priorities for Art 6.4

- * The Rulebook should give clarity on:
 - * Scope of the mechanism (relation with the originating Party's NDC)
 - * Scope of activities under the mechanism
 - * Article 6.4 Supervisory Body
 - * Transition of existing mechanism and pre-2020 action

Way forward

- * Paris Rulebook needs to give as much clarity as possible on features of Art6
- * COP24 should define structured workplan
- * Key considerations:
 - * Important to leverage on experiences with existing systems and mechanisms
 - * Art6 pilots can offer insights

Thank you!