Article 6 of the Paris Agreement: where to from here?

Article 6 and North American Linkage: Finding Synergies

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Overview

Potential drivers of the use of Article 6

Use of markets to raise mitigation ambition

Maintaining consistency and facilitating linkage

Potential drivers of Article 6 use

Cost-effective mitigation for NDCs

Steer long-term investment

Transformational change in emissions

Additional source of mitigation support

Access to broad range of markets and buyers

Evolve domestic carbon pricing policy

International markets may reduce global mitigation costs of current NDCs by a third by 2030 and half by 2050 (World Bank)

Around 100 NDCs signal use of markets (mostly supply)

47 countries and subnational jurisdictions are implementing carbon pricing policy, covering 15% of global emissions (World Bank)

Markets as ambition-raisers

- Current ambition levels in NDCs remain insufficient
- Markets have strong potential to raise ambition
  - Cost-effectiveness of carbon pricing – but need to see a political response in ensuring higher mitigation effort is in fact realized
  - Incentive for private sector to take action – ETS compliance obligations are powerful in prompting mitigation action, although unclear how much crediting outside these programmes will be allowed and/or used
- NDCs need to shift emissions below business-as-usual
  - Significant potential for hot air still exists in NDCs, as much as three times the reductions expected from countries with stringent NDCs*
  - Entity compliance obligations need to remain tight under such NDCs

* La Hoz Theuer et al (2017), International transfers under Article 6 in the context of diverse ambition of NDCs: Environmental integrity risks and options to address them

Indicators of ambition raising in markets

Targets are set (well) below BAU emissions
Drive real reductions and support strong carbon prices

New demand for emission reductions is created
New supply does not raise ambition in demand-constrained markets

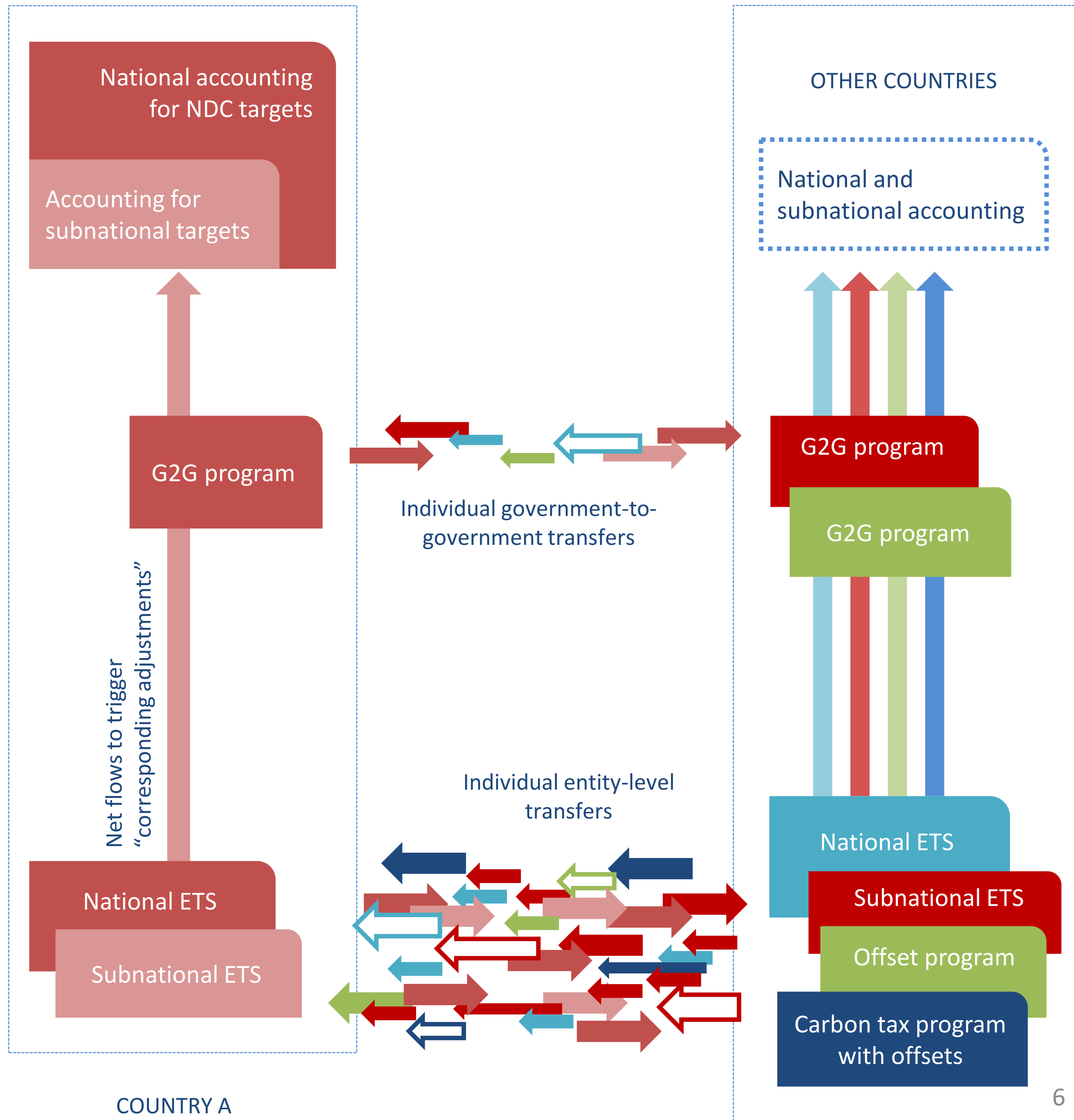
Mitigation action is broadened
Bring new activities within countries' monitoring and control

Environmental integrity is ensured
Emissions can rise without strong ETS targets and robust crediting MRV

Coverage of emissions inventories is expanded
Strengthens control and understanding of mitigation opportunities

Communication of goals and policies is clear
Transparency on policy ambition and long-term goals

Considerable challenges in maintaining consistency



Article 6 as a technical basis for linking

Accounting guidance under Article 6 can promote a common basis of comparability and fungibility for linking ETS and crediting programmes

- Denominating accounting adjustments in tCO2e may encourage widespread use of this emissions metric for transfers
- Ensuring the availability of transfer data on an annual basis can help bridge differences in NDC types and timeframes
- Basic requirements for tracking systems to establish a basis for the compatibility and eventual linking of tracking systems and trading arrangements across countries (such as serial number compatibility, minimum information to be tracked, public availability, etc)