



IMPLEMENTING ARTICLE 6

MOEJ/IGES International Conference
7 March 2022

IETA's assessment of Article 6 agreement



- Very good compromise, inclusive agreement
- Enthusiastic reception within the business community
- Strong environmental integrity
 - Participation requirements
 - Corresponding adjustment on **ALL** transfers
 - Ambitious baselines
- Shorter crediting periods reduce risks related to over-selling, but add other challenges
- CDM transition keeps supply of old credits finite and well-identified
- Article 6 does not directly regulate the VCM, so countries can decide how best to leverage
- Urgent to build business & host country capacity



The Potential of Art 6 – Lessons from A6 modelling



Independent vs. Cooperative Article 6 Implementation

- Independent NDCs show wide range in shadow prices
- Cooperative NDC implementation cuts costs in half
- Potential to **double the ambition** at no extra cost

	2030	2050	2100
I-NDC Range	\$0 to \$101/tonCO ₂	\$0 to \$111/tonCO ₂	\$16 to \$209/tonCO ₂
C-NDC	\$38/tonCO ₂	\$52/tonCO ₂	\$107/tonCO ₂

Source: IETA, University of Maryland, World Bank Carbon Pricing Leadership Coalition (Sept 2019)

Allowance prices in domestic / regional carbon trading systems



Source: ICAP Global Price Explorer (31/12/2021)

Open issues and next steps (I)



- **Private sector looking for prompt Implementation**
 - National strategy formation
 - Clear policy frameworks on use and process
 - Mix of voluntary and compliance markets envisioned
 - New VCM initiatives driving integrity (IC-VCM, VCMI)
- **Article 6 and NDCs**
 - 6.2 and 6.4 transfers must contribute to achievement of NDCs and long-term goal of the Paris Agreement
- **Authorisation and Corresponding Adjustments**
 - Host country should develop plans, processes and instruments for A6 Authorisations to attract investment
 - Commitment to apply CA must be assured
 - Clear processes are key for investor confidence
 - Pilots can develop models of high integrity – but soon time to move beyond pilots

Voluntary Market Growth

Figure 1. Market Size by Traded Value of Voluntary Carbon Offsets, pre-2005 to 31 August 2021



VCM grew nearly 2X in 2021, Could deliver 1 GT by 2025 if high integrity is assured

Open issues and next steps (II)



- **Reporting and transparency**
 - Robust infrastructure is necessary to secure market integrity
 - Distributed ledger technologies (DLT) are a valuable new tool to leverage
- **Standing up the Article 6.4 mechanism**
 - Very busy agenda for the Supervisory Body
 - Operations by end-2023 is challenging, but feasible
 - Experience of CDM and VCM should be leveraged
- **Other International Mitigation Purposes (OIMP)**
 - Elegant integration of CORSIA and any future sectoral scheme with the Paris Agreement
 - Independent standards are evolving to assist
 - VCM likely to offer credits with CA and credits w/o CA
 - Non-adjusted credits can have a positive role to play in global climate action in some circumstances



IETA capacity building initiatives – Open to partners



- **Cooperation with RCC's, Climate Weeks and MDBs**
- **Contract templates**
 - New model Emission Reduction Purchase Agreements (ERPAs) to be published in 2022
- **Model legislation in host countries**
 - Advisory check-list for governments (coming in mid-2022)
 - Public release & sharing with local business partner orgs
- **Assist with World Bank Climate Warehouse**
 - Blockchain-based meta-data system to help avoid double counting
 - Singapore and partners interested in public-private governing body
- **Business Partnership for Market Implementation (B-PMI)**
 - Private sector training in countries implementing carbon markets
- **Thought leadership on interaction between Article 6 & VCM**
 - ICROA analysis ([HERE](#)) and Article 6 FAQ (forthcoming)

