

BUSINESS VIEWS ON ARTICLE 6—FOR PARTIES

Business strongly supports the use of market-based approaches under the Paris Agreement. Article 6 of the Paris Agreement, if implemented appropriately, can be a driver for enhanced ambition of the Nationally Determined Contributions (NDCs); set a framework for effective carbon pricing; create new channels for climate finance; lead to technology transfer and capacity-building; and help to support sustainable development in many ways.

With the upcoming first period of NDC reviews approaching in 2020, ICC—on behalf of 45 million institutional members in over 100 countries—is urging Parties to reach a conclusion on the effective and transparent implementation of Article 6 at COP25.

ICC'S COMMENTS AND RECOMMENDATIONS ON THE IMPLEMENTATION OF ARTICLE 6 OF THE PARIS AGREEMENT

1. BUILD AND AGREE ON A FRAMEWORK FOR MEASURING, REPORTING AND VERIFICATION (MRV)

- Many credible methods for international and national MRV are already in place and generally accepted (e.g. through the Kyoto mechanisms, International Panel on Climate Change methodologies and the UNFCCC inventories) and should be considered when developing an MRV framework.
- It will be important to link MRV for the mechanisms of Article 6 of the Paris Agreement to the Transparency Framework which has been developed under Article 13 of the Paris Agreement.
- To encourage investments by business and reduce risks it is vital that future emission reduction projects deriving from Article 6 are supported by strong and robust MRV systems that cover mitigation of emissions as well as removals by sinks of greenhouse gases.
- A clear MRV framework is essential to demonstrate net emission reduction; environmental integrity; prevent double counting; and promote investment and engagement in emission reduction projects deriving from the Paris Agreement.

2. INTEGRITY, TRANSPARENCY AND RELIABILITY

- The environmental integrity of any mitigation action under a market mechanism must have highest priority. This can be achieved through the development and adoption of clearly defined appropriate upfront standards that projects under a market mechanism must fulfill. The development of standards should be based on lessons learned from the experience of the use of market instruments at international, national and regional levels.
- To ensure long term predictability, transition regulations that avoid discontinuation of projects and related investments should be considered.

- If cooperative approaches and emission reductions under the mechanisms of Article 6 of the Paris Agreement are conducted, prevention of double counting or double claiming as well as absolute or net emission reductions must be ensured. Key to this are the transparency measures which should be guided by and linked to the Transparency Framework under Article 13 of the Paris Agreement.

3. AMBITION AND PREDICTABILITY

- The Paris Agreement states that Article 6 mechanisms shall “incentivize and facilitate participation in the mitigation of greenhouse gas emissions by public and private entities authorized by a Party.”¹ To help stimulate investments in this area it is important that Parties reflect in their NDCs how they intend to participate and make use of the mechanisms under Article 6.
- As NDCs are updated in future years it is essential that participating countries outline in a transparent way how they intend to increase their ambition using voluntary cooperation and market-based instruments.
- Clarity in the use of Article 6 mechanisms from countries is essential to enable comparability of action between countries and sectors, thereby allowing evaluation of mitigation actions, the ability to raise ambition over time and understand and avoid impacts such as carbon leakage.

4. TECHNOLOGICAL NEUTRALITY

- Article 6 mechanisms should be designed in a way to allow for the identification and selection of the most cost-effective mitigation options and the principle of technology neutrality should be applied.

5. ACCESSIBILITY BY PARTIES AND BUSINESS

- The Article 6 ruleset should be simple and should not lead to unnecessary administrative burdens in order to encourage broad multi-stakeholder participation.

6. WORKING ON SECTORAL BASELINES AND STANDARDS FOR EMISSION REDUCTION LEVELS

- Standards are vital for environmental integrity and will enable tracking and transparency of the use of emission reductions and internationally transferred mitigation outcomes.
- The development of comparable and measurable standards and baselines for emission reduction activities under the Article 6 mechanism and for voluntary cooperation should be transparent and take into account sectoral expert consultations, as well as existing experience with MRV principles under the UNFCCC.

THE INTERNATIONAL CHAMBER OF COMMERCE (ICC)

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¹ See Article 6.4(a) of the Paris Agreement. https://unfccc.int/sites/default/files/english_paris_agreement.pdf