



Article 6 : the role of private sector

19th IEA-IETA-EPRI Workshop on Greenhouse Gas Emission Trading

Session 5 | Article 6 – Update from international negotiations and role of the private sector

Article 6 of the PA

Private sector is not really ready

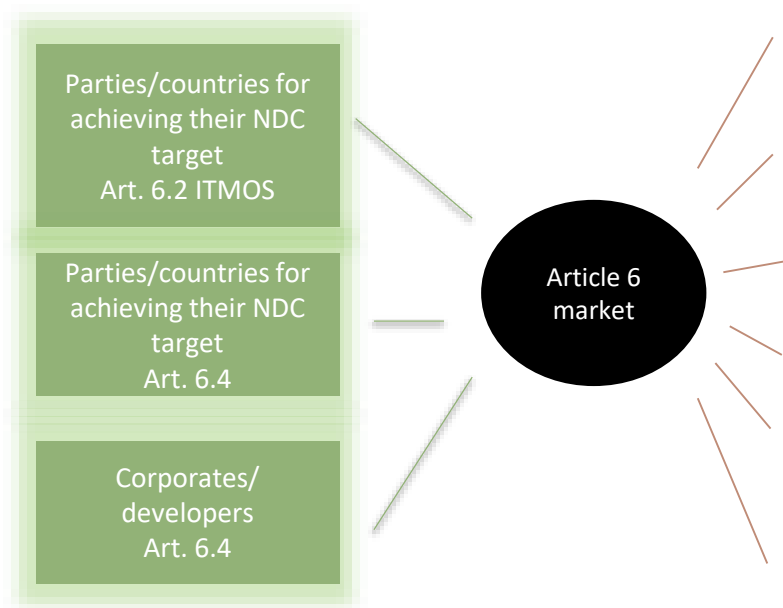


The private sector faces a large number of uncertainties

- Policy uncertainties on the Article 6 operationalization
 - Article 6.2 and 6.4 rules and design issues are always under negotiations (baseline, scope of activities, accounting, registries, NDC scope etc..) and all details could be finalized in several years.
 - Transition between Kyoto Protocol and Paris agreement periods is still uncertain.
 - The final mechanism of the Article 6.4 is not well understood : a credit or trading mechanism?
- Business uncertainties on international cooperation approaches:
 - Trade war and international political tensions
 - A new geography for technologies transfers: RES, CCS, etc...
 - Consumption behaviors changing towards domestic interests

6.2 and 6.4 Articles Supply and demand ?

Supply



Demand

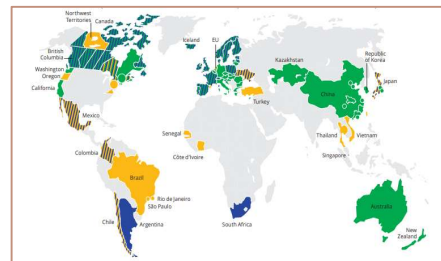


Example of ITMO demand : The Swiss Purchase program of the KLIK foundation from 2021 onwards to buy ITMOs



The KLIK Foundation, the sector-wide carbon offset grouping for fossil motor fuels covered by the Swiss law

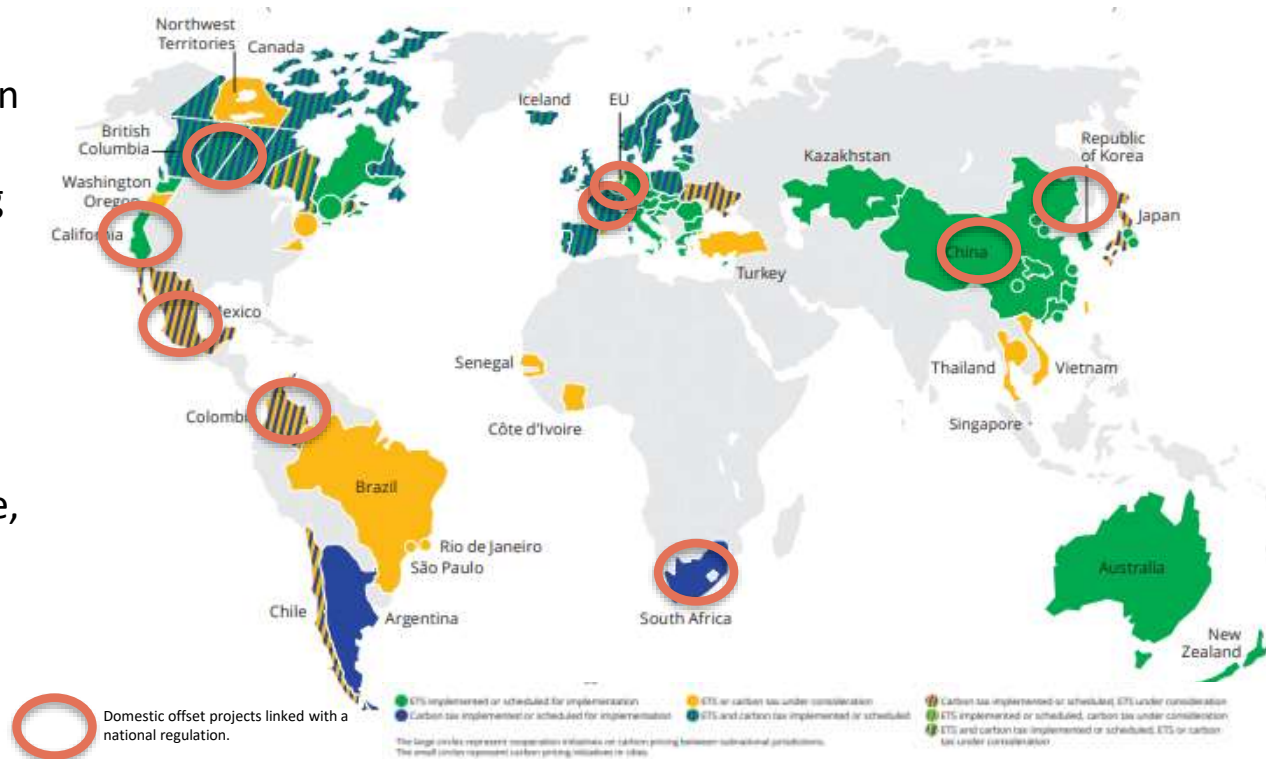
Few carbon pricing regulations could be linked to Article 6 : ETS linking, Artic 6.4 credits?



Financing domestic offset projects

A higher interest these last years

In waiting the definition of the post-2020 international offsetting mechanism, there is a growing focus of private sector on domestic GHG offset projects : South Africa, Columbia, KETS, France, etc..



Financing voluntary GHG offset projects

A big increase of the demand

- The ambition of achieving net-zero emission is diffusing at all levels : countries, local authorities, corporates, financial actors, etc...
- In last months, there is a boom of the “climate pledges” from corporates to commit to net-zero emissions by 2040-2050.
- Financing offsets projects is a key stone of climate mitigation approaches by companies to meet their targets, in addition to GHG reduction actions in their GHG scopes 1.



Financing voluntary GHG offset projects

New expectations from the private sector

- There is a specific **interest on nature-based solutions** to contribute to GHG emissions reductions and removals : forest, mangroves, etc.
- The orientation to **mixed portfolio with local and international carbon projects** is growing.
- The interest in **SDGs projects oriented** is growing: the carbon offsetting strategy needs to align with most of the 17 objectives.
- The interest for **GHG removals projects** such as CCS technologies is increasing to achieve net-zero ambition.
- The interest for the **sustainable and impact investing** is also a new trend from investors.



Key messages

Article 6 and the private sector.

- For the implementation of its Article 6 notably 6.4, **there is a need to reinforce information flows between UNFCCC negotiations, countries and corporates to reduce uncertainties and risks** in order the private sector gets a sufficient level of knowledge on issues of governance, accounting, environmental integrity, transaction costs, etc...
- **Countries and public institutions have a strong role** in managing, implementing and assessing Art.6-based cooperation : **the challenge is of next 5 years is to develop its supply and demand** and to enhance the **mobilization of the private sector**.
- The carbon neutrality ambition of the private sector is growing but corporates do not understand yet this article 6 : **capacities building is a key challenge**.

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