



Joint Inputs on Enabling Ambition in Article 6 Instruments

AMBITION IS A KEY ELEMENT OF ARTICLE 6

Conservation International, Environmental Defense Fund (EDF), International Emissions Trading Association (IETA), and The Nature Conservancy (TNC) are grateful for the opportunity to provide input on enabling ambition in Article 6 instruments. We recognize the solid progress made on the Article 6 texts so far and welcome efforts by the SBSTA Chair to advance discussions under challenging global circumstances, including by convening informal expert dialogues on Article 6 of the Paris Agreement.

Article 6 recognizes that cooperation among countries in the implementation of their nationally determined contributions (NDCs) allows for “higher ambition” in both mitigation and adaptation actions, and it provides voluntary approaches to help Parties go faster and farther in meeting the ambitious goals of the Paris Agreement.

MARKET MECHANISMS CAN INCREASE AMBITION

An EDF analysis estimated that global emissions trading—which enables participating countries to take advantage of cost differentials across sectors, countries, and time—could reduce the total mitigation cost of meeting initial Paris pledges by 59 percent to 79 percent over the period from 2020-2035.¹

If these cost savings are reinvested into additional emissions reductions, the global use of carbon markets could allow the world to nearly double climate ambition relative to initial NDCs between 2020 and 2035, with no change in total abatement costs. A global market could raise total cumulative emissions reductions from 77 to 146 billion tons of CO₂e. In other words, the world **could achieve almost double the emissions reductions at the same total cost**, helping to shrink by about 40 percent the ambition gap between initial NDCs and action consistent with a 2-degree pathway over 2020-2035.

An IETA analysis yielded similar conclusions, demonstrating potential cost reductions of about \$320 billion per year by 2030 as a result of international cooperation when compared with

¹ How carbon markets can increase climate ambition: <https://www.edf.org/climate/how-carbon-markets-can-increase-climate-ambition>. For additional detail, please see EDF's Talanoa submission: https://unfccc.int/sites/default/files/resource/236_Talanoa%20submission%20carbon%20markets%20potential%20EDF%20April%203.pdf.

independent implementation of countries' NDCs. Once again, if countries invested these cost savings to enhance ambition, the IETA analysis found that Article 6 could facilitate additional abatement of approximately 9 billion tons of CO₂ per year by 2030.² This would double the amount of emissions reductions compared to countries' acting alone, at no additional cost.

By lowering total abatement costs and creating economic incentives to reduce pollution, market-correcting climate policies like emissions trading offer the potential to achieve greater reductions at a given cost. Furthermore, since policies are established iteratively over time, achieving initial targets more easily and inexpensively than expected could lower political resistance to setting more ambitious targets in the future.

Three additional findings from EDF's analysis are particularly relevant for Parties to consider as they work to finalize rules under Article 6 that will facilitate higher ambition in the implementation of NDCs:

- Protecting tropical forests offers the single largest opportunity for international climate cooperation to enhance ambition in the near term. In EDF's analysis, Reducing Emissions from Deforestation and forest Degradation (REDD+) accounted for about half of the estimated increase in total achievable abatement from the expanded use of markets, as avoided deforestation is a large source of relatively low-cost emissions reductions. The section below further elaborates on the importance of nature-based solutions in driving ambition.
- Significant opportunities for strengthened ambition exist even with only a portion of the world's emissions linked through international carbon markets. Scenarios with varying degrees of coverage—through participation of specific regions or countries best placed to implement carbon pricing—could yield 24 to 46 percent more emissions reductions when compared to current NDCs, again at no additional cost.
- The majority of cost savings were due to international emissions trading, with a smaller share coming from increased use of domestic carbon markets. While this conclusion needs further analysis, it has potentially striking implications, highlighting the potential of well-designed international cooperation to capture significant cost savings, and thus increase ambition.

It's important to note that even the additional emissions reductions enabled by market-based mechanisms are not sufficient to put the world on a trajectory consistent with holding average global temperature rise below 2°C by the end of the century. Expanding the use of well-designed market-based mechanisms can make a significant dent in the ambition gap without increasing total cost, but achieving the Paris Agreement's objective will require significantly more mitigation, and hence higher costs.

² The economic potential of Article 6 of the Paris Agreement and implementation challenges: https://www.ieta.org/resources/International_WG/Article6/CLPC_A6%20report_no%20crops.pdf. Updated findings will be published shortly.

NATURE-BASED SOLUTIONS ARE A KEY DRIVER OF GREATER AMBITION

One key driver of ambition in market-based mechanisms is the inclusion of forests and other nature-based solutions, which can provide affordable emissions reductions and important co-benefits. The inclusion of nature-based solutions in IETA's analysis accounted for nearly half of the estimated increase in total achievable abatement at the same overall cost.

Further, an analysis led by TNC concluded that twenty natural climate solutions—including the protection and management of forests—have the potential to provide up to 37% of cost-effective mitigation needed by 2030 to hold global temperature increases to less than 2 degrees Celsius.³

To capture the climate benefit of nature-based solutions, it is imperative that Parties keep Article 6 open to high-integrity mitigation outcomes from all sectors and enhance the potential for removals by sinks.

While specific sectors do not need to be explicitly referenced in Article 6 guidance, the draft Article 6 texts include language that could potentially limit the international transfer of high-integrity mitigation outcomes from forests and the land sector. To facilitate maximum ambition, these references should be removed or replaced.

In particular, we recommend that Article 6 texts minimize the risk of non-permanence of mitigation across all sectors in a way that does not disadvantage or delay inclusion of nature-based solutions and, when reversals occur, ensure that these are addressed in full. We also recommend that the texts refer consistently to both emissions reductions and removals (rather than simply emissions reductions) to ensure the full inclusion of nature-based solutions in Article 6 instruments.

AMBITION IS CONTINGENT ON STRONG RULES

Strong rules agreed in Glasgow could unlock the full potential of Article 6. The ambition gains described in the aforementioned analyses by EDF and IETA—the potential to nearly double emissions reductions at no additional cost—assume that emissions reductions are not double counted. Weak rules that fail to ensure environmental integrity and do not avoid double counting will likely result in net harm to the atmosphere.

Some countries are already demonstrating the potential of Article 6.2, entering into promising framework agreements to recognize the transfer of ITMOs. Similar collaboration amongst a coalition of countries or a “carbon market club” could help set the bar for high-integrity cooperation by agreeing strong “rules of the road” for the environmental integrity of cooperative approaches. In doing so, they can model how to expand the scope and maximize the cost-effectiveness of ambitious climate action around the globe.

In this context, we suggest Parties finalize rules in Glasgow that ensure, inter alia, that all internationally transferred mitigation outcomes to be used for NDCs and/or for international

³ Bronson W. Griscom et al. “Natural climate solutions.” *Nature*, <https://www.pnas.org/content/114/44/11645>.

mitigation purposes (e.g. international aviation and/or shipping emissions) are subject to robust and equal accounting treatment, regardless of where they originate.

Agreement on robust carbon market standards in Glasgow—especially to prevent double counting across all of the elements of Article 6 (6.2, 6.4, 6.8)—can help deliver on the promise of the Paris Agreement, and catalyze the deep global emissions reductions that climate science demands.

CONTACT

Maggie Comstock

Senior Director, Climate Policy
Conservation International
mcomstock@conservation.org

Maggie Ferrato

Senior Analyst, Global Climate
Environmental Defense Fund
mferrato@edf.org

Stefano De Clara

Director, International Policy
International Emissions
Trading Association
declara@ieta.org

Kelley Hamrick

Policy Advisor
The Nature Conservancy
kelley.hamrick@tnc.org