



UNFCCC ART. 6.2 SUBMISSION

Views on elements referred to in paragraph 10 of decision 2/CMA.3 for consideration by the SBSTA

AUGUST 2022

IETA welcomes the opportunity to submit further views on the topic of infrastructure referred to in chapter VI of the Annex to Decision 2/CMA.3. Our comments build on the views expressed in our submission made earlier this year, to which we refer.

IETA supports the bottom-up and decentralised architecture of the Paris Agreement and welcomes the flexibility in the design and implementation of cooperative approaches provided by Article 6.2 and further guidance. We acknowledge the diverse needs and preferences of Parties and believe infrastructure requirements and rules should accommodate such diversity.

However, a sound infrastructure should also take into account the need of the private sector, whose participation in Article 6 mechanisms is fundamental to mobilise capital and develop mitigation projects at scale. Private capital is unlikely to commit to transactions without sufficient assurances that assets will be safeguarded, and the integrity of the system will be protected. The key priorities for the private sector are:

1. **Clear identification of carbon assets and their attributes** – Unique identifiers should provide an unequivocal record of ownership of ITMOs at issuance or project level, as elements such as activity type, location and vintage may be crucial in determining the value of an asset.
2. **Information security** – Information stored in registries must be immutable and protected against hacks, thefts and tampering. Lack of security could become a real obstacle to investment.
3. **Traceability** – Transfers between registries should be fully tracked. In addition, specific authorisations for transfer and ultimately corresponding adjustments should always be identifiable. This is particularly important as there is a significant time lag between the issuance of an authorised ITMO and its accounting in the UNFCCC system.

Given the lack of support among Parties for a model based on real-time communication and linking between different national and programme registries, the international registry, the Article 6.4

mechanism registry, and the Article 6 database, we believe that a clear separation between tradable units (carbon assets owned by public or private sector entities) and accounting units (reported by Parties for compliance towards and NDCs and OIMP) would be the most suited architecture to reconcile the diverse positions and needs of all stakeholders involved. UN oversight would focus on the latter, while tradable units would be subject to rules enshrined in programme regulations and national legislation. The minimum requirements envisaged would resemble our understanding of Model 2 described in the Informal Report published by the SBSTA Chair on 30 May 2022 (hereafter referred to as the “Informal Report”) as assets may continue to be held in programme registries, while nationally designated registries may only need to track ITMOs that are authorised and transferred. Such a light touch framework should be focused on effective and transparent reporting by Parties and be backed by a system of robust registries holding tradable carbon assets and managed by either governments or private actors. We do not view this model as incompatible with Model 1 described in the Informal Report as individual Parties may still decide to hold “native” carbon assets in their nationally designated registries (Model 1a) or acquire and adjust assets from recognised programme registries (Model 1b) in addition to tracking accounting units.

While Parties should be free to devise their own processes, we do not believe that a registry consisting of a “simple Excel-based tracking” (as mentioned in para. 27(a)(ii) of the Informal Report) would provide sufficient assurances to private sector investment. Technology-based solutions that provide secure and user-friendly registries are widely available, but we understand its adoption by Parties may be complex. Inappropriate tracking of accounting units and tracking of assets that are not credible or secure will not support a functioning market with private sector participation and will act as a barrier to increased ambition. Tracking of aggregated ITMO amounts may be suitable under very specific circumstances (such as internationally linked emissions trading systems with fully fungible allowances held in sophisticated programme registries), but it is generally a suboptimal solution as buyers of units must be able to refer to the actual volumes and types of units authorised as ITMOs. We therefore encourage the Secretariat to promote capacity building in these areas and move forward with the implementation of a fit-for-purpose international registry for Parties who may wish to use it.

The Secretariat should also encourage the development of a data model to drive alignment between different registries and crediting mechanisms and accelerate carbon market development based on comprehensive, common-format data. This could be done through the establishment of a technical committee reporting to the Secretariat or by supporting private sector-led initiatives. The UNFCCC and Parties should continue engaging in existing public-private dialogues such as the Climate Warehouse initiative,¹ which aims to establish a common data model and a connected real-time reporting infrastructure for national and programme registries willing to share their programme information in a global metadata layer.

¹ <https://www.theclimatewarehouse.org/>



ABOUT IETA

The International Emissions Trading Association (IETA) is a Switzerland-registered not-profit entity dedicated to the objectives of the United Nations Framework Convention on Climate Change. It was created in June 1999 to establish a functional international framework for trading in greenhouse gas emission reductions. Today, IETA is the leading voice of the business community on carbon markets and market-based solutions to climate challenges. Our objective is to build international policy and market frameworks to reduce greenhouse gases at lowest cost, increase ambition, and build a credible path to net-zero emissions. To produce meaningful carbon prices that drive change, we support market-based policies with effective emissions targets, clear rules, and flexible compliance choices. IETA's 250+ member companies include some of the world's leading corporations in the energy, utility, cement, aluminium, chemical, paper, agri-food, transport and technology sectors, as well as leading firms in the data verification and certification, brokering and trading, legal, finance, and consulting industries.