Carbon Pricing Priorities for the Paris 2015 agreement

Background

As emissions trading systems develop globally, IETA advocates for compatible systems that hold the potential of linking in the future. The Paris Summit occurs at an interesting juncture: nearly 40 Parties have either implemented or are developing carbon-pricing policies at national or sub-national levels. Ideally, the Agreement would provide detailed guidance to those Parties (and others) on how their respective carbon pricing policies can be used in national contributions.

The Paris Climate Agreement ("Agreement") will likely be a compact, foundational document, similar in length and scope to the UNFCCC or the Kyoto Protocol. Considering its short length, the Agreement must include clear provisions that mitigation-unit transfers can count towards a party's emission-reduction contribution.

Further operational details on carbon pricing mechanisms will likely emerge after the Paris Agreement in UN Decisions. Since they can build on existing mechanisms, these decisions should be taken promptly – so that they can begin to encourage early action.

The elements listed below aim to address the importance of carbon pricing in the 2015 Agreement. We offer an example of a basic text that could be included in the Agreement to support carbon pricing and international cooperation. For a more detailed version of this text, please download IETA's Market Provisions for the Paris Agreement.

Key Carbon Pricing Elements for the Agreement

1. A **unified international transfer system**, which Parties may use to transfer portions of their defined national contributions to one or more other Parties for compliance with the Agreement. This provision would support national systems that devolve emissions mitigation responsibility to private sector firms. This provision would govern all trades of international units in a single authority.

2. Transfers could be tracked in a reliable **international registry system**. This should include a centralized UN registry for use by interested Parties as well as an interconnection function for independent national or international registries. It should be made available for potential for use by both national and subnational institutions that may devolve mitigation responsibilities to private sector entities.

3. Total transfers and receipts would be **recorded in national reports** to the UNFCCC, which implies that robust reporting requirements should be elaborated. Standardized accounting and reporting provisions are essential to establish systemic integrity, including to safeguard against "double-counts" or "counterfeit" credits entering the transfer system.

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4. A **unified project crediting mechanism** should draw together the array of crediting systems under negotiation in the CDM, JI, New Market Mechanism and REDD+ crediting systems. This mechanism should make high-quality project-based reductions broadly available for Parties' use in their national contributions. The Agreement should accelerate work on firm deadlines to produce detailed guidelines, modalities and procedures for this facility to assist in enabling early action.

5. **Market infrastructure should be made available** through the UNFCCC Secretariat in order for Parties to enhance their capability of participating in offset transfer mechanisms or emissions trading systems, including tools to enable, register and track international transfers. Operational details for these tools should be elaborated in future COP Decisions.

Example text for the Agreement on carbon pricing and international cooperation

1. Parties may voluntarily cooperate in achieving their mitigation contributions, which may improve cost effectiveness and bolster ambition.

2. A unified international transfer system is hereby established.

a. A Party, through public/and or private entities, may transfer portions of its defined national contribution to one or more other Parties through carbon units of its choice.

b. Transfers and receipts of units shall be accounted for and recorded in equivalent carbon reduction terms in the international tranaction log, or equivalent system, to assure integrity.

c. Transfers and receipts shall be included in national reports as contributions delivered by the receiving Party and as transfers from the transferring Party.

3. The Conference of the Parties shall at its [22nd] Session elaborate modalities and procedures for the operation of the unified international transfer system, including rules, modalities, measurement and verification standards, and reporting arrangements.

IETA was created in 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 the subject of carbon markets and climate finance. In coordination with its 130+ member companies, IETA promotes the establishment of effective market-based trading systems for greenhouse gas emissions by businesses that are demonstrably fair, open, efficient, accountable and consistent across national boundaries; and to maintaining societal equity and environmental integrity while establishing these systems. The organisation promotes these principles at the sub-national, national, and international levels.