



**Event Report, 5 December 2018**

## **COP24 Side Event: [The Potential of Carbon Pricing in the Transition to a Low-Carbon Economy](#)**

Carbon pricing policies significantly reduce mitigation costs and unlock economic opportunities of transition. Since the first carbon pricing instrument was launched in 1990, 50 initiatives operate worldwide.

Well attended by various stakeholders, this side event discussed and reflected the role of future carbon markets under Article 6 of the Paris Agreement as well as how the potential of carbon pricing instruments could support resource mobilization in developing countries.

The event was kindly hosted at the EU Pavillon (Room Brussels) during COP24 in Katowice.

*Below is a summary of the presentations and discussions:*

The debate was moderated by **Lambert Schneider**, an independent consultant in the area of carbon markets, climate change and energy policy, affiliate to the Stockholm Environment Institute.



**Mr. Martin Comes from the Okö-Institut** presented a study on the challenges and difficulties in comparing units from different programs.

- The methodology of the study has been developed through 25 criteria for assessing crediting programs and 20 criteria for the ETSs.

- Environmental integrity (EI) is one of the key factor to

keep into consideration while assessing the projects. Especially, it is important to focus on several dimensions of the EI, such as strong accounting for ITMOs, quality of units from carbon market programs (meaning that 1tCO<sub>2</sub> associated with emission reduction is at least 1tCO<sub>2</sub> emission reduction in the transferring country), ambition and scope of NDCs, possible risks and disincentives for future mitigation actions.

- As a conclusion, crediting programs and ETSs need to be reassessed before making them eligible for other non-Parties benefits, such as CORSIA.

**Mr. Simon Henry from the International Emissions Trading Association (IETA)** described how the EU ETS can help deliver the EU's long-term climate strategy.

- In the voluntary market, there are good offsetting standards to deliver sustainable development and environmental integrity. However, since 2005, markets became more and more complicated with big impacts on the supply.
- There is a need of harmonizing carbon pricing mechanisms.
- Harmonizing carbon pricing mechanisms will lead to harmonize ambition levels and targets, which is an extremely important aspect in view of the EU's long-term climate strategy.

- Article 6 of the Paris Agreement can be an efficient tool to help the arrangement and transfer of credits all around the world for reducing emissions. However, Article 6 requires a strong accounting system, good rules for governance, and proper stakeholders' participation.



**Mr. Gilles Dufrasne from Carbon Market Watch** outlined the risks of trading hot air under Article 6.

- Critical questions: Which units are going to be used by airlines (e.g. CORSIA) after 2020 to compensate for their emissions? How is environmental integrity going to be taken into consideration by ICAO?
- We are not on track to meet the Paris Agreement and the fact that some NDC targets are set below business-as-usual (BAU) levels create hot air undermining the Paris Agreement goals.
- Concerning the ETSs, the cap and number of allowances need to be stringent enough in order to avoid oversupplied allowances flowing to another country when ETSs are linked,

which would fail to reduce overall emissions. A country needs to reach its NDCs target domestically, and not just on paper.

- As a conclusion, markets can increase ambition only if transparent and proper market mechanisms are designed.
- A tonne of CO<sub>2</sub> is not always a tonne depending on the quality of the market and it is important to assess how these tonnes have been generated.

## Q&A Session

Questions and comments from the audience ranged from how to deal with unambitious and dynamic markets, the importance of implementing stringent and ambitious NDCs, the implications of linking ETSs (e.g. California) to offsetting mechanisms, and carbon neutrality in 2050.

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