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Carbon market signals needed in the UN climate negotiations

GENEVA, 27 August – IETA calls on policymakers to advance talks on mitigation strategies and cooperative mechanisms for the Paris agreement, including the role of markets, as negotiators prepare to meet from 31 August until 4 September in Bonn, Germany.

Economists and businesses alike recognise that broad international market linkages can lower costs, improve competitiveness and bolster deployment of advanced technologies. A study¹ by the Harvard Project on Climate Agreements last year suggested that simple references to encourage carbon market integrity with good accounting of imports and exports could help support future development of market linkages, strengthening the ability of nations to pursue a 2°C level of climate protection.

This concept is being demonstrated this year, as a number of countries stated in their Intended Nationally Determined Contributions (INDCs) for the Paris agreement that international market mechanisms are crucial to meeting their mitigation goals, be it through acquiring credits or receiving vital investment in low-carbon technologies to develop sustainably. Importantly, some INDCs specify the minimum that the country can achieve domestically, and how much more could be realised with links to international markets and finance.

“There has been slow progress on the mitigation and market aspects of the negotiations so far,” says IETA CEO & President Dirk Forrister. “With only 10 more official negotiating days before Paris, it’s time to step up the pace on this crucial component of the agreement. Good carbon accounting and markets are joined at the hip with climate change mitigation – if we have no progress on markets and accounting, we’ll have no real progress on mitigation.”

He adds: “We urge negotiators to speak up at Bonn about how access to markets can help achieve mitigation goals in INDCs. In fact, countries can achieve more mitigation, more quickly and at a lower cost if there is clarity on market mechanisms.”

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Next week's talks will be the first since the release of a streamlined negotiating text² last month. While welcoming steps to consolidate the text, IETA remains concerned that there is scant detail on approaches to mitigation, use of markets and transparent emissions accounting.

"There is definitely scope to put a hook for markets in the mitigation part of the text," says Jeff Swartz, IETA's Director of International Policy. "For example, the language on implementing decisions jointly could be expanded to make mention of a unified transfer system such as that proposed in IETA's Straw Proposal³."

"The private sector has been waiting for a signal that market mechanisms will be recognised in the Paris agreement so that it can begin to plan and make investments now for a cleaner future," adds Swartz. "Next week's talks are a good opportunity to provide that signal."

NOTES

¹ The [study](#), prepared in cooperation with IETA, was released in full at COP20 in Lima, Peru

² The [streamlined negotiating text](#) is available on the UNFCCC website

³ IETA's [Straw Proposal](#) has been revised to reflect the language of the Geneva negotiating text

About IETA:

[IETA](#) is the voice of business on carbon markets around the world. Established in 1999, our membership includes leading international companies from across the carbon trading cycle. IETA members seek to develop an emissions trading regime that results in real and verifiable greenhouse gas emission reductions, while balancing economic efficiency with environmental integrity and social equity. Please see www.ieta.org for more information.