

IETA Priorities 2021

As national contributions to the Paris Agreement grow stronger, IETA will advocate the power of emissions markets that price carbon effectively and enable greater ambition on climate change. We will --

1. Promote use of Article 6 to form effective linkages between carbon pricing systems over time.

We will pursue the vision of a high integrity, well-linked and large-scale international carbon market by building on the Paris Climate Agreement and all Guidance for Article 6. We will work with countries to elaborate plans on how they can apply Article 6, so that business can enhance its contributions to effective climate action.

We will communicate the benefits of market-based solutions with new research. We will show that the linking of carbon pricing systems can enable business to deploy capital more efficiently, preserve competitiveness and stimulate economic growth from low-carbon opportunities – all to enable the achievement of greater ambitions. We will show how effective system linkages can help to create a global pricing signal, which will ultimately support investment at the scale needed to deliver the Paris Agreement goals and contribute towards achieving net zero emissions.

2. Promote growth of new market initiatives around the world.

In **emerging economies and elsewhere**, we will marshal the expertise of IETA members to assist new market-based initiatives, including emissions trading, tax-and-offsets and voluntary systems.

Recognizing the important role of nature in achieving global net zero greenhouse emissions by mid-century, we will advance our special initiative on **Natural Climate Solutions (NCS)** to engage on and promote the development of environmentally and sustainably sound, scalable and commercially viable NCS solutions recognised in market-based compliance systems around the world.

We will continue to work with key sectors, such as assisting the **aviation industry** in the development of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). We will promote robust accounting, verification and reporting of emission units consistent with the rules developed under the Paris Agreement.

The **B-PMR**, our flagship business-to-business readiness initiative, will offer to assist key sectors slated to participate in new national emissions trading systems (ETS's). Through **ICROA**, we will support countries interested in exploring voluntary market solutions.

3. Improve the credibility and functionality of today's carbon markets.

As governments and businesses align to the goals of the Paris Agreement, IETA will support increased focus on achieving net zero emissions. Market-based solutions will be essential in enabling this ambition while maintaining competitiveness.

In **Europe**, IETA will support the EU ETS as the central policy instrument of Europe's Long-term Climate Strategy, exploring ways to expand the scope of the ETS and to advance international market linkages. We

will engage with leaders on enhancements to the EU ETS while addressing ETS impacts on trade-exposed sectors. We will work constructively to mitigate harmful impacts of Brexit on the EU ETS market.

In the **Americas**, IETA will assist in building market-based solutions in national, state and provincial policies. We will work with initiatives such as the Carbon Pricing of the Americas Declaration, the Pacific Alliance and others to expand markets across the region.

In **Asia**, IETA will offer support to China's Ministry of Ecology and Environment, other authorities and enterprises as they develop the national ETS. We will offer our expertise on market design and operations, such as MRV approaches, trading tools and asset management. We will also advocate for the global advantage of creating an ETS which is ready for linkage to other ETS schemes.

In these jurisdictions and others, we face political headwinds prompted by those who fear unintended consequences of strong market policies. We will seek to build bridges to those who oppose climate action, and we will work in coalition with partners who share our vision of markets that deliver climate ambition.

4. Promote offsetting in carbon markets to advance the objectives of the Paris Agreement consistent with the UN Sustainable Development Goals.

We fully support carbon offsetting as a key part of international carbon markets and pricing systems, because it improves cost effectiveness, mobilises private capital into projects and supports other social and environmental co-benefits. IETA will urge a smooth transition from the current UN mechanisms (CDM, JI) to the new Article 6.4 mechanism without double-counting. We support the use of offsets to help achieve the ambitious emissions reductions that are needed over the next decade to keep the world on a path to achieve net zero emissions by mid-century. Over time, we envision increasing use of **NCS, CCS/CCUS and other removal strategies**, given their potential to lower atmospheric concentrations at the scale required for net zero goals. We will encourage expansion of crediting frameworks for carbon removals now so that business can scale market investments promptly to meet the Paris Agreement's objectives.

IETA will continue its work in promoting high standards of excellence in carbon offsetting through global best practices, including the **ICROA** Code of Conduct. We will promote use of credible standards that generate carbon credits from emission reductions and removals. We will assist in developing new market infrastructure to support the scaling up of voluntary climate action.

5. Support effective models of private sector engagement in climate finance.

Recognising the potential connections between climate finance and carbon pricing (particularly carbon markets), IETA will support development of international climate financing structures that will attract private investment scaled to greater ambition alongside the vast public financing required. Since the Paris Agreement entered into force, the financial community's interest in increasing capital flow to low-carbon investment opportunities has risen sharply, including through voluntary carbon markets. As an observer to the Green Climate Fund and a partner in several climate finance initiatives by multilateral development banks, we will identify ways to enhance private sector engagement in new climate-related initiatives that impact the financial markets – and to urge their support for market-oriented approaches.