



20 October 2015

H.E. Ms. Christiana Figueres
Executive Secretary
UNFCCC

CC: John Kilani

Subject: Joint letter on the importance of carbon markets in the Paris 2015 Climate Agreement

We, the undersigned 20 business focused organisations and associations, are writing to underline the importance of **market provisions in the Paris 2015 Climate Agreement** during the next round of negotiations from 19-23 October.

A core feature of the emerging international framework is recognising the diverse means by which Parties will implement their Nationally Determined Commitments. Alongside a range of approaches, many jurisdictions are pursuing domestic or international market mechanisms to efficiently reduce GHG emissions. Already this year, 73 Parties have submitted INDCs expressing a desire to use market mechanisms to fulfil their commitments.

Several Parties stated in their INDCs that the level of commitment they are putting forward is conditional upon having **access to international carbon markets in the 2015 Agreement**. For those Parties, market access through bilateral and international linkages or through new crediting mechanisms can enable countries to put forward **stronger commitments with better economic performance**, going beyond their domestic capabilities.

We welcome efforts by the ADP Co-Chairs to streamline and consolidate the negotiating text, but **remain concerned that the current draft of the Agreement does not include provisions for Parties that intend to cooperate through market-based approaches**. Disappointingly, the draft provides neither the support for the use of market mechanisms, nor does it specify rules to account for international emissions reduction unit transfers. The draft decisions contain several provisions which would support the use of market-based mechanisms to fulfil pledges, but they are conditional references that remain in brackets – meaning they are yet to be agreed.

Market-based mechanisms and linked carbon markets enable greater net emissions reductions than if governments attempt to achieve their targets in isolation. **An effective international framework could achieve a greater outcome than the mere sum of the individual contributions by including:**

- 1. Provisions to encourage countries to cooperate in meeting their mitigation commitments by enabling system linkages.**
- 2. Rules to account for international emissions reduction unit transfers; and**
- 3. Tools to accelerate links between carbon pricing systems, such as a central project crediting mechanism¹.**

We urge negotiators to include these three simple elements into the agreement and decision texts.

¹ Such a central project crediting mechanisms should build upon the Kyoto Protocol flexibility mechanisms.

We look forward to hearing from you,



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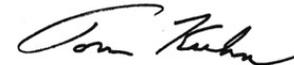
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