

ICC talking points for global business

Whilst acknowledging that market mechanisms are only one part of the policy mix that is needed to meet the goals of the Paris Agreement, business strongly supports the availability of strong Article 6 rules that have the potential to send clear price signals and give confidence to the markets, drive the transition and finance and finally encourage ambition and action at scale.

The potential benefits of successfully implementing Article 6 are large and all Parties, governments, business and all stakeholders can benefit. In particular, Article 6 has the potential to:

1. Significantly reduce the total cost of climate action and enhance countries' NDCs

- National policies and measures currently in place do not appear to be capable of delivering on the pace and scale of climate action needed. Cooperative approaches through Greenhouse gas emission markets, in particular carbon markets will become increasingly important as the pressure on countries to achieve 2030 and 2050 targets and needed financing grows.
- Half of countries' initial climate pledges, constituting 31% of global emissions, already include the use of international cooperation through carbon markets and many other are expected to follow.
- Article 6 of the Paris Agreement allows countries to significantly lower the costs of abatement by working together and also engaging the private sector. The International Emissions Trading Association and the University of Maryland, [showed](#) that Article 6 has the potential to reduce the total cost of implementing national climate commitments by more than half, at total of US \$250 billion per year in 2030.
- If countries then re-invest these cost savings in new climate efforts, then Article 6 could enable additional emission cuts by 50 percent by 2030—or 9 billion tons CO₂/year mitigation, beyond the 8 billion tons CO₂/year currently pledged in 2030—and could finally contribute to enhancement of countries' NDCs ambition.

2. Accelerate private sector investments needed to achieve net-zero by 2050

- The benefits of shifting to a low-emissions pathway are estimated at US \$26 trillion by 2030 compared to our current high-carbon trajectory. According to the International Energy Agency, investments of around US \$16.5 trillion are required until 2030 only in energy efficiency and low-carbon technologies.

- Clear guidance on how to account for transfers of emissions reductions, on the type of projects that can earn reductions and on measurement and verification rules are critical. This will help to give the private sector the clarity it needs to deploy the billions—even trillions in capital expenditure that are needed to make the transformation to a net zero emissions economy.

3. Accelerate the scale and pace of climate action, technology deployment and development and support sustainable development

- Providing lower-cost mitigation, gives flexibility and confidence to governments and business as well as bring additional public and private finance.
- This in turn can lead to overall higher climate ambition and action globally.
- If properly designed and implemented, Article 6 mechanisms will provide the policy foundation needed for the private sector to further drive investments in low and net-zero emissions technologies, support technology transfer as well as capacity-building from developed to developing countries, and could help to support sustainable development.

4. Provide clarity to carbon pricing globally, reduce fragmentation and avoid potential trade frictions

- While a deal is still outstanding, many countries are moving ahead aggressively in implementing carbon pricing instruments and businesses/sectors are also using a shadow carbon price in their models plus the voluntary carbon market is gaining momentum.
- Over 60 carbon pricing schemes, including carbon taxes, have been implemented at national level whilst others are still being developed, which has created a fragmented international climate policy landscape, compounded by administrative complexity and posing increasing challenges and risks to businesses globally.
- Article 6 itself is not designed to lead to a global carbon price. However, it has the potential to assist in developing transparency around carbon pricing and allowing for a stronger and more coordinated approach to carbon pricing and most importantly avoiding potential unilateral and protectionist climate policy measures that can inadvertently trigger green trade wars.

5. Drive forward multilevel and multilateral collaboration and strengthen partnerships with private sector

- Article 6 could strengthen collaboration between governments and businesses and other key stakeholders in different sectors and jurisdictions—locally and globally—offering them a chance to work together collectively to achieve emissions reductions faster than currently planned and at a lower cost.
- The private sector has a key role to play in translating Article 6 collaboration frameworks into real action.

6. While rules have yet to be finalised—Article 6 is already real!

- While finalisation of the Article 6 rules is still pending, governments and other organisations have already committed around US \$345 million to develop and implement Article 6 pilots in different jurisdictions.
- According to [Climate Focus](#), since 2018, there has been a proliferation of Article 6 piloting activities. Many of them offer practical, diverse and creative approaches to some of the key problems currently being discussed under Article 6 and provide helpful insights into the successful implementation of Article 6.
- These positive experiences can serve as an important reference point for negotiators at COP26.

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