

WE MEAN BUSINESS

Submission on Article 6 of the Paris Agreement

We Mean Business is a coalition of organizations working with thousands of the world's most influential businesses and investors. We have formed a common platform to accelerate the transition to a low-carbon economy in order to secure sustainable economic growth and prosperity for all.

We Mean Business is pleased to make this submission on matters relating to Article 6 of the Paris Agreement, in support of a comprehensive and successful outcome across SBSTA agenda item 11.

Carbon pricing is one of the key policy instruments that can be used to harness the power of business to tackle climate change. More than 90 INDCs include proposals for emissions trading systems, carbon taxes and other carbon pricing initiatives¹. Most of these include proposals to make use of international markets to meet or *exceed* their targets². At the same time, over 1,200 companies have reported using an internal carbon price or plan to do so, in anticipation of future regulation³.

We Mean Business sees Article 6 as having the potential for increasing ambition and momentum towards achieving net zero emissions well before the end of the century. A price on carbon is a cost-effective way to incentivize low-carbon innovation, shift investment towards low-carbon technologies, and help ensure sustained economic competitiveness. This cost effectiveness will play an exceptionally important role in allowing parties to increase their ambition when setting their next round of INDCs. This will be critical if we are to achieve the goals of the Paris Agreement.

Modeling analysis undertaken in the forthcoming World Bank's 'State and Trends of Carbon Pricing Report 2016' shows that an international market could reduce the cost of delivering the emission reductions identified in the current INDCs by about a third by 2030. This is significant. It implies that the mechanisms detailed in Article 6, if designed properly, could provide the foundation for **increased momentum** towards a zero carbon economy, shifting the necessary trillions towards the investments of the future.

As a global coalition working with thousands of companies, we call for negotiators to conclude a comprehensive outcome on Article 6 by:

- Focusing on **providing robust accounting guidance** to prevent double counting of emissions reductions. Carbon pricing market mechanisms are rapidly coming online in countries, as well as systems being linked across borders. The quicker negotiators are able to agree accounting guidance, the quicker we will be able to unleash the power of markets to drive down the costs related to emission reductions. This will ultimately lead to increased ambition.
- Wherever possible, **utilizing and adapting existing mechanisms and structures** to make this process as efficient and as effective as possible.

¹ UNFCCC, *Synthesis Report on the Aggregate Effect of the Intended Nationally Determined Contributions*, October 30, 2015.

²Carbon Pricing: The Paris Agreement's Key Ingredient, IETA and EDF, 2016.

³ Embedding a carbon price into business strategy, CDP, 2016.

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- Designing the mechanisms and structures to be able to provide the necessary scale in terms of emissions reductions. In order to shift the trillions and achieve the increased ambition, mechanisms and processes should be streamlined so that investments can be made in large-scale projects (or bundles of projects) and programs.
- Creating an enabling environment that takes account of and supports carbon pricing systems that are already linking up nationally and sub-nationally, including those that develop within global sectors, such as the aviation sector through the International Civil Aviation Organization.

Ultimately, Article 6 is about channelling investment into the low-carbon, prosperous economies of the future, through cooperation, through a new international mechanism, and through non-market approaches. This is about achieving significant emission reductions in a cost-effective way. Focusing on ensuring this will support the private sector to scale up investments to help deliver the low-carbon, prosperous economies of the future.

Contact: Nicolette Bartlett, Director of Carbon Pricing, CDP
Email: Nicolette.bartlett@cdp.net
Phone: +44 (0)7580 570 611