How Can the Voluntary Market Contribute to Ambition Raising?

Nicolas Kreibich, Wolfgang Obergassel

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Research Project Article 6.4 Design Options

Project Aim: Development of Recommendations for
- Overall Mitigation of Global Emissions
- Use of Benchmarks for Baselines
- Integration of Private Actors
- Raising Ambition
- Potential Contributions by the Voluntary Market
- Role of Art. 6 on the way to a zero-emissions world

Side event Saturday 18.30 EU Pavilion
Current modus operandi: Use of private standards for emission reductions in “uncapped environment” for offsetting/claiming carbon neutrality

1. From partial to global participation
   - Reduction of “uncapped environment”
   - Increased risk of double counting
   - Corresponding adjustments needed

2. Ambition raising as a key component of market-based cooperation
   - No ‘pure offsetting’
   - Regular strengthening of Parties’ mitigation targets and an increase of their mitigation actions
The Voluntary Market
The voluntary market as an investor – Three Potential Roles

Role 1: Buyer of carbon neutrality credits

Role 2: Supporter of NDC implementation

Role 3: Driver of ambition
The Voluntary Market as an investor

Role 1: Buyer of carbon neutrality credits

Paris Agreement puts this role at risk by reducing “uncapped environment”

Future potential will depend on:

- The requirements for and willingness of host Parties to account for MOs
- Domestic capacities to implement corresponding adjustments
- Transparency and access to the corresponding adjustment framework
The Voluntary Market as an investor
Role 2: Supporter of NDC implementation

- No need for corresponding adjustment
- New commodity
- Potentially interesting for large companies with global reach
- Possible risks: delinking investments from own emissions could lead to window-dressing and weakening of MRV standards
Interest from the voluntary market to *contribute* to ambition raising, but

- New commodity
- Double claiming if reductions are used for carbon neutrality and for claiming ambition raising?
- Link to buyer’s emissions?
The Voluntary Market as an investor
Pros and Cons of the three Roles

Purchase for carbon neutrality
✓ Is the established product
✓ Has a clear link to buyer’s emissions
   – Need for corresponding adjustments

Supporting NDC implementation
✓ No need for corresponding adjustment
✓ Some interest among buyers, especially multi-nationals
   – New commodity
   – No clear link to buyer’s emissions

Driver of ambition
✓ Interest among potential buyers
   – New commodity
   – Accounting questions
   – Link to buyer’s emissions?
The Voluntary Market
Roles in Summary

› Driver of ambition: Interest, but combines problems of two other role

› Supporting NDC implementation: Open questions

› Purchase for carbon neutrality: Maybe the most promising option if accounting problems can be overcome
Beyond Accounting
Questions of Quality

➢ The mandate of Art. 6.1

➢ Ambitious activities for claims to ambition

➢ Quality of NDCs supported
Many thanks for your attention

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