

ADB

ADB Guidance Framework on Article 6 of the Paris Agreement

Singapore, 11 December 2024

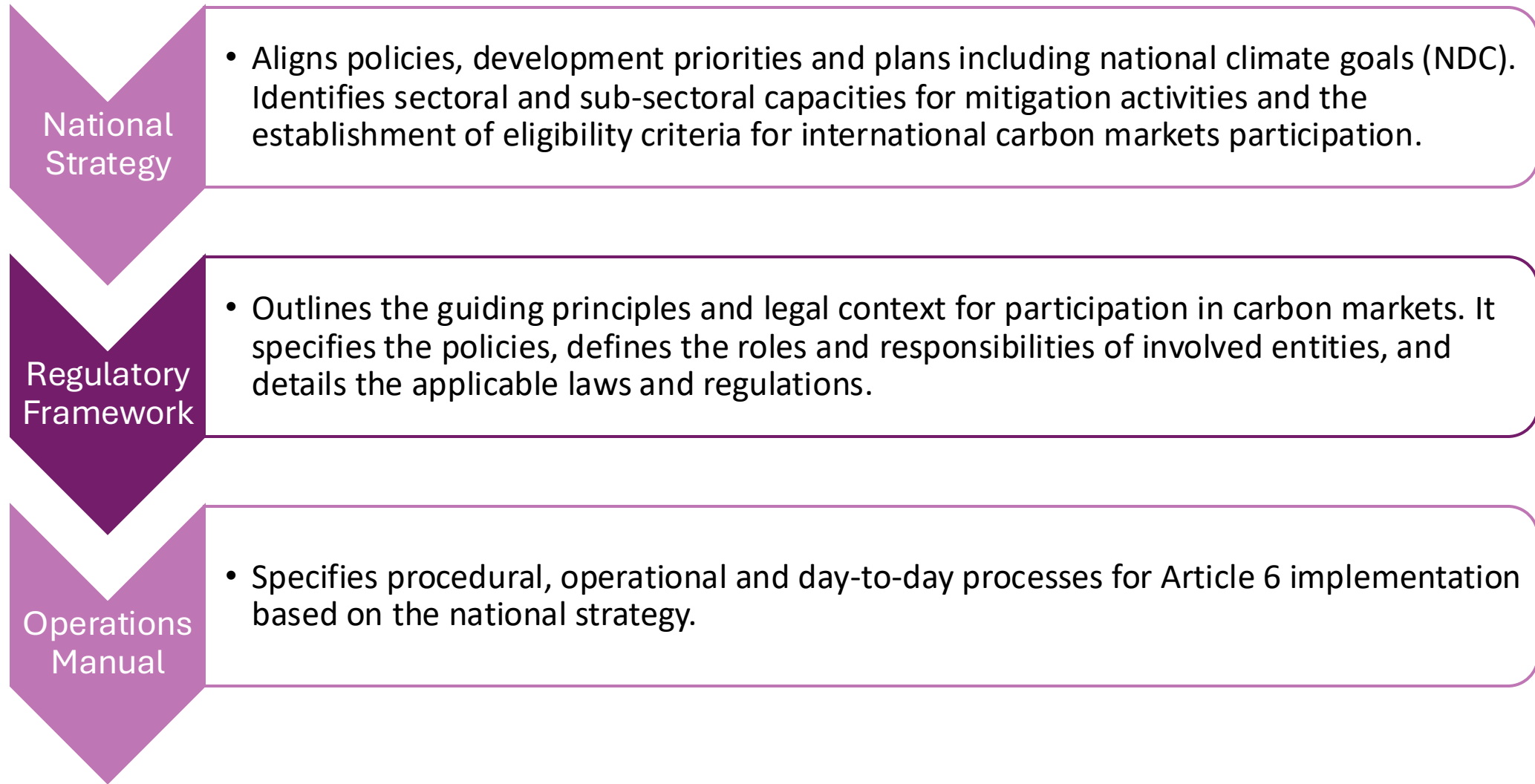


Strategic Approaches for Leveraging Carbon Markets

There is a broad landscape of carbon market opportunities, and they can be leveraged for NDC achievement as well as for beyond-NDC mitigation. There is a need for strategic thinking on why carbon markets are being leveraged and for what objectives.

	Leveraging markets for NDC achievement		Leveraging markets for beyond-NDC mitigation	
	Domestic Carbon Pricing	Non-authorized units used for voluntary purposes (VCM)*	International carbon trading under Article 6	Authorized units used for voluntary purposes (VCM)*
Benefits	<ul style="list-style-type: none"> Economic efficiency Public Revenue 	<ul style="list-style-type: none"> Private investment for NDC achievement 	<ul style="list-style-type: none"> Diplomatic cooperation Additional demand (e.g., CORSIA) 	<ul style="list-style-type: none"> Additional demand (e.g., voluntary buyers seeking units with a corresponding adjustment)
Challenges	<ul style="list-style-type: none"> Complex & time consuming to set up Higher costs for businesses and consumers 	<ul style="list-style-type: none"> Uncertainty of demand 	<ul style="list-style-type: none"> Administrative burden 	<ul style="list-style-type: none"> Administrative burden

Structure of Overarching Article 6 Policy Architecture



Why is a National Strategy important for Article 6

- Plays a key role as a guideline for stakeholders in the Article 6 implementation
- Brings confidence and transparency to the market and reduces uncertainty for project participants
- Highlights national priorities of host countries and helps to avoid overselling (“good projects”)
- Strengthens cross-ministerial and cross-sectoral collaborations for authorization and requirements
- Identifies benefit sharing (transaction levy, community contributions)
- Speeds up Article 6 implementation process and attract international carbon finance

Thank You!