Recommendations

The points below summarize recommendations for expanding the role of private finance in emissions trading under Article 6 of the Paris Agreement from institutional buyers and sellers of carbon credits, project developers and financial intermediaries convened by the MSCI Institute at New York Climate Week in September.

1. Send clear signals on purchasing commitments.

- More high-emitting countries should commit to accessing international emissions markets as a way of achieving their Paris goals.
- Countries with emissions trading systems or carbon taxes should consider allowing covered companies to access international Article 6 markets.
- By implementing CORSIA for airlines in their jurisdictions, governments can provide clarity on fines for non-compliance.

2. Standardize national approaches.

- Standardize principles across jurisdictions, project types and contracts to lower implementation costs, scale participation and attract private finance.
- Align members of regional coalitions to develop policies and incentives that support business needs.

3. Accelerate institutional capacity in seller countries.

- Leverage existing registry and exchange infrastructure, and draw on capacity support from development finance institutions such as the World Bank and others.
- Key capacity needs include deciding which project types and credit volumes to authorize, setting up national registries and rules for measurement, reporting and verification; and ensuring accurate application of corresponding adjustments.
- Independent analytical tools can help compare countries' investment attractiveness and risk profiles when undertaking Article 6 transactions.

4. Strengthen the regulatory environment in seller countries.

- Governments in seller countries could establish frameworks that commit the country over multiple years to implementing the measures agreed under Article 6 transactions.
- Development finance institutions could create more innovative financial solutions to manage political risks.

5. Build confidence through integrity and positive communication.

- Recognize the opportunity for carbon cutting and investment in adaptation that emissions trading under Article 6 represents.
- Governments and institutions should demonstrate consistent commitment to high-integrity standards, transparent authorization processes, and credible monitoring systems that assure investors of stability and that their capital contributes to genuine climate outcomes.