



ALLIANCE OF SMALL ISLAND STATES

World's Most Vulnerable Call for Application of Article 6 Rules to Voluntary Carbon Market

Bonn – 8 June 2022

Two UN negotiating groups representing 85 countries exceptionally vulnerable to climate change, this week signed a joint letter to the Integrity Council for the Voluntary Carbon Market (IC-VCM), urging it to apply several key principles from the Article 6 “rulebook” to the voluntary carbon market. The letter, signed jointly by Ambassador Conrod Hunte, Chair of the Alliance of Small Island Developing States (AOSIS) and Madeline Diouf Sarr, Chair of the Least Developed Countries (LDCs), encourages the IC-VCM to apply a 5% share of proceeds for adaptation to the Adaptation Fund, and apply a 2% cancellation rate to contribute to an overall mitigation in global emissions. It also encourages the best practices of avoiding double counting and applying conservative baselines.

“The voluntary carbon market is a significant and growing source of climate finance,” said Ambassador Hunte. “We need to see the standards the world’s governments set for international carbon markets in Glasgow become widely and consistently applied, including in the voluntary carbon market. For those of us representing the world’s most vulnerable populations, the increased mitigation ambition and funding for adaptation this will generate is absolutely vital.”

The joint letter recognizes the enormous challenges that small island developing states and least developed countries face from climate impacts; impacts that have been clearly underlined by the latest IPCC Sixth Assessment Report. Applying the Article 6 principles, the letter says, would “put the VCM in the vanguard of progressive instruments to tackle the climate emergency”.

The opportunity to use the Glasgow Climate Pact outcome on Article 6 to shape the voluntary carbon market has been raised by leading climate academics, including Professor Benito Müller of Oxford University and Professor Saleemul Huq of the Independent University Bangladesh. According to data released by Ecosystem Marketplace, the value of the voluntary carbon market exceeded USD 1 billion in 2021, which would raise \$50 million per year for climate vulnerable nations, and this number is expected to increase in coming years.

Rules that will automatically direct the proceeds from 5% of the credits generated under the new UN carbon trading system to adaptation finance was a hard-fought win for developing countries, particularly SIDS and LDCs, in Glasgow. So too was the automatic cancellation at issuance of 2% of those credits, an unprecedented innovation in carbon trading that moves the new UN system beyond simple offsetting – often criticized for merely shifting emission reductions from one place to another – and instead generates concrete emission reductions with every transaction.

“Small island developing states need to see the highest possible ambition from every part of carbon trading universe,” Ambassador Hunte added. “That includes the voluntary market.”

About AOSIS:

Since 1990, AOSIS has represented the interests of the 39 small island and low-lying coastal developing states in international climate change, sustainable development negotiations and processes. As a voice for the vulnerable, its mandate is more than amplifying marginalised voices as it also advocates for these countries’ interests. In terms of size, AOSIS closely resembles the countries it represents on the global stage, but often punches far above its weight, negotiating historic global commitments to cut greenhouse gas emissions, among other achievements.

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