

Environmental Market Policy Priorities

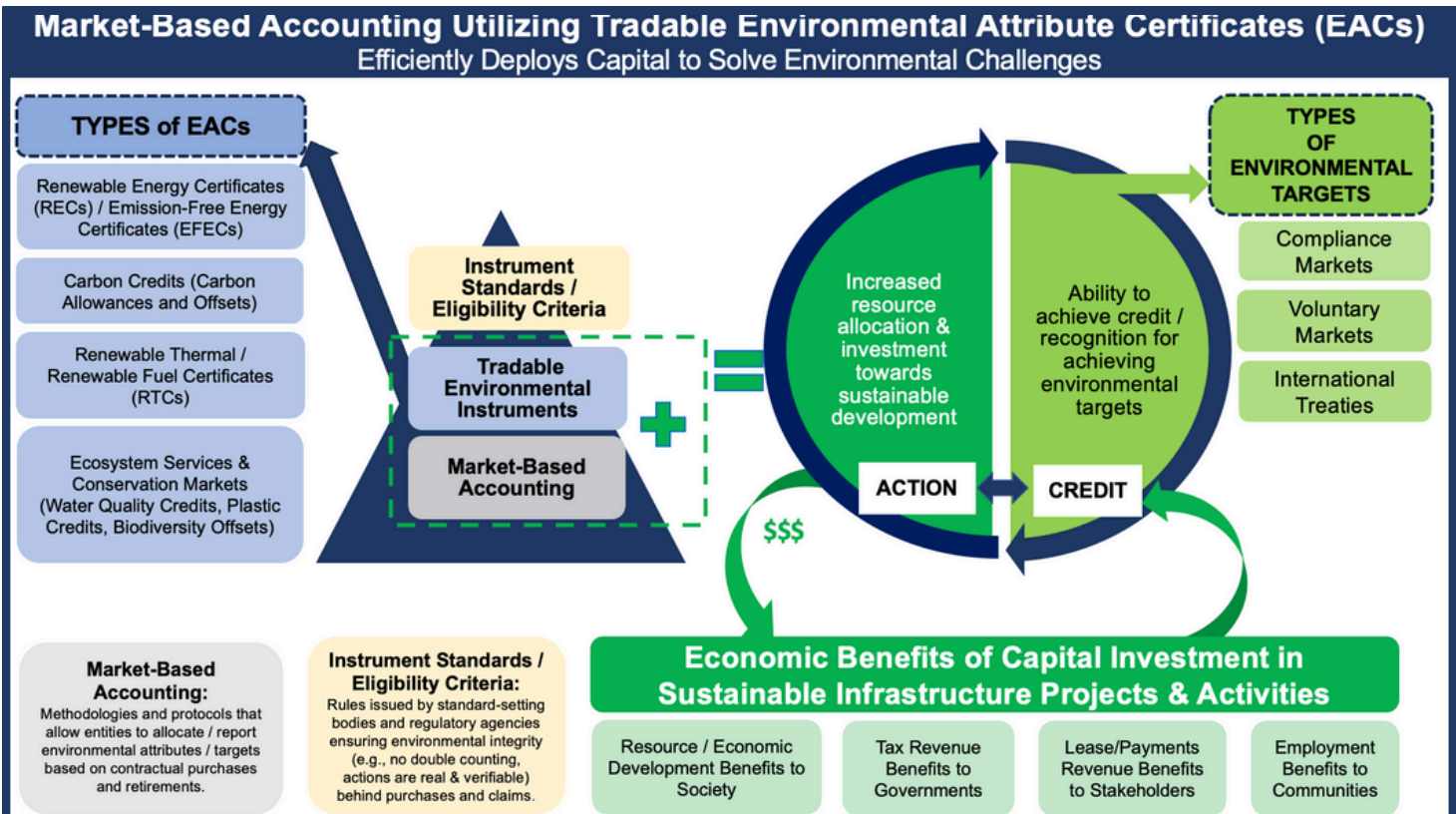
Environmental markets are a proven and successful tool for solving economic externalities. Well-designed markets support efficient, cost-effective, and growth-oriented investment into sustainable development and climate action. EMA’s policy priorities improve the efficacy of market-based solutions and will harness larger, deeper capital pools for achieving sustainability targets while promoting economic development.

Adopt Market-Based Accounting

1. Allow purchases of environmental attribute certificates (EACs) to count towards environmental targets and net-zero goals.
2. Deploy “all-attribute” tracking systems and create accurate Residual Mix data.
3. Use a Complete Attribute Accounting Framework = Total Market-Based Accounting (Mandatory + Voluntary Purchases) + Residual Mix (i.e. the allocation of dirty/fossil-rate attributes to the non-purchaser).
4. Harmonize the tracking and reporting of Compliance, Voluntary, and International targets.

Utilize Tradable Instruments

1. Allow for decoupling and trade of environmental attribute certificates (EACs) from the underlying physical commodity or activity.
2. Use EACs to track target achievement and deliver production-based financial incentives.
3. Allow pricing to float to harness financial market innovation.





Environmental Market Design Principles

EMA’s mission is to promote open, competitive, and tradable market-based solutions that utilize environmental attribute certificates (EACs) to solve environmental challenges and foster investment into sustainable development.

OPEN	COMPETITIVE	TRADABLE
Non-discriminatory market access to production-based incentives	Producer and consumer procurement / compliance choice	Floating, market-determined pricing and investment signals via environmental commodity instruments



Recommended Principles for Market-Based Solutions

1. Tradable Environmental Instruments
2. Market-Determined Pricing
3. Market Design that Fosters Transparency, Competition, Liquidity and Innovation
4. Market Oversight
5. Market Integrity and Stability



Advantages of Well-Designed Market-Based Solutions

- ✓ Accountable Environmental Policy Objectives
- ✓ Cost-Effective Sustainability Target Achievement

Environmental Target Achievement	Cost-Effectiveness	Economic Development
Effective market-based mechanism design facilitates the achievement of targets required in timeframes.	Well-designed markets deliver results through the efficient deployment of low-cost solutions.	Highly compatible, growth-oriented policies that leverage private investment at private risk into real physical assets, infrastructure, and technology.



Features of Well-Designed Market-Based Mechanisms

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| <ul style="list-style-type: none"> ✓ Private Investment at Private Risk ✓ Pricing & Program Transparency ✓ Risk Mitigation/Transference ✓ Compliance/Procurement Flexibility ✓ Consumer & Ratepayer Protection ✓ Buyer Preference Accommodation
(e.g. Technology, Location, Granularity, Vintage, etc) | <ul style="list-style-type: none"> ✓ Diverse Participant Bases ✓ Information Feedback Signals ✓ Investor Confidence ✓ Market Efficiency & Liquidity ✓ Lower Costs of Capital ✓ Financial & Technological Innovation |
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