

Global Carbon Market



Promoting Market-based Climate Policy Instruments

Context

With the adoption of the Paris Agreement in 2015 the international community committed to limit global temperature rise to 1,5 or well below 2 degrees Celsius. To reach this goal, countries need to drastically reduce their greenhouse gas (GHG) emissions. Market-based approaches, such as emission trading schemes (ETS), are an effective way to mitigate as they decrease the cost of emission reduction and incentivize climate-friendly investments.

The German government considers carbon markets to be a central instrument in international climate protection. Against this backdrop, in 2008 the German Ministry of Environment, Conservation and Nuclear Safety (BMU) commissioned the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) with the Global Carbon Market project. The initiative was launched with the aim to support partner countries in using flexible mechanisms under the Kyoto Protocol and other types of market-based instruments at national and regional scale. Since 2018, the project is being implemented in Chile, India, Tunisia and Uganda with a focus on novel forms of cooperation that may arise under Article 6 of the Paris Agreement, the voluntary carbon market and dedicated carbon pricing instruments. Since 2021 GCM is expanding its cooperation to the Caribbean (St. Lucia and Grenada).

Robust rules are an essential prerequisite for carbon markets to unfold their mitigation potential and successfully ramp up climate action under Article 6 of the Paris Agreement. While uncertainty continues to loom over international negotiations under the UNFCCC, the use of market-based approaches for climate protection is gaining traction globally. From carbon taxes to regional or national ETS – across jurisdictions, decision-makers are beginning to factor in the true cost of carbon pollution. Putting a price on emissions is a pivotal step towards decarbonization of the global economy and achieving the climate goals under the Paris Agreement.

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Commissioner	German Ministry of Environment, Nature Conservation and Nuclear Safety (BMU)
Partner Country	Chile, India, Tunisia, Uganda
Political Partners	<i>Chile:</i> Ministerio de Energia, <i>India:</i> Ministry of Environment, Forests and Climate Change, <i>Tunisia:</i> L'Agence Nationale pour la Maîtrise de l'Energie, <i>Uganda:</i> Climate Change Department of the Uganda Ministry of Water and Environment
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Objective

The Global Carbon Market project hence promotes the use of existing and new carbon market instruments in partner countries. Furthermore, it aims to provide public and private decision-makers with the necessary capacities, knowledge and skills to make best use of market-based instruments for climate protection.



Approach

The Global Carbon Market project supports its partners in Uganda, India, Tunisia and Chile in implementing market-based instruments to achieve their Nationally Determined Contributions (NDCs). To increase the private sector's participation in carbon markets the project actively involves companies in the implementation and development of carbon market mechanisms. It further works towards building capacities, knowledge and skills amongst public and private stakeholders to make best use of existing instruments and increase readiness for a new generation of market mechanisms under Article 6 of the PA. In order to achieve these objectives, the *Global Carbon Market* project thus pursues a three-tiered approach:

- 1) **Developing and advancing market-based climate policy instruments** in close collaboration with partners.
- 2) **Supporting and building capacities amongst stakeholders from the public and private sector** through workshops, trainings, and high-level meetings.
- 3) **Increasing the participation and visibility of partner country representatives** in international fora or conferences on market-based climate policies.

Results

In [Uganda](#), the *Global Carbon Market* project is promoting private sector readiness for Article 6. The project works closely with companies on the latest development of carbon markets and resulting opportunities to reap sustainable development benefits. Through technical workshops, studies and policy advice the project brings forward Article 6 readiness of the public sector as well as institutional capacity to mainstream carbon markets in national climate policy (e.g. in the Long-Term Strategy or the NDC update). By supporting the creation of the

[Eastern Africa Alliance on Carbon Markets and Climate Finance](#) in June 2019, the project has contributed to setting-up a regional forum in which members deepen cooperation on carbon markets.

In [India](#), the *Global Carbon Market* project focuses on increasing private sector participation in carbon markets. It does so by advising the private sector on opportunities in the voluntary carbon market and building capacities among Small and Medium-sized Enterprises. For example, the project has accompanied the development of voluntary carbon market projects on *Municipal Waste Management* or *Alternate Wet and Drying of Rice Cultivation*. In another key line of work, the project has trained more than 175 stakeholders from public sector enterprises through trainings and workshops on carbon markets and climate finance.

In [Tunisia](#), *Global Carbon Market* works together with public institutions and the cement industry, one of the largest emitting sectors in Tunisia. The project has assisted in the development of a Measurement, Reporting and Verification system in the cement sector. It also promoted the adoption of low carbon technological innovations (e.g. low-clinker cement or co-processing) and collaborated with public institutions to lift regulatory barriers. On the international scene the presence of the Tunisian Government has been consolidated through several technical inputs, workshops and trainings of negotiators.

In [Chile](#), the *Global Carbon Market* project has strengthened capacities of the private and public sector to implement carbon markets by training more than 980 experts since 2017. The project provides valuable input and advice on market-based instruments through different technical studies and workshops, inter alia, to the inter-ministerial *Task Force on Article 6*. Thereby, the project contributed to the inclusion of markets in different political processes, such as Chile's updated NDC, the Climate Change Framework Law, or the Green Tax reform. This has contributed to strengthening Chile's position as forerunner in international climate policy.

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