

Global Carbon Market



Chile

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 reduce costs of emission reduction and incentivize climate-friendly investments.

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.

Chile has underlined its role as regional forerunner in terms of climate policy by submitting an [updated Nationally Determined Contribution \(NDC\)](#) that aims to achieve climate neutrality by 2050 and adopting an absolute carbon target. Carbon markets play a key role for the country. The inclusion of market mechanisms in the updated NDC and a Green Tax reform demonstrate Chile's commitment in this regard. In Chile, the *Global Carbon Market* [project](#) has supported the government in further developing carbon markets and pricing instruments and in exploring climate financing mechanisms that can contribute to fulfilling the country's GHG emission reduction commitments.

Global Carbon Market

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Approach

To achieve these goals, the *Global Carbon Market* project has taken the following approach:

- 1) **Strengthening capacities of the public sector** to make best use of carbon pricing policies and market potentials.
- 2) **Enabling an active participation of the private sector** in carbon markets, by building capacity and raising awareness.
- 3) **Consolidating the international position of Chile** in global discussions on carbon pricing.

Activities

1) Strengthen Capacities of the Public Sector

- In Chile, the *Global Carbon Market* project builds capacities of the public sector, for example in the context of the inter-ministerial *Task Force on Article 6*, which involves the Ministries of Energy (lead), Foreign Affairs, Environment and Finance to craft guidelines for the use of Article 6.
- With technical inputs and studies, it informs policy processes, e.g. that of NDC revision or on the potential for an offsetting market in Chile.

- The project organized workshops on topics such as ETS, offsets, green taxes, etc. to build capacity amongst stakeholders regarding the use of cost-effective mechanisms for GHG mitigation.
- Through trainings on Measurement Reporting and Verification (MRV) international and regional experts from the MRV group of the *Pacific Alliance* and policy makers from other countries were brought together to share expertise and experiences.

2) Active Participation of the Private Sector

- The *Global Carbon Market* project is actively engaging with the private sector and civil society at the national and sub-national level on the design and implementation of future carbon pricing instruments. Various events are organized to inform the private sector and other stakeholder groups of the latest developments regarding carbon markets.
- Different technical analyses are conducted, such as a Technological Needs Assessment in the emission-intensive cement and steel sector, raising awareness on carbon leakage problems in the low-carbon transition.

3) International Positioning of Chile

- The project actively promotes the participation of Chile at different events (*Latin American and Caribbean Carbon Forum* and the regional *Climate Week*) making the country more visible on the international scene.
- Chile's active engagement in international and regional initiatives such as the *Pacific Alliance* and *Carbon Pricing in the Americas* platform has been supported.

Results

- ✓ Since 2017, the *Global Carbon Market* project trained more than 980 experts and stakeholders at capacity building workshops regarding carbon markets.
- ✓ The project delivered valuable policy advice and input to public institutions through technical studies and workshops. This way, it successfully contributed to processes that led to the inclusion of carbon markets in relevant policies, e.g. the Chilean NDC update and the Framework Law on Climate Change bill, or the Green Tax.
- ✓ The project raised awareness amongst private sector stakeholders, enterprises and their leadership from the steel and cement sector, regarding carbon market instruments.
- ✓ The Chilean perspective on carbon pricing and market mechanism has been promoted at various international events and platforms strengthening the country's role as leader in climate policy.



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