

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, are an effective way to mitigate climate change as they reduce costs of emission reduction and incentivize climate-friendly investments. The creation of a global carbon market under Article 6 of the Paris Agreement presents an important opportunity to strengthen mitigation programs through climate financing, private sector involvement, and ambition raising. The German government considers carbon markets to be a central instrument in international climate protection.

Against this backdrop, since 2008 the Global Carbon Market project has been supporting partner countries in using market-based and other economic climate protection instruments at national and regional scale. Currently in its sixth phase, the project focuses on novel forms of cooperation arising under Article 6 of the Paris Agreement, the voluntary carbon market and dedicated carbon pricing instruments. The project presently operates in Eastern Africa (since 2008) and the Caribbean (since 2021). Partner countries in past phases of the project also included Chile, Tunisia, and India.

Robust regulations are an essential prerequisite for carbon markets to realize their mitigation potential and successfully ramp up climate action under Article 6 of the Paris Agreement. Despite uncertainties on regulatory outcomes from continued international negotiations under the UNFCCC, the use of market-based approaches for climate protection is advancing on a global level. The voluntary carbon market has become increasingly important, and some countries have begun signing bilateral agreements under Article 6. International cooperation for the effective implementation of these mechanisms will be key in the coming years.

Global Carbon Market	
Commissioner	German Federal Ministry for Economic Affairs and Climate Action (BMWK)
Partner Countries	Eastern Africa, Caribbean
Political Partners	*Uganda:* Ugandan Ministry of Water and Environment *Caribbean:* Caribbean Public Health Agency (CAR-PHA)
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Objective

The project's objective to strengthen the capacities of public, private and civil decision-makers in the partner countries with regard to the design and use of market-based and other economic climate protection instruments for the implementation of Nationally Determined Contributions (NDCs).

Approach

In order to achieve its objectives, the *Global Carbon Market* project follows a four-tiered approach for engaging with the relevant stakeholder groups:

1. **Strengthening capacities of public sector** representatives and institutional structures for Article 6 readiness and improved access to climate protection funds.

2. **Enabling participation of the private sector** through technical capacity building and knowledge exchange.

3. **Promoting the active participation of youth and women** in emerging market mechanisms and climate finance.

4. **Fostering regional cooperation** for effective implementation of mechanisms and participation in international negotiations.

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Activities

Eastern Africa

In Eastern Africa, the *Global Carbon Market* project works together with the private sector, public sector, civil society, and youth actors in capacity building and framework development to advance the implementation of Article 6 and voluntary carbon market activities. In Uganda, the project contributed to the mainstreaming of carbon markets in the country's National Development Plan, energy policy, and NDC update. The project also works with countries in the region to develop standardized baselines for emission factors, which is an important requirement for the accreditation of emissions certificates. The project likewise works closely with companies on the latest developments in carbon markets and resulting opportunities to promote the development of new projects under Article 6 and other novel market mechanisms. Through technical workshops, studies and policy advice the project brings forward Article 6 readiness of the public sector and encourages public-private cooperation for the advancement of a high integrity carbon market in the region.

The project aims to strengthen the regional approach and visibility on carbon markets so that East African countries continue to attract investments for their stated climate mitigation targets. The Eastern Africa Alliance on Carbon Markets and Climate Finance, which was set-up in June 2019, has proven to be an effective regional forum for peer-to-peer knowledge exchange as more countries in the region seek to increase their carbon market involvement. The project works closely with the Alliance to scale up regional capacities and a united approach for engaging in global carbon markets.



Caribbean

In the Caribbean, the *Global Carbon Market* project is focused on developing frameworks and technical capacities that will be necessary to implement Article 6 and advance participation in the voluntary carbon market as standards continue to evolve. The project works closely with the Organization for Eastern Caribbean States (OECS) in supporting the integration of carbon markets into the NDCs of the independent member states. Public officials, private sector stakeholders, and youth are trained on technical considerations in the field of carbon markets and carbon pricing, so that they can contribute to the alignment of robust frameworks and new project developments. Studies and workshops are also organized to support stakeholders' informed decision-making on regional opportunities for carbon market development (e.g. in the tourism sector or through mangrove restoration and conservation).

The project is working with the OECS and state officials to establish a Caribbean Alliance on Carbon Markets and Climate Finance, which would provide a platform to further regional collaboration and capacity building. Additionally, through the training of international climate negotiators and supporting the development of women and youth in the sector, the project similarly works to increase the region's participation in carbon market activities.

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