

# ENABLING HIGH INTEGRITY CARBON CREDIT MARKETS

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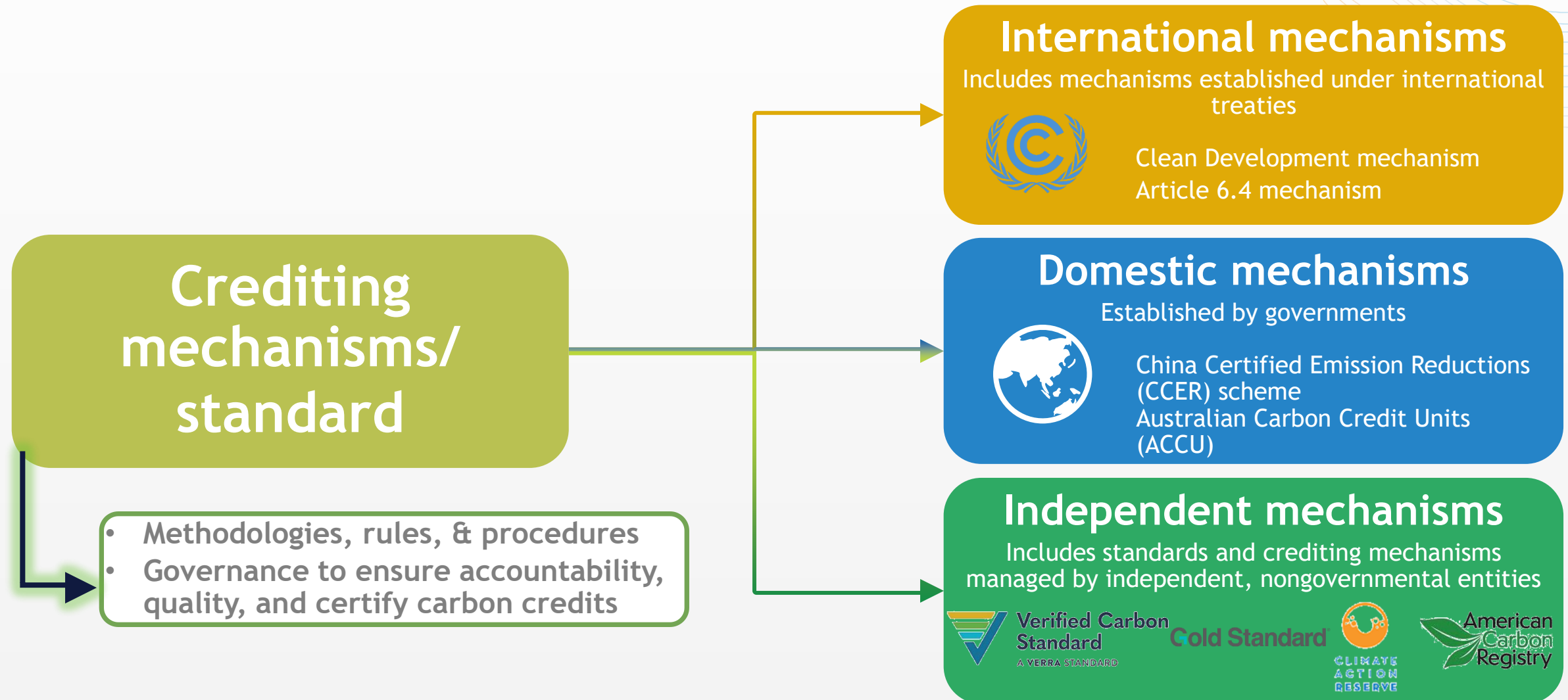
# The role of carbon markets in reaching net-zero

- According to the IPCC, **limiting global warming to 1.5°C will require immediate and deep emission reductions by half, by 2030** relative to 2010 levels and will have to become “net zero” by 2050.
- **Annual climate finance needs are \$3-6 trillion** while availability is \$600-800 bn
- **Grant / grant-equivalent funding** is required for climate action in many sectors, given the high perceived risk and low viability of technologies.
- **Results-based climate finance (RBCF) and carbon markets** have the potential to accelerate the transitions needed for decarbonization by providing an additional source of funding that recognizes and rewards projects for the climate benefits they generate.
- **122 countries** indicated their plan to use Article 6 to achieve their NDCs

A photograph of a forest path with a yellow text box overlay. The path is made of dirt and is surrounded by tall, thin trees and green foliage. The text box is yellow with rounded corners and contains black text.

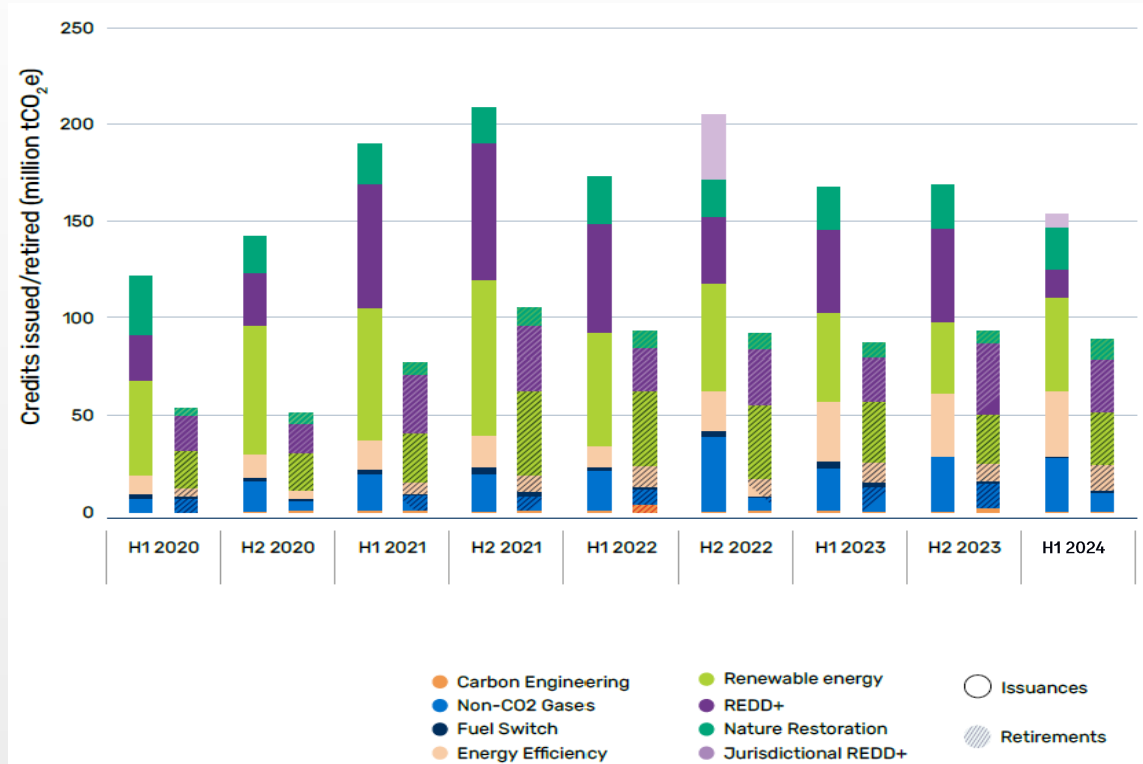
**Carbon markets** can improve the long-term **commercial viability of climate action** by offering an **additional source of revenue** against verified emission reductions, and also **promote technological innovation** by sending a price signal on carbon

Carbon credits underpin the **carbon market** and can be generated from a range of mechanisms and activities



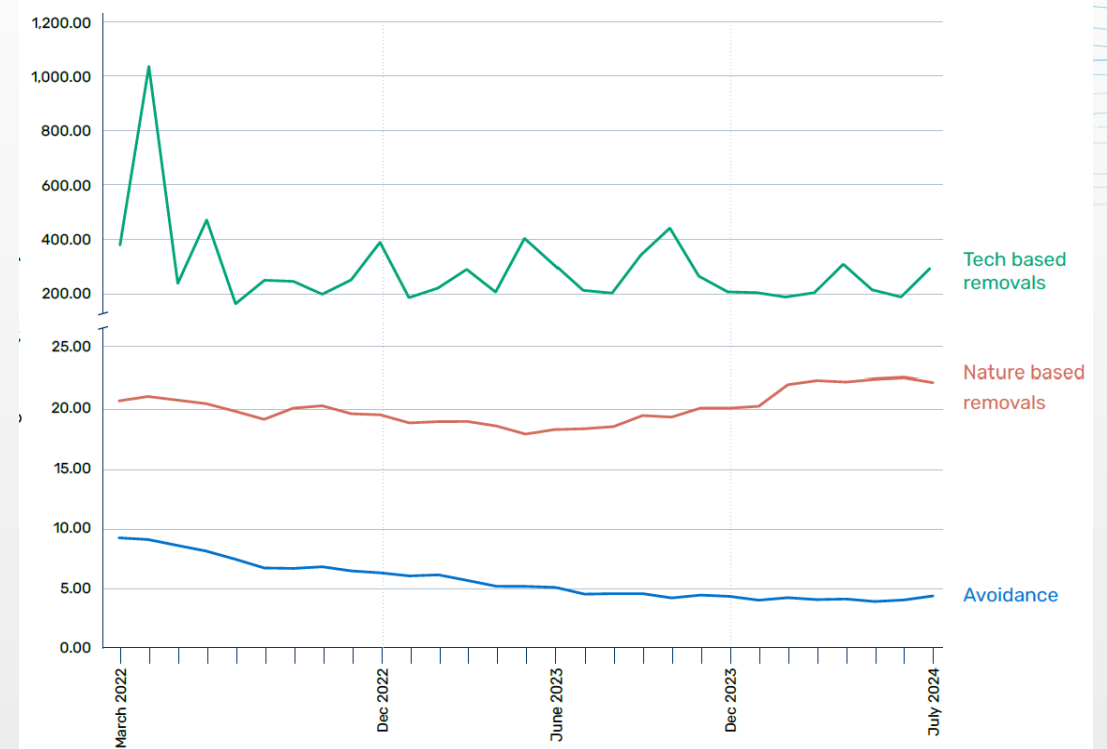
# State of Play - Carbon markets are still at an inflection point

Half-yearly issuance and retirements by project type (in mtCO<sub>2</sub>e)



Source: MSCI Carbon Markets, as of June 30, 2024

Weighted average prices of removal vs avoidance credits (in USD)

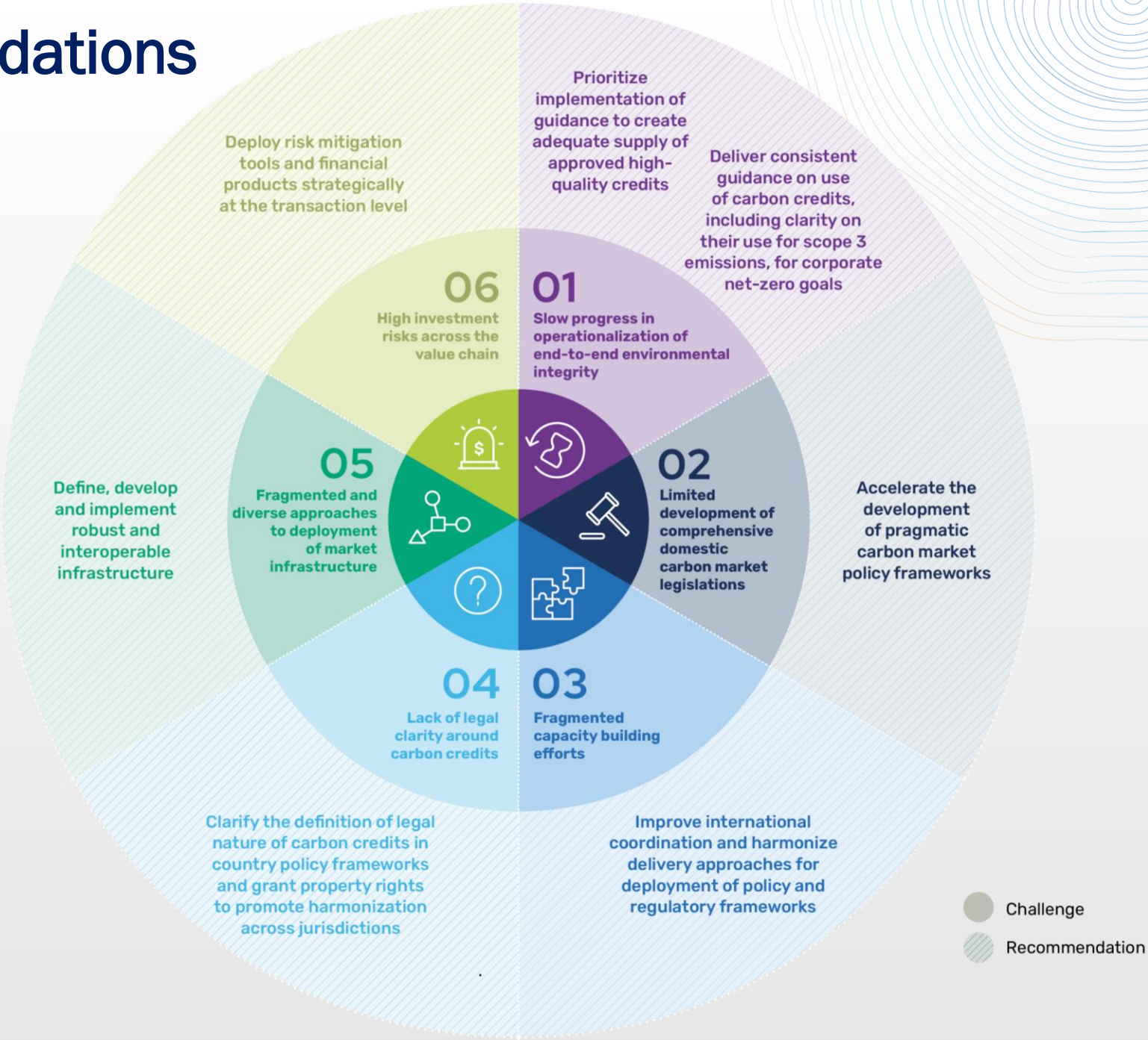


Source: Allied Offsets

- Last year saw a significant drop in the market value of traded carbon credits
  - In H1 2024, weighted average prices have remained low; issuances and retirements hold steady (except REDD+)
- Removal credits trading at a premium; increased buyer interest in tech-based removals
- More progress is needed on Article 6 to resolve outstanding issues



# Bottlenecks & Recommendations



# WBG Carbon Markets Engagement Roadmap (COP28): Scaling up High Integrity, High Impact Carbon Markets

1

**Monetization** - Support countries to monetize and place in carbon markets high integrity credits, starting with promising results across an initial set of countries to conserve and sustainably manage forests under FCPF.

2

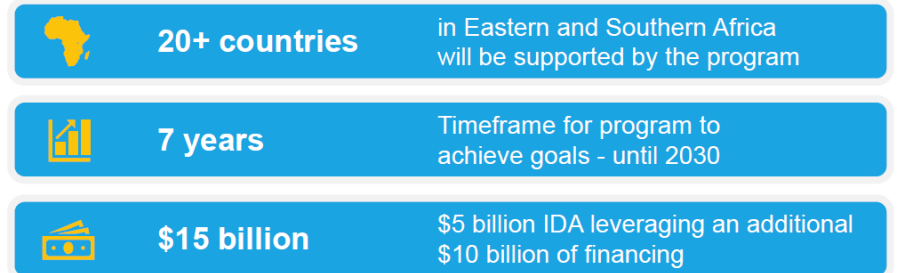
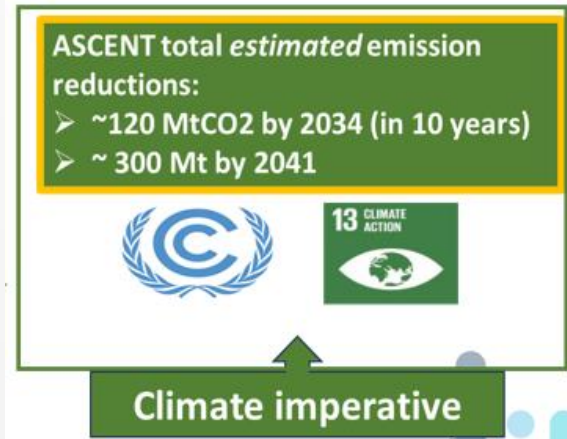
**Emission Reduction Program design** - Design and implement carbon finance in large scale Bank programs, including financial innovation and product design.

3

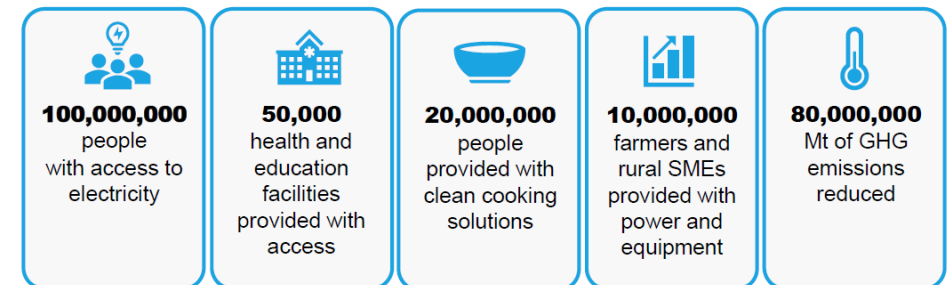
**Global Architecture & In-country Capacity Building** – Work with partners unlock the most critical bottlenecks in global architecture, and support development countries to build market infra, institutions, policies.

# Accelerating Sustainable and Clean Energy Access Transformation (ASCENT)

- Support developing the high quality “Energy Access Standard” that combines digital process flow, dMRV, streamline the Standard protocol and the scaled-up methodology
- Innovation for digital carbon market infrastructure (dMRV) to enable aggregation
- Capacity building at regional & country levels
- Demand pooling for private capital mobilization



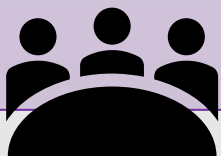
## Targets:



# Towards a Collaborative Blueprint to Roll out in Country

## Convening Key Stakeholders in the ecosystem

- Integrity Initiatives
- Independent Standards
- Ratings Agencies
- Validation & Verification Bodies
- Infrastructure providers
- Philanthropies
- Private Sector
- Regulators
- Indigenous Peoples and Local Communities



## To tackle the most critical bottlenecks facing carbon markets



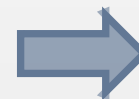
Absence of a robust country policy framework on carbon credits.



Unclear rules on financial and market integrity



High investment risks



## Blueprint for countries to implement high-integrity carbon markets



- ✓ Decision-making framework for host countries
- ✓ Principles for Financial and Markets Integrity
- ✓ Guidelines for safe and interoperable market infrastructure
- ✓ Innovative financial products to de-risk carbon markets





## PMI COUNTRY PROGRAMS

Bangladesh	Mexico
Botswana	Montenegro
Chile	Pakistan
China	Panama
Colombia	Senegal
Guinea	Türkiye
Indonesia	Ukraine
Kazakhstan	Vietnam
Malaysia	

## PMI TARGETED SUPPORT

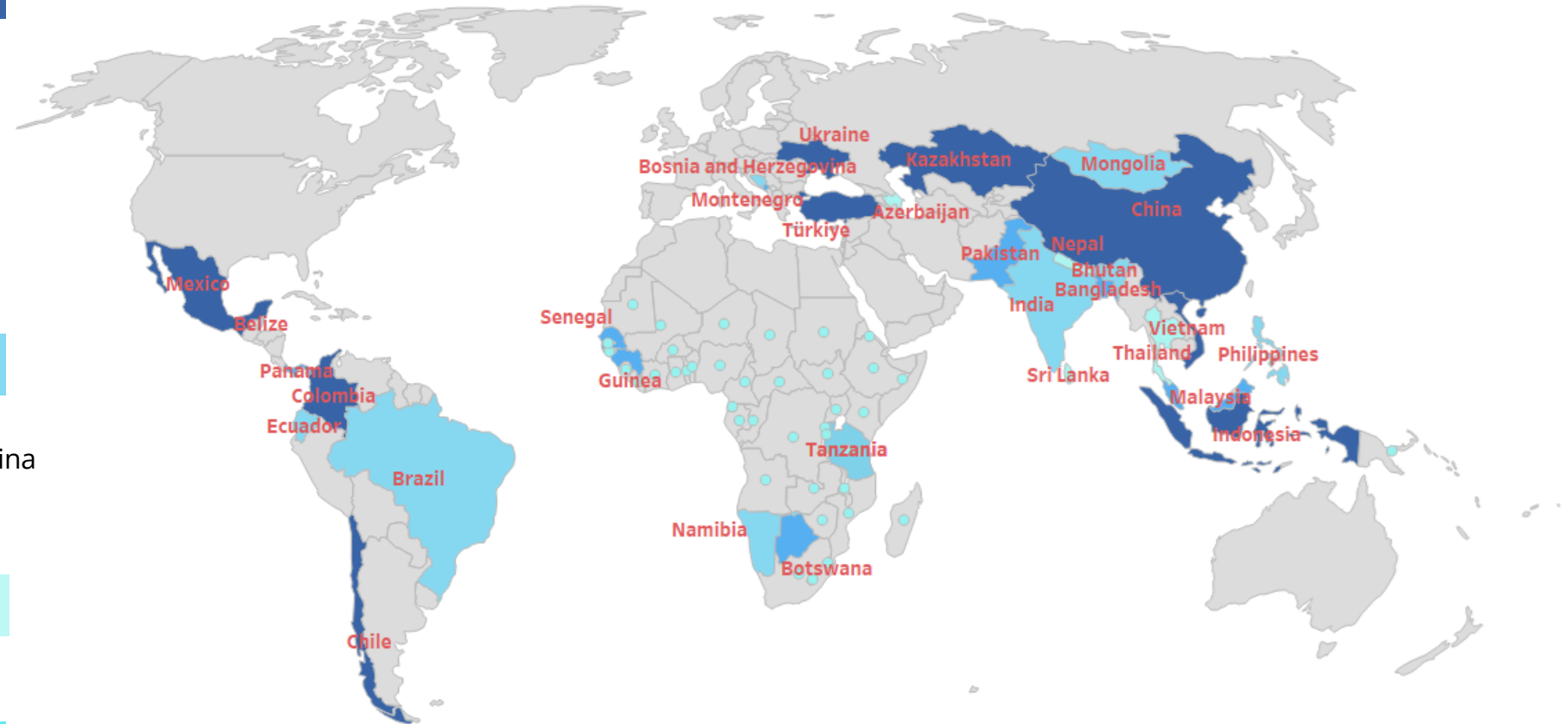
Belize	Brazil
Bhutan	Bosnia and Herzegovina
Ecuador	India
Mongolia	Namibia
Philippines	Tanzania

## JIT PENDING FINAL APPROVAL

Azerbaijan	Nepal
Sri Lanka	Thailand

## REGIONAL PROGRAMS

Sub-Saharan Africa  
Pacific Islands (PNG)



- WI: Implementation Support
- WII: Readiness Support
- WIII: JIT Support
- WIII: Regional Programs
- Pipeline

# Concluding points for the CFMCA

- 1 Bottlenecks need to be unlocked** – “demand use case” for VCM still unclear; A6 negotiations slower than desired; capacity constraints (in-country; VVB, etc.)
- 2 In-country capacity is needed** – for policy/regulatory framework; market infra; project-level
- 3 Partnerships will be critical** – to avoid fragmentation, synergize efforts, and ensure that voice of global south is well represented
- 4 The World Bank is committed to working with others to scale carbon markets** for the benefit of developing countries and as a channel for climate finance