



GLOBAL CARBON CREDIT TRADE: ENVIRONMENT

NEWS: In Baku breakthrough, COP clears carbon credit trade

WHAT'S IN THE NEWS?

At COP29, held in Baku, nations achieved a historic agreement to establish a global carbon market aligned with the Paris Agreement's Article 6. This agreement allows for carbon credit trading among countries, aiming to reduce emissions and direct financial resources to developing nations. Despite this progress, challenges around transparency, credit ownership, and project eligibility remain unresolved.

Understanding the Global Carbon Market

Framework under Article 6:

- **Article 6.2 (Bilateral Trading):** Enables countries to trade carbon credits directly with each other, supporting collaborative emissions reduction projects.
- **Article 6.4 (Global Market):** Establishes a UN-supervised global carbon market, providing a centralized system for buying and selling carbon credits.

Mechanism of Carbon Trading:

- Carbon credits represent certified reductions in emissions, achieved through initiatives like afforestation or renewable energy projects.
- Credit prices are influenced by countries' emission caps, promoting reductions in greenhouse gas emissions.

Key Challenges in Carbon Market Implementation

- **Authenticity of Carbon Credits:** Ensuring that credits represent real, verifiable emissions reductions is essential for credibility.
- **Accounting and Ownership Issues:**
 - **Ownership of Credits:** Clarification is needed on who can claim credits, especially for cross-border projects funded by foreign entities.
 - **Project Lifecycle:** Questions remain about when in a project's lifecycle a credit becomes eligible for trade.
 - **Nationally Determined Contributions (NDCs):** If a foreign entity funds a project in a developing country, can that country count the credits toward its NDCs?

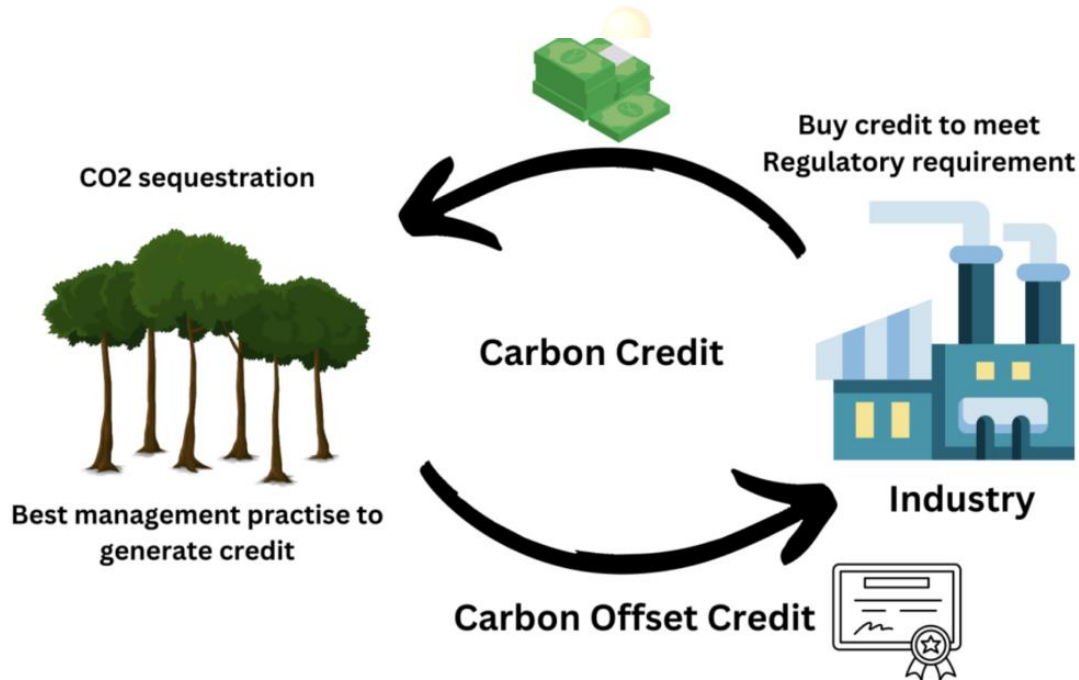
Recent Developments:

A UN supervisory body issued a draft text outlining standards for transparency and consistency in carbon removal and project evaluation.



Economic and Climate Benefits

- Implementing the Article 6 framework could reduce the cost of national climate plans by approximately \$250 billion per year.
- This agreement is anticipated to provide critical financial support to developing nations, helping them reach climate targets and fostering sustainable growth.



Focus on New Collective Quantified Goal (NCQG)

What is NCQG?

- A financial target to replace the prior \$100 billion climate financing commitment, aiming to enhance climate adaptation, mitigation, and resilience in developing countries.
- Expected by 2025, it aligns with the Paris Agreement's goals, setting a realistic framework for global climate finance.

Role in Broader Climate Goals:

- While the Article 6 decision marks significant progress, maintaining focus on the NCQG is crucial for comprehensive climate action and ensuring developing countries receive adequate support to combat climate challenges.

This global carbon market initiative at COP29 represents a major step towards international climate cooperation, balancing economic incentives with accountability and equity for developing nations.

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