This is a new section of the Public-Private Partnership Resource Center website and is currently in draft form. Your feedback is welcome: If you would like to comment on the content of this section of the website or if you have suggestions for links or materials that could be included please contact us at ppp@worldbank.org.

Photo Credit

Photo organizations or companies develop carbon credit business

Develops Trading Infrastructure & Mechanisms

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On this page: *Find examples of strategies and initiatives to facilitate the sustainable and long-term growth of ERC demand. Read more below, or visit Strategic Guidance for Country System Assessments, Guidance for Countries in Assessing ERC Projects, or Mobilizing ERC Finance.*

D2: Develops trading infrastructure & mechanisms. As countries establish their institutions and work on scaling supply, the importance of diversifying demand across geographies and buyer profiles will also be critical to ensure the sustainability of the sector. Enabling a diversified demand base may also protect the sector from potential shocks to the global markets. These measures include the development of international trading mechanisms, as well as the infrastructure to generate local demand as a complementary source of growth.

Guideposts for best practice
Sequencing for roadmap

- Proactive efforts and initiatives to market ERCs within local and global market (e.g., roadshow, trade conference, partnerships, trade desks).
- Use of both policy-based (e.g., establishing a national fund for the purchase of local ERCs) and non-policy based (e.g., creation of climate claims standards, engaging in education campaigns) to stimulate demand in local ERC projects
- [Best practice] Guidance provided to project developers regarding how ERCs should be priced based on the relevant dimensions (e.g., project type, co-benefits, etc.,) to enable higher value realization

Guideposts for best practice		
Sequencing for roadmap		
Impact	Low-ERC demand will continue to grow in the short to medium term regardless of marketing initiatives/capacity development given increasing societal & investor pressure, and the introduction of compliance schemes in other markets. However, it is expected that this will grow in importance in the medium term as the global supply landscape scales.	Phase 3: Enabling long-term sustainability of the ERC ecosystem
Resources needed	High-Development of marketing capacity requires coordination of multiple agencies (finance, trade) etc., evolving trajectory of global demand also poses challenges to focus on specific capacity development	

To facilitate the sustainable and long-term growth of ERC demand, governments can explore the following initiatives and strategies that have been observed in other markets.

Potential initiative: International trade mechanisms
International trade mechanisms: Bilateral agreements or cooperation between countries to cooperate on ERCs, both for purely voluntary and Article 6-related ERCs
Exemplars

Potential initiative: International trade mechanisms

Japan. Japan’s Joint Crediting Mechanism (JCM) offered a partnership initiative with developing countries (e.g., Vietnam, Indonesia, Cambodia, Mexico, Bangladesh, etc.,) to actively develop a carbon credit ecosystem; offsets will contribute toward Japan's NDCs, and, in exchange, JCM diffuses leading carbon infrastructure to advance sustainable development.

Ghana. Ghana has formed bilateral agreements with Singapore, Sweden, Switzerland, and South Korea to supply carbon credits (ITMOs).

Potential initiative: Carbon trade/exchange platform

Carbon trade/exchange platform – Platform-based marketplace for both domestic and international trade of carbon credits.

A carbon trade or exchange platform is an optimal choice for countries with strong infrastructure to support the exchange platform, and as can be observed in its financial markets

Exemplars

Potential initiative: Carbon trade/exchange platform

China. China's **Beijing Green Exchange (CBGEX)** functions as a public professional market platform for trading environmental equities like carbon credits, with over 1,000 trading members around China. Furthermore, the CBGEX and the European Energy Exchange (EEX) have formed a strategic partnership to jointly facilitate access to emissions trading in China and Europe.

Potential initiative: Establishment of an ERC purchase fund

ERC purchase fund – Establish a dedicated fund to purchase ERCs from local projects for any of the following use cases:

a. Claiming the emission reductions towards the country's NDCs
b. Affirm the quality of the ERCs by the government before their marketing and eventual sale to potential off-takers
c. Pooling ERCs from smaller-scale projects to enable benefits of scale in marketing and sale activities

The fund may be established by the government with its own funds or in collaboration with development financing institutions or private funds.

Buyers of ERCs

Government, primarily through auctions hosted by statutory body, to implement the purchase of carbon credits for use against own NDCs.

Exemplars

Potential initiative: Establishment of an ERC purchase fund

Australia. Australia created the USD2.5Bn Emission Reduction Fund (ERF) and set the standards of what can be bought by the ERF, with a total 124 mtCO2e Australian Carbon Credit Units (ACCUs) purchased under ERF.

Spain. Spain created the Carbon Fund for a Sustainable Economy (FES-CO2) to purchase verified emission reductions of projects—budget not specified—included in Spain's EU200Bn investment target in a low-carbon transition by 2030.

Potential initiative: Claims certification scheme

Claims certification scheme – Develop or adopt standards for corporates seeking to make carbon-neutral or net-zero claims by purchasing ERCs and ensure inclusion of local ERC projects.

Buyers of ERCs

Companies, events, products, services that seek to achieve carbon neutrality (purchase of carbon credits used to offset emissions) and make claims to customers.

Exemplars

Australia. ACCUs are retired by companies to meet their voluntary emissions reduction targets/ abatement goals, driven by carbon-neutral claim standards such as Climate Active, a government-accredited voluntary carbon-neutral certification scheme.[1]

Footnote 1: Australia Climate Active

Related Content

- **Strategic Guidance for Country System Assessments (Download PDF version)**

- **Guidance for Countries in Assessing ERC Projects (Download PDF version)**

- **World Bank Emissions Reduction Program: Mobilizing ERC Finance (Download PDF version)**

Additional Resources

- PPP Online Reference Guide
- Financial Intermediaries

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