Carbon Market

Why in News

'Carbon Markets' has become a contentious issue at the **Conference of Parties 25 (CoP 25)**, being held in Madrid (Spain) from 2nd-13th December, 2019.

- Carbon markets allow for buying and selling of carbon emissions with the objective of reducing global emissions.
- Carbon markets **existed under the Kyoto Protocol,** which is being **replaced by the Paris Agreement in 2020.**

Carbon Markets

- Carbon Markets can potentially deliver emissions reductions over and above what countries are doing on their own.
- For example, technology upgradation and emission reduction of a brick kiln in India can be achieved in two ways:
  - A developed country which is unable to meet its reduction target can **provide money or technology** to the brick kiln in India, and thus **claim the reduction** of emission as its own.
  - Alternatively, the kiln can make the investment, and then offer on sale the emission reduction, **called carbon credits.** Another party, struggling to meet its own targets, can buy these credits and show these as their own.

Carbon Markets under the Paris Agreement

- The provisions relating to setting up a new carbon market are described in Article 6 of the Paris Agreement.
- Article 6.2 enables bilateral arrangements for transfer of emissions reductions.
- Article 6.4 talks about a wider carbon market in which reductions can be bought and sold by anyone.

- Article 6.8 provides for making ‘non-market approaches’ available to countries to achieve targets.

Source: IE