

De-mystifying Carbon Finance: A Primer for the Interested MBA Student

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Global compliance markets are somewhere about \$150 billion today, and are expected to grow 3x over the next 3 years.

2. Offset Carbon, split into two, compliance offset carbon and voluntary offset carbon, which, as the name suggests, is about finding ways to counterbalance CO2 emissions, that is, something somebody is doing specially to reduce the carbon dioxide emissions from the atmosphere. The compliance offset carbon needs to be regulated (Article 6 of Kyoto Protocol) as it is related to compliance carbon, and Indian entities have no experience in this market. Voluntary offset carbon is something Indian firms are familiar with as these carbon credits are traded in voluntary carbon markets. The compliance offset market is relatively small today. The voluntary offset market is around \$250 million, and is expected to grow to 3 billion by the end of this decade. California has been a leading market. There are four registries in the voluntary market, and the challenge is about how efficiently you do your verification and validation process. A lot of offsets with co-benefits are preferred. In the future, we may see tightening of standards in the verification and validation process, but we may continue to see opacity if there is no oversight.
3. Finally, we have non-market carbon which refers to reduction in CO2 emissions, through CSR initiatives, for example, that are not traded in the market at all.

While compliance carbon is about avoidance (of emissions of CO2), offset carbon is about its removal. For a Net-Zero world, there has to be a lot of focus on the removal aspect. Markets can be the means of bringing about the Low Carbon Transition, as they play a unique role in setting the price dimensions of energy.

Alternately, one could tax a negative externality, the carbon tax, the proceeds from which could be used to fund mitigation and adaptation activities. The carbon tax is basically putting a defined price on emitting carbon dioxide. With carbon tax in place.

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financed. Even for renewable energy projects, KfW focuses on aspects such as whether the water level would be affected due to these projects before choosing to fund the project.

The government's decentralized administration really needs to dramatically improve their adaptation capability. The problems created by climate change will have to be solved at the level of cities and villages and mechanisms by which public entities can access funding have to be centrally organized.

Another important consideration is the need for a central authority to coordinate the various projects and to ensure that they are implemented in a timely and effective manner.

growth can be made green when public procurement is shifted towards cleaner technologies. Similarly, corporate entities can take advantage of the opportunities created by carbon markets, which are created by public interventions. One could also

Annotated Bibliography of Select Papers on Carbon Finance

Mobilizing private climate finance for sustainable energy access and climate change mitigation in Sub-Saharan Africa

Citation: Michaelowa, A., Hoch, S., Weber, A. K., Kassaye, R., & Hailu, T. (2021). Mobilizing private climate finance for sustainable energy access and climate change mitigation in Sub-Saharan Africa. Climate Policy, 21(1), 47-62. <https://doi.org/10.1080/14693062.2020.1796568>

Link: <https://www.tandfonline.com/doi/full/10.1080/14693062.2020.1796568>

financing goods and services into the development of non-fossil energy businesses, flexible and diverse service schemes need to be developed. The third policy implication is that the carbon market's application procedure for green financing should be streamlined. Utilizing financial derivatives to reduce carbon dioxide and other greenhouse gas emissions is how carbon trading is implemented in the financial sector. The findings emphasize the crucial role of green finance in facilitating the transition to a sustainable and low-carbon economy by promoting the use of non-fossil energy sources and reducing greenhouse gas emissions.

Climate finance policy in practice: a review of the evidence

Citation: Bhandary, R. R., Gallagher, K. S., & Zhang, F. (2021). Climate finance policy in practice: A review of the evidence. Climate Policy, 21(4), 529-545. <https://doi.org/10.1080/14693062.2020.1871313>

Link: <https://www.tandfonline.com/doi/full/10.1080/14693062.2020.1871313>

The ability to transition to a low-carbon, climate-resilient economy depends heavily on finance. The Paris Agreement itself makes a commitment to coordinating financial flows with a strategy for achieving reduced greenhouse gas emissions and development that is climate resilient. Numerous studies have shown that there is a sizable budgetary gap to achieve these aims. Bhandary *et al.*, (2021) evaluated how policy can mobilize climate finance in practice. On the basis of an extensive set of evaluation criteria, the paper analyzed the empirical effectiveness of climate financing initiatives. The paper also examines national climate financing policies and takes lessons from both successful and unsuccessful country cases.

Nine types of climate finance policies are being evaluated using multip()10.8(top1.3(oc)3.4(c)3.4(c6l2(i)8e 611.3(c)3.3

conventional finance subjects is that the former is mostly driven by policy. As a result of the swiftly shifting global economic and political settings, new difficulties in this area are expected to arise. This paper emphasizes the importance of interdisciplinary collaboration, knowledge sharing, and research that addresses practical challenges and policy implications. The author concluded with the note that a thorough evaluation of pertinent literature is currently lacking. The paper also suggests the need for further exploration of emerging topics and th-1.6(r)-11.6(r)P44.6(1.6(r)Popi)-3.9(a)9.2(t)-4.6(i)-4.6(on)(r)P9(f)mg tc2.6

sample of developed and developing countries, offering a comparative analysis of their low-carbon finance performance. The findings highlight the variations in low-carbon finance development across regions and income levels, with some economies showcasing remarkable progress while others lag behind.

Furthermore, the paper explores the potential drivers and barriers that influence the adoption of low-

Link: <https://www.sciencedirect.com/science/article/pii/S0301421519301053>

The climate funds have established themselves as a resource for supporting adaptation to combat climate change and its effects on the environment in recent years. Additionally, they serve as a tool for advancing policies that aid developing nations in achieving sustainability. In this regard, (Carfora & Scandurra 2019) studied the impact of climate funds on economic growth and their role in substituting fossil energy sources. This aim of the paper is to assess the efficacy of policies governing the use of climate funding. To accomplish this, they assessed how the climate funds given out by donor countries have affected environmental and economic issues by analyzing the flow of funds among countries and conducting a counterfactual analysis. The findings of this study offer clear evidence of how effectively climate funds operate to encourage green growth. The findings demonstrate that funds were allocated to improve energy efficiency and sustainability: in fact, recipient countries reduced their GHG emissions in comparison to their similar counterparts. The research paper also discusses the challenges and limitations of climate funds in achieving a complete substitution of fossil energy sources. It recognizes the need for supportive policies, regulatory frameworks, and technological advancements to facilitate the transition to a low-carbon economy.

In conclusion, the research paper demonstrates the positive impact of climate funds on economic growth and their potential role in substituting fossil energy sources. It highlights the importance of targeted investments in renewable energy and the need for continued financial support to accelerate the transition away from fossil fuels. The findings provide insights for policymakers and stakeholders involved in climate finance, emphasizing the importance of aligning financial resources with sustainable development goals and climate objectives.