

BUILDING BLOCKS OF CARBON MARKETS AND THE WORLD BANK'S SUPPORT THROUGH THE PARTNERSHIP FOR MARKET IMPLEMENTATION

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The role of carbon markets

- 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.
- Carbon markets not only **support climate goals and fund technologies** and nature-based solutions, but **also deliver development benefits** like affordable energy, clean cooking fuels and healthier forests.
- **In carbon markets under the Kyoto Protocol**, every \$1 invested in emission reductions under CDM led to \$4.60 in the underlying low carbon investment i.e., **4.6x multiplier**.



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

What is a Carbon Credit?

A **carbon credit** is a certified unit that **represents one metric ton of carbon dioxide** (or its equivalent in other greenhouse gases) that has been reduced, avoided, or removed from the atmosphere through a specific project.

How is a credit generated?

- A carbon credit is generated through projects that **reduces or removes GHGs** compared to business-as-usual.
- These can be generated by **national programmes, individual projects or company's actions**.
- **Wide range of actions** are covered including renewable power, afforestation, energy efficiency, mangrove and wetland restoration, agricultural methane reduction, etc.

How is a credit issued?

- **Crediting mechanisms**, with their specific methodologies, rules and procedures, and governance systems to ensure quality - **certify and issue carbon credits**.
- There are **international mechanisms** such as Article 6 mechanisms; **independent mechanisms** such as Verra and Gold Standard; and **domestic/governmental mechanisms** established by governments.

What is the use of a credit?

- A carbon credit is a way to **measure and trade climate action**.
- Carbon credits can be traded as financial assets, with revenues **funding climate projects** and supporting otherwise unviable mitigation opportunities.
- Carbon credits are used by companies or governments to **meet climate targets**, for **compliance** markets, or to **voluntarily offset** their emissions.

A carbon market is a system that facilitates the **buying and selling of carbon credits**, enabling entities to trade these credits which represent efforts to reduce or remove greenhouse gas emissions.

What are the challenges?

Challenges to the private sector



Responsible corporate investments: Risk of greenwashing; need to avoid and reduce own emissions first



Clarity and standards: Guidance on claims around the use of carbon credits in voluntary corporate climate action remains fragmented and inconsistent



Integrity: Supply side integrity of carbon markets is key to attracting corporate investments. The Integrity Council for the Voluntary Carbon Market (ICVCM) seeks to build it.

Broader challenges



Transparency and Integrity: Methodologies for generating carbon credits and market infrastructure to promote clarity in reporting ; multiple standards with differing methodologies and rules.



Policy and Institutions: Country arrangements and common understanding between buyers and suppliers.



Monetization of Credits: Building capacity for monetizing Mitigation Outcomes and providing RBCF as countries get ready to access markets

The World Bank Engagement Roadmap for Carbon Markets: High Integrity, High Impact

With the Roadmap, the World Bank aims to elevate the ambition and collaboration, supporting countries in generating high-quality emission reductions and collaborating with global partners to enhance transparency and trust.

- 1 Monetization** - Support countries to monetize and place in carbon markets high integrity credits, starting with promising results across 15 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, specifically MPA operations and as relevant, GCPs.
- 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.

PMI's Pillars: a Coherent Approach to Carbon Pricing and Market Implementation

A Platform for Country Delivery

Supporting 35 countries through targeted grants and technical assistance



Building country capacity to design and implement carbon pricing & markets policies

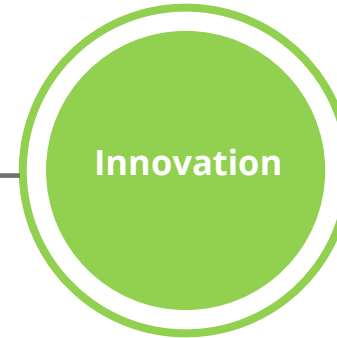
A Global Hub for Knowledge & Innovation

Amplifying the impact of country support by:

- Bridging the gap between analytics and delivery, turning insights into action
- Promoting learning and knowledge-sharing through strategic partnerships and global engagement
- Ensuring countries receive coordinated and technically sound support



Informing policy and operational design by providing robust analytics, expert technical guidance, and practical knowledge to advance carbon pricing and market implementation



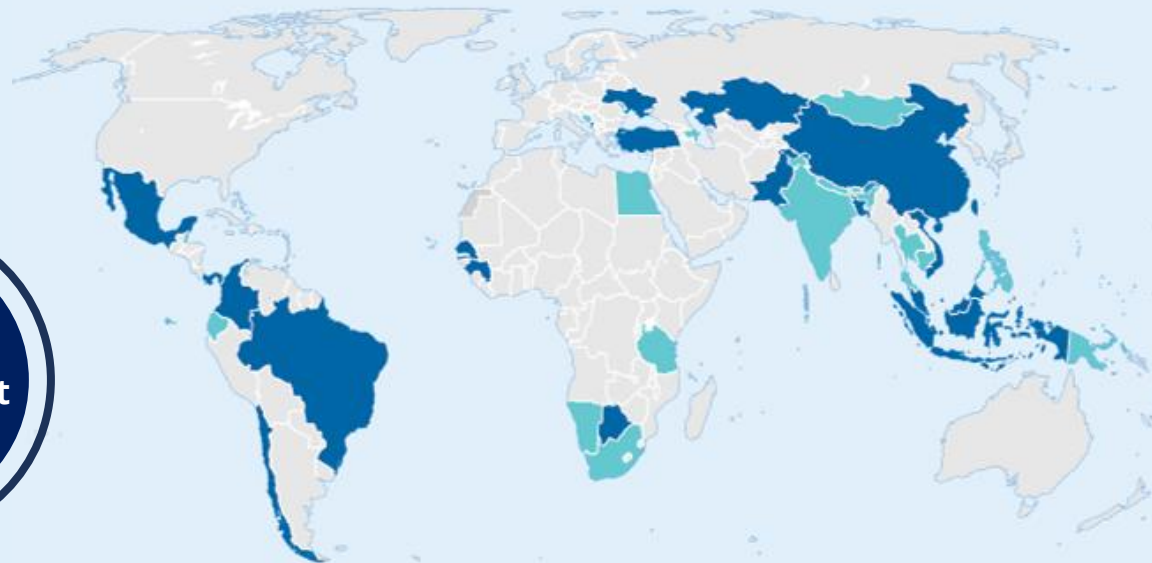
Generating new ideas and solutions to advance innovation in policy, infrastructure, and financial instruments to strengthen the global architecture and country readiness for carbon markets



Building support through global engagement by strengthening partnerships and global platforms to amplify country voices and foster exchange

PMI is a platform for country delivery...

Country
Engagement



PMI's GLOBAL COVERAGE

35 countries supported in total

● 8 new engagements | ○ 7 JIT completed

PMI COUNTRY PROGRAMS

Bangladesh	Guinea	Pakistan
Botswana	Indonesia	Panama
● Brazil	Kazakhstan	Senegal
Chile	Malaysia	Türkiye
China	Mexico	Ukraine
Colombia	Montenegro	Viet Nam

PMI JUST IN TIME SUPPORT

● Azerbaijan	Ecuador	○ Papua
Belize	● Egypt	New Guinea
○ Bhutan	India	○ Philippines
○ Bosnia & Herzegovina	● Moldova	● South Africa
○ Brazil	● Mongolia	Tanzania
● Cambodia	○ Namibia	● Thailand
	○ Nepal	

... To support countries across their
carbon pricing journey

A global hub for knowledge & innovation



Global
Knowledge

Informing carbon
pricing policy
and operational
design

*Key
analytics*



Innovation

*Technical
guidance*



*Learning
academies*



Advocacy
Outreach
Partnerships

**KNOWLEDGE
CENTER**

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KEY KNOWLEDGE PRODUCTS

Guidebook



**Country Guidance for
Navigating Carbon
Markets**

- Supports countries in navigating critical decisions and developing coherent carbon market strategies
- Developed in collaboration with key capacity building partners - A6IP, GGGI, GIZ, ICVCM, UNDP, UNFCCC, and VCMi
- Launch during the I4C 2025
- To be leveraged for road-testing in several countries

Technical Notes



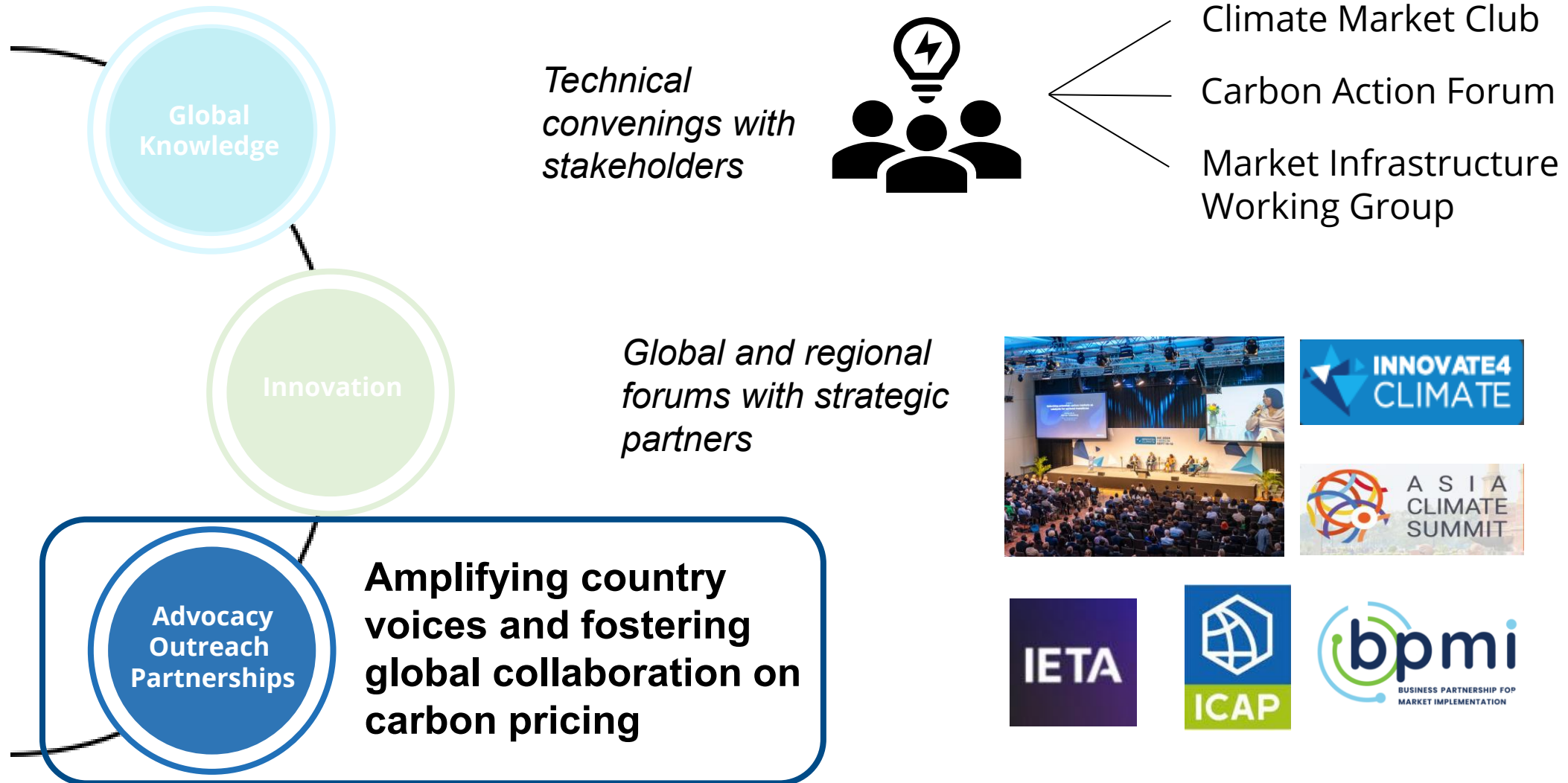
**Guidance Notes on Priority Areas
for Safe, Efficient, and
Interoperable Carbon Markets
Infrastructure**

- Provides targeted assessments, practical tools, actionable recommendations and stocktaking efforts to support informed decision-making on the development and implementation of market infrastructure
- Developed through extensive multi-stakeholder consultation under the Carbon Markets Infrastructure Working Group (CMI WG)
- Launched at I4C, June 2025

A global hub for knowledge & innovation



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THANK YOU

For more information

- <https://www.pmiclimate.org/>
- [State and Trends of Carbon Pricing: International Carbon Markets 2024](#)

Contact info

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