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# The Carbon Transaction Facility (CTF)

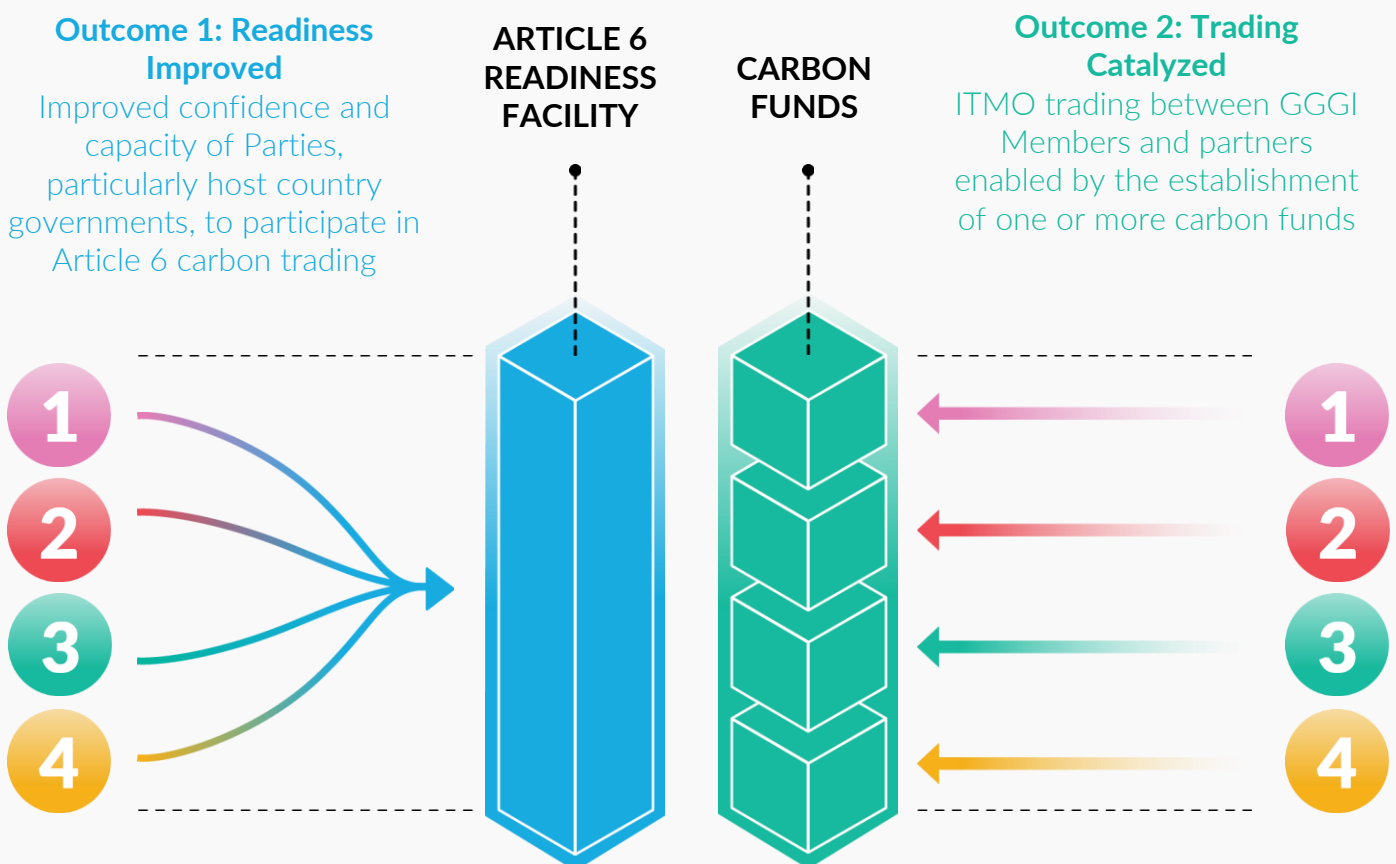
November 2024

# ABOUT THE CARBON TRANSACTION FACILITY

International carbon trading under Article 6 of the Paris Agreement stands to play a crucial role in achieving the long-term temperature goal adopted by Parties at COP21 in 2015. Article 6 allows countries to **cooperate voluntarily in the implementation of their nationally determined contributions (NDCs)** through the international transfer of greenhouse gas (GHG) emissions reduction units (or mitigation outcomes), with the mitigation outcomes achieved in one country counted towards the NDC targets of another in exchange for payment. Article 6 cooperative approaches therefore provide a way in which international finance can be channeled to mitigation activities that face barriers to implementation, such as lack of accessible funding or lack of access to required technologies.

The Carbon Transaction Facility (CTF) is GGGI's solution to the barriers that face countries who are seeking to participate in<sup>1</sup> cooperative approaches under Article 6 of the Paris Agreement, and to scale up international carbon trading. The CTF, operational since June 2024, aims to accelerate global GHG emission reductions by catalyzing carbon trading under Article 6, helping to accelerate climate action and sustainable development. The CTF is composed of two main pillars: the **Article 6 Readiness Facility**, and multiple ITMO-purchasing **Carbon Funds**. The Article 6 Readiness Facility is a multi-donor fund supporting readiness activities in host countries. Carbon Funds, on the other hand, are a series of individual funds for purchasing ITMOs.

**FIGURE 1. Overview of the Carbon Transaction Facility**



1. GGGI (2022) Global Survey on Article 6.

## ARTICLE 6 READINESS FACILITY

The **Article 6 Readiness Facility** is a multi-donor trust fund designed to improve the capacity of host countries to engage in carbon markets. By pooling contributions from multiple donors, this facility supports readiness activities that enable GGGI Member and partner countries to participate in international carbon trading. The Readiness Facility focuses on four key areas:

- 1. Strengthening Confidence:** Enhancing awareness and confidence in Article 6 activities among seller governments.
- 2. Improving Governance Frameworks:** Establishing robust institutional arrangements for engaging in Article 6.
- 3. High-Quality Mitigation Activities:** Originating high-quality mitigation activities aligned with both climate and development goals.
- 4. Knowledge Sharing:** Facilitating exchange of knowledge and experience between buyer and seller countries.

**FIGURE 2. Overall service offering of the Carbon Transaction Facility**



## CARBON FUNDS

The **Carbon Funds** are individual funds that purchase internationally transferred mitigation outcomes (ITMOs) from host countries. These funds are designed to address challenges during the transaction process, such as high transaction costs, long lead times, and difficulties in finding high environmental integrity projects. Each Carbon Fund offers tailored support across several areas:

- 1. Technical Support:** Assisting with the design, validation, and verification of mitigation activities.
- 2. Transaction Preparation:** Preparing required documentation, including Mitigation Outcome Purchase Agreements (MOPAs).
- 3. Transaction Facilitation:** Supporting negotiations between governments and mitigation activity proponents.
- 4. Fund Management:** Acting as trustee, GGGI monitors the delivery of ITMOs and prepares relevant reports.

# ABOUT THE GLOBAL GREEN GROWTH INSTITUTE & CARBON PRICING GLOBAL PRACTICE

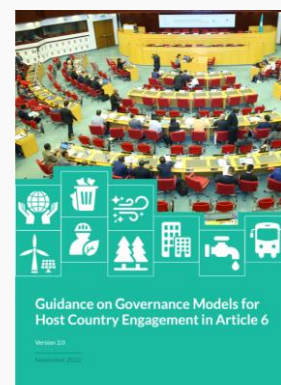
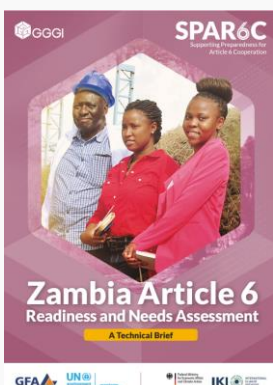
The Global Green Growth Institute (GGGI) is an international organization dedicated to supporting and promoting strong, inclusive and sustainable economic growth in developing countries and emerging economies. **GGGI's unique position as a neutral and trusted advisor** allows it to support Member State and partner countries in implementing green growth solutions including carbon pricing solutions.

The Global Green Growth Institute (GGGI) began its activities related to carbon pricing and the implementation of cooperative approaches aligned with Article 6 of the Paris Agreement in 2019. As of 2024, **GGGI Carbon Pricing have been actively engaged in a total of 21 countries**, providing direct support for participating in international carbon trading under Article 6, enhancing climate action in our Members and partners. Building from its expertise GGGI is launching the Carbon Transaction Facility (CTF) in 2024 to scale up its service offering in supporting Article 6 market opening to accelerate climate action and boost sustainable development.

**FIGURE 3. Map of GGGI's Carbon Pricing Activities**



## KEY CARBON PRICING PUBLICATIONS

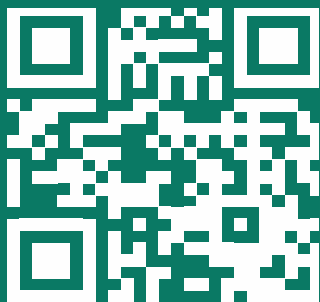




GGGI

# Carbon Transaction Facility

[www.GGGI.org](http://www.GGGI.org)



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