Unlocking Climate Ambition Through Carbon Markets

By Riham Elgizy

Companies and individuals are eager to take meaningful climate action, but without the right systems, infrastructure, and incentives in place, their ambition stalls before it can scale.

The urgency of the situation is evident in the research and frequency of climate related disasters. For example, **Saudi Arabia and Bahrain are heating faster than the global average:** While the world may warm by 3°C by 2100, parts of Saudi Arabia could see temperature increases of up to **5.6°C**, with serious consequences for health, agriculture, and infrastructure.

Role of carbon credits

Simply put, carbon credit is a certificate which represents one ton of emissions removed or reduced in a defined project. These projects can be tech or nature-based solutions that reduce or remove carbon emissions from our atmosphere.

The trade of carbon credit, for example through voluntary carbon markets, provides a much-needed direct financing mechanism for such projects to make them economically viable.

Voluntary vs. Compliance

Voluntary Carbon Markets enable companies, organizations, and individuals to offset their greenhouse gas emissions voluntarily by purchasing carbon credits from emission-reduction or removal projects.

While the compliance markets operate either Cap & trade mechanisms, i.e. putting a specific limit on emissions in a certain sector with the excess to be traded with someone else with spare capacity to their limit. Or in an emissions trading scheme (ETS) where companies receive or purchase allowances that permit them to emit a certain amount of greenhouse gases.

Credits ecosystem

Developers design and implement climate solutions that avoid emissions or remove carbon from the atmosphere through a rigorous process of verification, registering with an international accepted registry firm, such as Verra or Gold Standard, and then provide regular checks and updates before the certificates become eligible for acceptance on an exchange such as VCM, or others.

VCM in the Kingdom of Saudi Arabia

The establishment of The Voluntary Carbon Market Company (VCM) was announced by His Royal Highness Crown Prince of Saudi Arabia in 2021; set up by Public Investment Fund (PIF) and Saudi Tadawul Group (STG) with this mission to to support global climate mitigation efforts from Saudi Arabia.

Over the last few years, VCM has traded over 10million carbon credits and has grown to include 35+ local and international market participants that represent nearly 70% of all corporate emissions in the Kingdom of Saudi Arabia.

Learn more at: vcm.sa