GLOBAL CARBON REWARD

FROM CLIMATE GRIDLOCK
TO A REGENERATIVE FINANCIAL SYSTEM

2022

TWO-PAGE POLICY SUMMARY

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Policy Summary

The **Global Carbon Reward** (GCR) is a new international climate policy that can mobilise the large-scale finance and broad cooperation that are essential for achieving the 1.5-2.0°C goal of the 2015 **Paris Climate Agreement**.

The GCR represents an economic system-change because it will offer a "**carbon reward**" to financially incentivise the reduction of greenhouse gas (GHG) emissions and the removal of GHGs from the atmosphere — at speed and scale. The carbon reward is a new type of market price and positive incentive that will be granted for mitigated carbon. The reward has four vitally important features: it will be *debt-free*, *predictable*, *targeted* and *scalable* for bridging the investment gap of the Paris goal, which is estimated to be about:

• US $3-6 trillion per year for cleaner energy and emissions reductions[1]
• US $100 trillion by the year 2100 to remove at least 640–950 $GtCO_2$ from the atmosphere[2].

The GCR offers a new political solution to the "free-rider" problem by not creating any direct costs for governments, businesses or citizens. Rather than creating more debt, the carbon reward will be financed through an investment vehicle (see Carbon Currency) that will be conveniently traded in open markets, and will be underwritten with an international public finance guarantee (see Carbon Exchange Authority).

The GCR will not involve cryptocurrencies or carbon offsetting—but it will limit greenwashing through service-level agreements, accreditation programmes, and transparency. Moreover, uniform accounting standards and the predictable long-term GCR price will attract the required investing, scientific research, and project development on a global scale.

Carbon Currency

The GCR policy is designed to issue the carbon reward in the form of a "**carbon currency**" (CC). The CC will have the dual functions of a pricing tool and an investment vehicle. The CC will be created and issued in proportion to the mass of mitigated carbon that results when project owners can verifiably:

• produce cleaner energy and retire fossil energy assets
• develop cleaner businesses, industrial processes, and supply chains
• remove carbon from the ambient atmosphere and store it safely.

By design, the CC is not a type of "money" because it will not be used to pay for goods and services. The CC will perform as a price signal, and as a "store-of-value" until it is converted into national fiat currencies via banks and currency traders. The CC's exchange rate will be partially managed so that it never falls below a guaranteed "**CC floor price**". The utility of the CC is explained with a revised economic theory (p.2) that takes into account the systemic risk of climate change and the finance that is needed to mitigate the risk.

Communities & Ecosystems

The carbon reward will be calibrated to the Paris goal, but it will also be adjusted to preferentially support projects that promote co-benefits and avoid harms. This is to incentivise new technologies and businesses that evidently improve:

• energy reliability (load levelling, etc)
• community wellbeing (green jobs, food security, etc)
• ecosystem health (biodiversity, pollution reduction, etc).

1 IRENA (2019) , IEA (2021), OECD (2018) and McKinsey & Company (2022)
2 Estimated from Luderer et al. (2018) and assuming US$100 per tCO_2

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Revised Economic Theory

A revised theory for the market failure in carbon has been developed to explain and support the GCR policy. The new theory states that in order to rapidly achieve net-zero carbon emissions a minimum of two pricing mechanisms are needed: (1) a tax on emitted carbon to manage costs, and (2) a reward for mitigated carbon to manage risks. These complementary carbon prices are foundational to a policy toolkit that may include a variety of other policies, such as cap-and-trade, regulations, subsidies, carbon credits, fiscal etc.

The GCR policy is proposed to create a **positive externality** that takes the form of a **global public good**. This public good is the institutional capacity to assess and mitigate the causal drivers of carbon-driven climate destabilization. For further details, see the **carbon pricing matrix**:

https://globalcarbonreward.org/carbon-currency/pricing-theory/

Carbon Exchange Authority

A new international body, called a **Carbon Exchange Authority** (CEA), is proposed to implement all aspects of the GCR policy, including the determination of the CC floor price in currency markets, and the coordination of central banks for defending the CC floor price. The required central bank operations will be coordinated under a new international monetary protocol, called **carbon quantitative easing** (Carbon QE). Carbon QE does not involve excessive money printing or unregulated inflation. For further details, see the Wikipedia page on Carbon QE:

https://en.wikipedia.org/wiki/Carbon_quantitative_easing

Call for Support

The GCR team welcomes new members, collaborations, and partnerships for:

- engaging with policy makers and central banks
- policy reviews and refinement
- advocacy and endorsements
- corporate sponsorship and foundation grants
- FinTech, digital platform, and IP development
- media relations

About ISI

Inquiring Systems Inc. (ISI) is the fiscal sponsor for GCR by providing financial services for tax-exempt donations and grants . ISI is a 501(c)3 non-profit organisation based in Sonoma County, California, USA, and founded in 1978. The GCR project was founded in 2014 by Dr Delton Chen.

Public Notice

The GCR policy continues to evolve in dialogue with key stakeholders, and later revisions of the policy will reflect these refinements.

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