GLOBAL CARBON REWARD

FROM CLIMATE GRIDLOCK
TO A REGENERATIVE FINANCIAL SYSTEM

2024

POLICY SUMMARY

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Cover Page

Project Title

Global Carbon Reward
From climate gridlock to a regenerative financial system

Preamble

For reasons of brevity, this document does not provide a complete description of the GCR policy, governance, and theory. Please contact the GCR team for more information.

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 and digital platform development
- media relations

Organisation

GCR Project
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ISI is a 501(c)3 non-profit organisation founded in 1978.
GCR is a climate policy initiative founded in 2014.

Contact Details

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Policy Summary

● *Introduction*

The **Global Carbon Reward** (GCR)[1] is a system-changing international policy for funding large-scale and rapid climate mitigation — mainly for replacing fossil fuel assets with renewables, decarbonising hard-to-abate industries and sectors, and scaling-up atmospheric carbon removal. The GCR policy will also incentivise the regeneration of ecosystems and communities with a secondary price signal.

GCR's functionality is enabled with the introduction of a **carbon currency (XCC)** combined with expanded mandates and new monetary policies for central banks. The GCR also proposes that a new social principle is needed — termed **preventative insurance**[2] — for sharing costs and raising cooperation to reach **real net zero** in time to meet the Paris goal.

● *Problem*

The IPCC reports that the world needs 3 to 6 times more climate finance[3] — compared with existing public and private investment — to achieve the 1.5-2°C goal of the Paris Climate Agreement. This finance gap is proving difficult to span, and it is approximately:

- US $3-6 trillion/year for clean energy and emissions reductions over several decades.[4]

In addition, because of the global emissions trend, at least 640-950 $GtCO_2$ will have to be removed from the atmosphere to meet the 1.5°C goal, costing about:

- US $1.3 trillion/year for atmospheric carbon removal and storage, this century.[5]

● *Resolution*

The **GCR Project** offers a resolution to the limitations of standard economics. The resolution is to embrace "carrot and stick" carbon pricing for a breakthrough in cooperation and to provide scalable climate finance. A new type of market "carrot" is proposed, called a **global carbon reward.** The reward is a performance-based grant that has the flexibility and scalability to decarbonise hard-to-abate sectors, and to promote the regeneration of communities and ecosystems.

The GCR policy does not require overturning institutions or political systems because it will be funded by a **public finance guarantee** — in the form of a monetary policy that will be implemented by a consortium of central banks. The approach is grounded in an expanded market theory that considers the systemic limitations of the mainstream economy. The mission of the GCR Project is to complete a demonstration of the policy over a 3-year period, and to advocate the policy for pilot testing and for international consideration under the UNFCCC.

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[1] https://globalcarbonreward.org/
[2] Preventative insurance for climate action is analogous to preventative healthcare.
[3] Climate Change 2022: Mitigation of Climate Change. IPCC, WG III, AR6, Chapter 15
[4] IRENA (2019), IEA (2021), OECD (2018) and McKinsey & Company (2022)
[5] Estimated from Luderer et al. (2018) and assuming US$100 per tCO_2

● *Carbon Currency (XCC)*

Carbon currency (XCC) is the core economic tool of the GCR policy. The XCC is a powerful tool because it allows the reward price to be directly supported by monetary policy and currency markets. It is common for pundits to wrongly assume that the XCC is a carbon credit, a cryptocurrency, or a medium-of-exchange — but none of these assumptions are correct. The XCC will only be used to price mitigated carbon and to manage the mitigation cost.

One unit of XCC will be issued for **1 tCO_2e that is mitigated for a 100-year period**, however, the XCC **will not** be used to offset emissions. The XCC will be a financial asset for providing a price signal, and it will not compete with national fiat currencies, such as the USD, because it will not be used as legal tender.

● *Carbon Exchange Authority*

A new international institution, called a **Carbon Exchange Authority (CEA)**, is recommended for managing the XCC and the entire GCR policy, as explained the GCR website.[6] The CEA will implement all aspects of the GCR policy, including the coordination of central banks for defending a lower-bound value of the XCC — called the **XCC floor price**. A scheduled XCC floor price will have the effect of attracting private demand for the XCC in open markets. The required central bank operations will be coordinated under an international monetary protocol that will support the productive sectors of the economy, and will not result in excessive money printing or inflation.

● *Carbon Reward Rulebook*

A primary function of the GCR policy is to provide scalable finance for completing a significant portion of the mitigation work that is required to meet the Paris goal. How will the new finance be allocated? The carbon currency (XCC) will be issued to project owners who satisfy the conditions of their individual **service level agreements** (SLAs). These SLAs will be accepted voluntarily, and they will include standards for measurement-reporting-verification (MRV) and for carbon accounting — based on Rules 1 to 6, as applicable (see **Tables 1 & 2**).

The amount of XCC that will be issued to project owners will be proportional to the computed mass of GHGs emissions that has been reduced/avoided (refer Rules 1 & 2 in **Table 1**) or removed from the atmosphere (refer Rule 3 in **Table 1**). Given that there is no carbon offsetting in the GCR policy, the problem of "additionality" can be addressed with **performance obligations** and **SLAs** that are not available in conventional carbon markets.

The other major purpose of the GCR policy is to promote the regeneration of communities and ecosystems (refer **Table 2**). The way that the policy addresses "regeneration", is to offer positive/negative reward-adjustments for co-benefits/harms. The adjustments will be based on the results of voluntarily surveys. This represents a potential breakthrough in stakeholder equity and decentralised governance. The types of co-benefits that can be supported include (a) the stabilising of energy grids; (b) providing affordable housing and transport, urban greening, and other amenities for wellbeing; and (c) pollution reduction, rewilding, agroforestry, and biodiversity protection — for example.

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[6] https://globalcarbonreward.org/carbon-currency/governance/

Table 1. Reward rules for incentivising GHG mitigation

Rule	GCR Rulebook for Mitigation
1	**Cleaner Energy:** rewards will be offered for retiring fossil reserves, developing strategic energy infrastructure, and reducing the carbon intensity of energy that is supplied to markets. The policy will facilitate the exchange of coal-fired power stations and greenfield fossil reserves for renewable energy assets, and it will prioritise the protection of vulnerable ecosystems and communities (e.g. Congo Basin peatlands, Yasuni National Park in Ecuador).
2	**Cleaner Business:** rewards will be offered to businesses and organisations for reducing the carbon intensity of their operations. The policy will target hard-to-abate industries, such as shipping, aviation, steel production, agriculture, etc.
3	**Carbon Removal:** rewards will be offered for the net CO_2e mass removed from the ambient atmosphere and stored on a pro-rata basis relative to a 100-year period. The policy will create a global supply-demand market for GHG removal.

Footnote: The complete rulebook is comprehensive as it will include additionality guidelines, MRV standards, carbon accounting rules, and details for Scope 1-3 emissions. The rulebook disregards awardees' investments and offsetting. Rule 3 corresponds to an explicit price for GHG removal. Rules 1 & 2 involve carbon intensity baselines that are individual, flexible, and cost-effective. Contact the GCR Project for further details.

Table 2. Reward-adjustment rules for incentivising co-benefits

Rule	GCR Rulebook for Co-Benefits
4	**Energy Reliability:** a reward adjustment is offered for energy reliability. Stakeholder groups, comprised of energy experts, will define criteria for evaluating and scoring energy projects within energy markets.
5	**Community Wellbeing:** a reward adjustment is offered for community wellbeing. Stakeholder groups, comprised of residents, will define criteria for evaluating and scoring low-carbon projects and businesses within cultural regions.
6	**Ecological Health:** a reward adjustment is offered for ecosystem protection and restoration. Stakeholder groups, comprised of scientists, ecologists, and land stewards, will represent ecosystems by defining criteria for evaluating and scoring low-carbon projects and businesses within geographic regions. This rule will give ecosystems greater representation in the market economy.

Footnote: Contact the GCR Project for further details.

● *Major Global Benefits*

Major economic benefits that will be created by the GCR policy include:

- voluntary sharing of mitigation costs via XCC currency trading and investing
- long-term forward guidance on the global carbon reward price
- new hard-currency income opportunities for developing nations
- attracting massive R&D to lower the long-term cost of mitigation
- avoiding carbon offsetting as a source of revenue
- reducing the level of debt in the world economy.

Major technical and societal benefits that will be supported by the GCR policy include:

- payments for GHG mitigation services and socio-ecological co-benefits
- instantaneous data and information sharing on a global digital platform
- exchanging greenfield fossil reserves for renewable energy assets
- exchanging fossil-powered generation plants for cleaner energy assets
- rapidly decarbonising heavy industry
- minimising greenwashing.

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