

**THE EU-GCC COOPERATION ON  
GREEN TRANSITION PROJECT**



Funded by  
the European Union



**EU-GCC WEBINAR:  
ECONOMIC OPPORTUNITIES  
OF CARBON MARKETS  
IN THE GCC REGION**

**SUMMARY REPORT  
APRIL 2025**

## EXECUTIVE SUMMARY

---

### **Webinar Summary Report: Understanding Carbon Markets**

**Date:** 10 April 2025

**Time:** 11:00 -12:30 GST

**Location:** Virtual

**Organised by:** EU-GCC Cooperation on Green Transition Project

**Funded by:** European Union

**Target Region:** Gulf Cooperation Council (GCC)

The EU-GCC Cooperation on Green Transition Project held the first of a series of monthly webinars designed to deepen cooperation between Europe and the Gulf region on climate-related policy, innovation, and investment. This inaugural session focused on carbon markets—one of the most powerful mechanisms for reducing greenhouse gas emissions and accelerating green economic development.

Experts from the European Commission, GCC Secretariat, ICE (Intercontinental Exchange), and ICAP (International Carbon Action Partnership) shared insights into the functioning of carbon markets, the role of emissions trading systems (ETS), and the challenges and opportunities facing the GCC region in establishing its own regional carbon pricing tools. Speakers also discussed the global policy landscape, EU carbon border mechanisms (CBAM), and the potential for cooperation in Africa.

The session featured interactive discussions and a lively Q&A, making it a dynamic knowledge-sharing event with real-world applicability for policymakers, businesses, and climate professionals across the EU and GCC.

## SPEAKER HIGHLIGHTS

Opening Remarks by:

**Mr. Spyros Kouvelis, Team Leader,  
EU-GCC Cooperation on Green  
Transition Project**



- Introduced the webinar series, highlighting its goal to foster regular engagement on key green transition topics such as adaptation, green hydrogen, energy efficiency, and green skills.
- Positioned carbon markets as a “cost-effective and flexible tool” to achieve emission reductions and finance the green transition.
- Emphasised that carbon markets are not an end in themselves, but a tool to support climate policy, innovation, business cooperation, and investment.
- Confirmed the EU-GCC team is based across Abu Dhabi, Dubai, Europe, and the wider Gulf, showing a hands-on regional presence.



## SPEAKER HIGHLIGHTS

---

Opening Remarks by:

**Mr. Sébastien Paquot, Head of Unit, Task Force on International Carbon Pricing and Markets Diplomacy, European Commission**



- Highlighted the EU ETS (Emissions Trading System) as one of the world's largest carbon markets, achieving 50% emissions reduction in sectors it covers compared to 2005.
- Shared that the ETS has generated over €200 billion in revenues, which are reinvested into innovation, renewables, and climate mitigation.
- Emphasised four benefits of carbon pricing:
  - a. **Proven effectiveness** in reducing emissions
  - b. **Revenue generation**
  - c. **Predictability** for business strategy
  - d. **Cost-efficiency**—it lets companies reduce emissions where it's cheapest
- Announced the EU is setting up a new ETS (known as ETS2) to cover transport and buildings from 2027, further broadening its climate scope.
- Clarified that carbon pricing is not a silver bullet, and must be part of a wider policy mix that includes fiscal incentives, investment plans, and sectoral strategies.

## SPEAKER HIGHLIGHTS

---

Presented by:

**Mr Gilles Dufrasne, Policy Officer - Task Force for International Carbon Pricing and Markets Diplomacy, European Commission**



### **Session 1: Understanding Carbon Markets – Differentiating Carbon Credits and Emissions Allowances**

Mr. Gilles Dufrasne delivered a highly informative and structured presentation titled "Understanding Carbon Markets", which served as the technical cornerstone of the webinar. His talk aimed to demystify carbon markets, clarify terminology, and explore how different systems work in practice. Here's a breakdown of his key points:

#### **1. Carbon Markets: A Means to an End**

- Core Message: Carbon markets are not an end goal. Their purpose is to help decarbonize economies in a cost-effective and fair manner.
- Emissions pricing is a tool to internalise the cost of greenhouse gas emissions and promote cleaner choices.

#### **2. Strengths and Weaknesses of Carbon Pricing**

- **Strengths:**
  - Cost-effectiveness: Allows emissions reductions to occur where they are cheapest.
  - Flexibility: Lets companies decide how and when to reduce emissions.
  - Innovation driver: Encourages businesses to find new technologies to reduce emissions.
  - Revenue generation: Can raise significant public funds to reinvest in green transition.
- **Challenges:**
  - Requires strong administration and monitoring systems.
  - Needs sufficient market liquidity and long-term policy stability.
  - Must be backed by political will and clear governance.
  - Can be influenced by macroeconomic shocks (e.g. energy crises).

### 3. Two Main Types of Carbon Markets Explained

#### 1. Cap-and-Trade Systems (Emissions Trading Systems, ETS):

- A fixed cap is set on total emissions across covered sectors.
- Emission allowances (permits) are distributed, and companies can trade them.
- Companies that can reduce emissions at low cost do so and sell excess allowances.
- Offers both economic efficiency and environmental certainty.

#### 2. Carbon Crediting (Baseline-and-Credit Mechanisms):

- Projects that reduce or remove CO<sub>2</sub> generate carbon credits.
- Credits represent emission reductions achieved in the past.
- No cap is imposed; projects are judged against a "baseline" scenario.
- Often used in voluntary context to finance projects.

#### • Key Distinction:

- Cap-and-trade deals with a finite number of emissions permits into the future.
- Crediting looks backward, verifying reductions that already occurred.
- Cap-and-trade provides a more reliable guarantee of environmental outcomes.
- Concerns persist around the quality of carbon credits in baseline and credit mechanisms.

### 4. Lessons from the EU Emissions Trading System (EU ETS)

- Operating since 2005, the EU ETS covers the power sector, heavy industry, and parts of aviation/maritime.
- Emissions in covered sectors dropped by 50% since 2005.
- Key reforms (e.g. Market Stability Reserve) corrected oversupply and stabilised prices.
- Generated over €200 billion in revenue, largely reinvested in climate programs.
- A second ETS (ETS2) will launch in 2027 to cover buildings and road transport, extending the carbon price to new sectors.



## 5. Key Considerations for the GCC Region

Gilles provided several tailored insights for GCC stakeholders considering carbon market adoption:

- **Market Size & Liquidity:** A GCC-wide market is likely more viable than fragmented national schemes; but it is much more difficult to implement.
- **Sector Inclusion:** High-emitting sectors with many installations like the buildings sector, may be strong candidates.
- **MRV Systems:** Effective monitoring, reporting, and verification are foundational to success.
- **Tailored Design:** GCC countries must account for local political, economic, and institutional realities.

## 6. Policy Integration & Long-Term Viability

- Carbon pricing should be part of a wider climate strategy, not a standalone tool.
- Success depends on supportive sectoral policies, investment frameworks, and public engagement.
- Markets must send predictable long-term signals to drive sustainable business decisions and infrastructure investment.

## 7. Final Questions Raised for Discussion

Gilles concluded by raising questions relevant for the region:

- What is the ideal market size to ensure liquidity and cost-effectiveness?
- Which sectors are best suited for initial carbon market coverage?
- How can regional governments ensure data transparency and system integrity?
- What role can regional collaboration play in establishing a successful system?



[Link](#) to Mr Gilles Dufrasne's presentation

## SPEAKER HIGHLIGHTS

---

Presented by:

**Mr. George von Waldburg,**  
**Director Environmental Markets,**  
**Intercontinental Exchange (ICE)**



### **Session 2: The Financial Dynamics of Carbon Trading – Markets, Mechanisms, and Opportunities**

Mr. George von Waldburg brought a highly practical and market-based perspective to the webinar, showcasing the role of global trading platforms like ICE in facilitating carbon markets. His presentation titled "The Financial Dynamics of Carbon Trading" offered a real-world look at how emissions trading works at scale and how these systems can unlock capital and drive private-sector involvement in climate solutions.

#### **1. ICE and the Scale of Global Carbon Trading**

- ICE (Intercontinental Exchange) is the world's leading trading platform for energy and environmental markets, including carbon allowances, renewable energy certificates (RECs), and renewable fuel credits.
  - It has facilitated the trading of:
    - >115 billion tonnes of carbon allowances (equivalent to 3x global annual emissions)
    - >6 billion tonnes in carbon credits
    - >350 million RECs and 5 billion renewable fuel credits (RINs)
    - \$1 trillion in environmental futures/options notional value annually since 2021
  - ICE handles over 50% of the world's carbon trading footprint, managing over \$75 billion in open interest for environmental risk instruments
- EU\_GCC\_10 Apr 25.



## 2. The Science and Economics of Net Zero

- George emphasised that net zero is not just a target—it's a science-based carbon budget.
- Human activities emit roughly 40 billion tonnes of CO<sub>2</sub> annually, while global absorption capacity is much lower.
- Carbon pricing helps assign financial value to emissions, making polluters accountable and funding reductions.
- Not all emissions are currently priced—82% of global emissions remain unpriced, revealing a vast untapped market.
- The global carbon market helps companies manage exposure to carbon risk while driving investments into cleaner alternatives.

## 3. Role of Exchanges in the Green Transition

- Exchanges like ICE play a key role by:
  - Providing futures and options markets for carbon allowances and credits
  - Linking supply and demand for environmental assets across jurisdictions
  - Ensuring transparency, integrity, and price discovery in environmental markets
- George introduced ICE's upcoming ETS2 futures contract, which will launch on 6 May 2025 to support trading under the EU's second ETS (covering buildings, road transport, and small industry).
- ICE holds a 90–95% market share of EU carbon products and is the go-to hub for compliance market participants globally.

## 4. Market Dynamics: Auctions, Spot, Futures, and Options

- ICE supports primary auctions as well as secondary market trading (spot and derivatives).
- Product metrics:
  - EUA futures: 36 million traded daily (96% market share)
  - EUA spot: 3.5 million traded daily (82% market share)
  - EUA options: 12 million traded daily (100% market share)
- These instruments are vital for companies managing price volatility and compliance risk.

## 5. Who Participates in the Carbon Market?

- George shared the MiFID Commitment of Traders Report, showing diverse actors:
  - Banks and credit institutions (34% of long positions, 83% of short)
  - Investment funds and pension funds (including ETFs and mutual funds)
  - Commercial entities and industrial operators
  - Financial institutions and family offices
- Liquidity is driven not only by compliance needs, but also by financial actors who hedge, speculate, and provide capital.

## 6. Key Elements of Market Design for Successful Carbon Trading

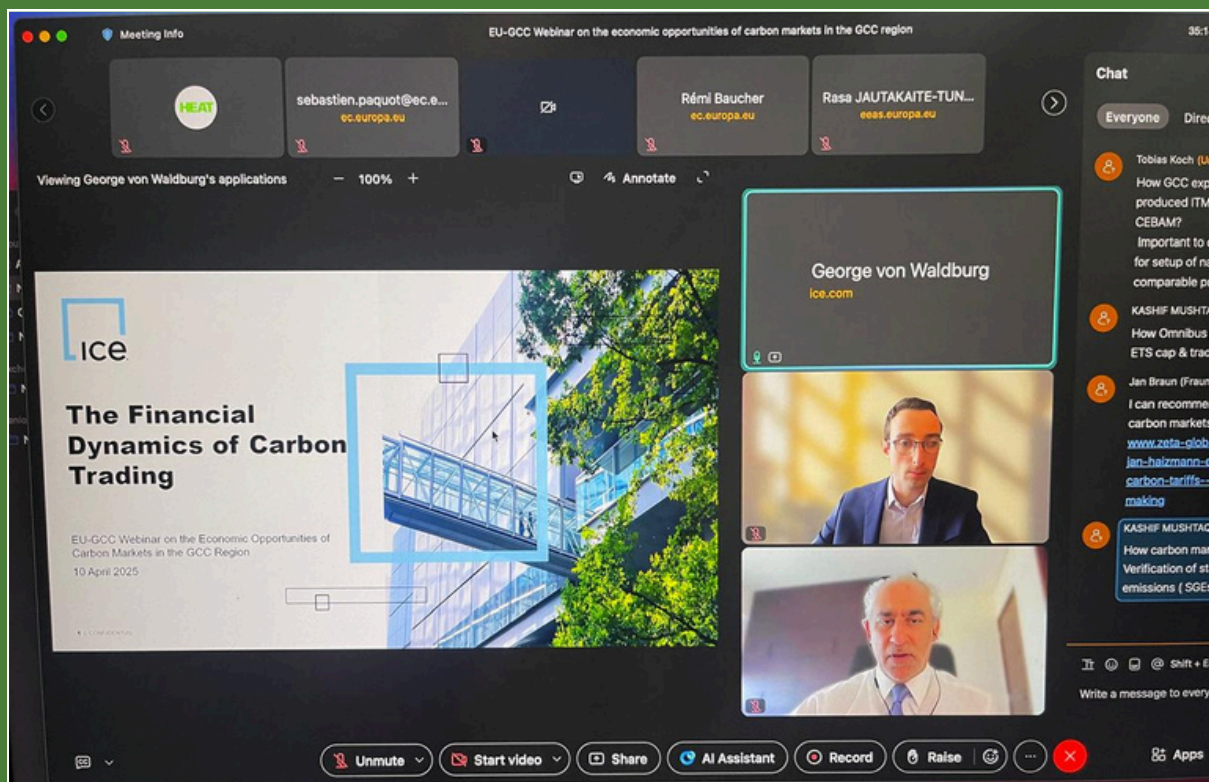
George emphasised that market success depends on careful design and regulation. He broke this into several pillars:

- **Compliance Market Foundations**
  - Both the EU ETS and UK ETS are underpinned by national legislation and policy mandates.
  - ETS2 (operational in 2027) will expand emissions coverage to new sectors in Europe.
- **Design Features for GCC Carbon Market Consideration:**
  - **Size and Scope:** Markets must be large enough to ensure liquidity. A GCC-wide ETS is likely more efficient than fragmented national systems.
  - **Diverse Participation:** Compliance buyers, banks, and funds are needed to create depth.
  - **Registry Access:** A unified registry system must allow efficient delivery of allowances.
  - **Policy Consistency & Regulation:** Long-term clarity and robust governance attract investors.
  - **Financial Regulation:** Spot and derivatives markets must be allowed; risk limits must be clear.
  - **Price Signals:** Exchanges support bilateral trading, forward curves, and real-time transparency.

## 7. Final Recommendations & Strategic Considerations

- Carbon markets are powerful tools to allocate capital, enable decarbonization, and build green finance ecosystems.
- The GCC region, with its growing commitment to net zero, can become a carbon trading hub if it prioritizes:
  - Cross-border cooperation
  - Market transparency and regulatory clarity
  - Engagement with global financial players
- George encouraged regional policymakers to look at ICE's platforms and products as models for building market-based systems tailored to GCC realities.

[Link to Mr George von Waldburg's presentation](#)



## PANEL DISCUSSION INSIGHTS

---

### Session 3: Panel Discussion – GCC and Global Perspectives on Carbon Market Opportunities

#### Remarks from Dr. Mohammed Al-Rashidi (via statement) Director of Energy, GCC Secretariat

Although unable to participate live due to urgent official commitments, Dr. Al-Rashidi submitted two key written contributions in response to questions posed by the moderator. His answers offered an authoritative perspective from the GCC Secretariat, outlining the region's strategic vision for carbon markets and regional policy coordination.

#### **Q1: From your perspective at the GCC Secretariat, what do you think could be the benefits of carbon markets across the region in the coming years?**

*"Carbon markets present a strategic opportunity to align climate ambition with economic diversification—core to our national visions and regional strategies."*

Dr. Al-Rashidi outlined four key benefits:

- **Support Net-Zero Targets:** Carbon markets offer a flexible, market-based approach to reduce emissions across sectors. This enables countries to meet their net-zero ambitions while maintaining economic resilience.
- **Drive Private Sector Engagement:** Carbon pricing acts as a powerful economic signal, attracting investment in clean energy, innovation, and sustainable technologies.
- **Promote Regional Integration:** A harmonised GCC carbon market could strengthen cooperation and operational efficiency across member states, reducing fragmentation.
- **Create New Economic Value:** The development of carbon credits, offsets, and nature-based solutions can unlock new revenue streams—particularly through renewable energy and land-based climate solutions.

*"As we build capacities and regulatory frameworks, carbon markets will become a central pillar of our green growth narrative."*

## PANEL DISCUSSION INSIGHTS

---

### Q2: What are the key policy or coordination mechanisms that could enable successful carbon pricing initiatives at the regional level?

Dr. Al-Rashidi emphasised that successful carbon pricing in the GCC requires both policy innovation and cross-border collaboration. His key recommendations included:

- **Shared Regulatory Principles:** Develop a common framework across the GCC that aligns national climate strategies with shared carbon market standards.
- **Pilot Programs:** Start small—launch national or sector-specific pilots (e.g., in power generation, cement, or steel) to test systems before scaling regionally.
- **Capacity Building:** Draw lessons from international best practices like the EU ETS and ICAP. Invest in training, MRV systems, and institutional readiness.
- **Market Readiness Assessments:** Conduct structured reviews of legal, institutional, and technical capacities to set realistic and phased pathways.
- **Public-Private Partnerships:** Engage with industry from the outset. Their involvement is essential for building a market that is credible, efficient, and aligned with real economic needs.

*“At the Secretariat, we are actively working to foster dialogue and technical cooperation—including with the EU—to build momentum for regional carbon pricing initiatives.”*

### Takeaway:

Dr. Al-Rashidi’s vision reaffirms the GCC’s commitment to climate leadership through market-based solutions, regional collaboration, and structured capacity-building—positioning the Gulf not only as a climate actor, but as a global hub for green economic transformation.

## PANEL DISCUSSION INSIGHTS

---

### Remarks from Mr. Stefano de Clara, Head of Secretariat, ICAP

- Positioned ICAP as a **knowledge-sharing and capacity-building hub** supporting over 40 governments.
- Suggested that a *regional GCC ETS* could be more effective than isolated national systems.
- Shared critical lessons from ETS implementation globally:
  - Need for tailored design to local conditions
  - Importance of policy alignment to avoid undermining the price signal
  - Value of pilot phases and periodic reviews
  - Engagement of stakeholders to build trust and compliance
- Emphasised that ETS can deliver both emissions reductions and economic diversification, making it highly relevant for the GCC.

## DISCUSSION THEMES & KEY INSIGHTS

---

### Understanding Carbon Market Mechanics

- Cap-and-trade systems provide a cap on emissions and allow trading of permits, offering **both economic and environmental benefits**.
- Carbon credit systems rely on **verified emission reductions** and are often used in voluntary markets or for offsetting.
- EU speakers urged caution in using carbon credits due to ongoing issues with **credit quality and verification**.

### EU-GCC Cooperation on Carbon Pricing

- EU officials expressed **strong interest in supporting GCC countries** in designing carbon markets through technical assistance, peer learning, and policy cooperation.
- Carbon pricing in the GCC should be embedded in a broader **green transition strategy**, including **tax reform, subsidies, and investment incentives**.
- There was emphasis on designing **markets at an appropriate scale**, not just smaller experimentation.



## DISCUSSION THEMES & KEY INSIGHTS

---

### Role of Carbon Markets in Financing the Transition

- Carbon markets generate revenue that governments can reinvest in **clean energy and innovation**.
- With the **EU CBAM (Carbon Border Adjustment Mechanism)** coming into effect, GCC exporters (especially in steel, aluminum, and cement) must prepare to compete globally by adopting **low-carbon production methods**.

### Carbon Markets in Africa: A Shared Opportunity

- Multiple speakers flagged Africa as a **high-potential region** for carbon credit generation, especially nature-based solutions, though important questions remain about the potential for high integrity credits in the region.
- Collaboration between EU and GCC could support **high-integrity crediting** in Africa and attract finance for sustainable development.
- The focus should not only be on credit quality and volumes, but also on how this fits within a country's climate strategy, e.g. avoiding over-selling of mitigation outcomes.
- The role of Article 6 of the Paris Agreement was discussed, but EU clarified that **international credits are not accepted for compliance** under its domestic targets.

### Audience Engagement & Q&A Highlights

- **Auction vs. Market Prices:** Auctions set benchmark prices that directly influence secondary market trades.
- **Liquidity Challenges:** Markets need both compliance entities and financial institutions to ensure sufficient trading activity.
- **Registry & Access Issues:** Access to carbon registries must be considered for international participants.
- **Regulatory Clarity:** Clear governance, penalty structures, and predictable rules are essential for building market confidence.

## About the project

# THE EU-GCC COOPERATION ON GREEN TRANSITION PROJECT



Launched in August 2023, this project funded by the European Union marks a significant milestone in the long partnership between the European Union (EU) and the Gulf Cooperation Council (GCC). By addressing critical global challenges such as climate change and sustainable development, the project builds upon the EU-GCC Cooperation Agreement Document signed in 1989. The Joint Action Programme for 2022-2027 endorsed in February 2022 outlines the strategic framework for cooperation, emphasizing the need to join forces in addressing climate change and make progress on green transition. This project reflects the shared commitment to leveraging EU expertise to deepen cooperation and engagement, promote green policies and technologies, and create a conducive business environment for collaboration among energy-related and green tech companies in the Gulf.

## KEY OBJECTIVES

The project aims to strengthen political and technical relationships at regional and bilateral levels by:

- Deepening engagement towards green transition and climate change mitigation and adaptation.
- Promoting the uptake of green transition policies and technologies by the GCC countries.
- Facilitating a conducive business environment between EU and GCC green tech companies in the Gulf region.

## IMPACT

- Enhanced knowledge exchange on climate action and green transition.
- Raised awareness on climate change, sustainable practices and circular economy.
- Strengthened network for collaboration in green solutions and energy transition.
- Proactive EU Climate Diplomacy in the region.

## STAKEHOLDERS

- State and non-state institutions, business community, & environmental NGOs.
- Researchers, academia, youth groups, & media outlets.
- EU and GCC businesses, particularly SMEs.
- EU Member States present in the GCC.

## FOCUS AREAS



### GREEN TRANSITION

Promote transformative change for green transition policies & practices within the GCC.



### NET ZERO CARBON

Implement solutions for reducing carbon emissions in industrial & public sectors.



### HYDROGEN MARKET

Support the development of a renewable hydrogen market in the Gulf region.



### CLEAN-TECH SOLUTIONS

Foster innovations in renewable energy technologies & clean-tech industries.



### CLIMATE CHANGE ADAPTATION

Strengthen resilience & adaptive capacities to climate-related hazards.



### ENVIRONMENTAL PROTECTION

Launch initiatives to preserve biodiversity & natural habitats, including marine protection.



### CIRCULAR ECONOMY

Encourage the adoption of sustainable waste management & resource efficiency.



### SUSTAINABLE FINANCE

Engage financial institutions in channelling investment & finance in support of green transition.



**Funded by  
the European Union**

FPI Programme Manager - Alessandra.tomirotti@eeas.europa.eu  
DG CLIMA - CLIMA-D02-ARES@ec.europa.eu  
DG ENER - ENER-TF3-SECRETARIAT@ec.europa.eu

### SPYROS KOUVELIS

Team Leader  
spyros.kouvelis@eugcc.eu

### RANIA NSEIR

Events & Comms Expert  
rnseir@eugcc.eu

Visit Our Site

