Global Climate Policy Project

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Interim Report

Building a Climate Coalition: Aligning Carbon Pricing, Trade, and Development

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Interim Report of the Global Climate Policy Project Working Group on Climate Coalitions

1. Introduction

As the world heads toward COP30 in Brazil, the birthplace of the United Nations Framework Convention on Climate Change, the need for coordinated climate action is more urgent than ever. Despite growing momentum in many countries, global emissions remain far too high, and climate damages are mounting. Recent developments—including the United States' withdrawal from the Paris Agreement—have shown that relying on global consensus to implement collective climate goals is not by itself enough.[1]

At the same time, the global trading system is increasingly intertwined with climate policy. The European Union's (EU) Carbon Border Adjustment Mechanism (CBAM) has sparked an international debate about how to align trade and climate goals. While the CBAM has galvanized interest in carbon pricing and emissions reduction, it has also raised concerns about fairness, in particular the potential burdens on developing countries, as well as administrative complexity. A further challenge is the growing perception of the need for a coherent and trusted carbon accounting framework to underpin such measures—without it, fragmented and opaque standards risk undermining both climate integrity and global trade.

In this context, action by a group of countries willing to make progress together is essential. This report proposes one such approach: the formation of a climate coalition. The coalition would bring together countries willing to coordinate on carbon pricing and related policies, beginning with a focus on a few key industrial sectors with a view to expanding over time. Coalition member countries would commit to pricing industrial carbon emissions within their borders and applying carbon border adjustments (CBAs) to imports from non-member countries, while also offering positive incentives, such as support for low-carbon technologies, climate finance, and preferential market access, to encourage broader participation.

1 UNFCCC. (2023). *Outcome of the first global stocktake. Draft decision -/CMA.5. Proposal by the President* (FCCC/PA/CMA/2023/L.17). United Nations Framework Convention on Climate Change. https://unfccc.int/documents/636608

The working group's preliminary estimates suggest that one model of a broader climate coalition with a uniform carbon price could lead to almost 7 times as much emission reduction as the status quo and could generate nearly $200 billion in carbon pricing revenue across low-, middle-, and high-income coalition countries.[2] The goal is not only to reduce emissions, but also to align economic incentives, avoid policy fragmentation, and build a pathway toward a more inclusive and effective system of international climate cooperation.

This proposal to form a climate coalition builds on strong recent momentum. Policymakers are advancing carbon pricing and trade-linked climate measures in many regions: the EU is implementing its CBAM; China has expanded carbon pricing to several key industrial sectors; the United Kingdom (UK), Canada, and Australia have signaled support for carbon border measures, and the UK and EU have entered negotiations about linking their carbon markets. Meanwhile, Brazil, India, and Indonesia have made new commitments to pursue domestic carbon pricing. All told, 17 G20 economies employ some form of carbon pricing.[3]

To help governments design and implement a climate coalition, the Global Climate Policy Project[4] has convened a working group of global thought leaders that represent many of the world's major emitting countries. The working group's deliberations build on earlier academic proposals for climate clubs[5] and discussions regarding multilateral coordination on carbon pricing, including within the G7[6]/G20, international organizations[7] such as the WTO and the OECD, and the Coalition of Finance Ministers for Climate Action[8]. They also reflect growing interest in regional carbon pricing and CBAM initiatives beyond Europe, such as the Asia-Pacfic.[9] The working group will issue a final report ahead of COP30 that provides a practical blueprint for durable and scalable international climate cooperation.

In this interim report for discussion alongside the 4th International Conference on Financing for Development (FfD4), we frame the principles of a climate coalition and highlight potential emissions reduction and economic benefits. Next, we outline some options for the adoption and diffusion of low-carbon technology, climate finance, and capacity-building that coalition members could extend to low- and middle-income countries to motivate them to join. Finally, we explore guiding considerations for the governance and implementation of the coalition, including establishing a credible measurement and

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2 Estimates based on the model from Clausing, K. A., Colmer, J. M., Hsiao, A., & Wolfram, C. (2025). *The global effects of carbon border adjustment mechanisms* (Working Paper No. 33723). National Bureau of Economic Research. https://doi.org/10.3386/w33723

3 Brazil and India are currently in the process of implementing carbon pricing policies; 15 other jurisdictions have policies in place. World Bank. (n.d.). *Carbon pricing dashboard.* https://carbonpricingdashboard.worldbank.org/

4 Salata Institute for Climate and Sustainability. (n.d.). *The Global Climate Policy Project.* Harvard University. https://salatainstitute.harvard.edu/research-initiatives/the-global-climate-policy-project/

5 Nordhaus, W. (2015). *Climate clubs: Overcoming free-riding in international climate policy.* American Economic Review, 105(4), 1339-1370. https://doi.org/10.1257/aer.15000001

6 Climate Club. (n.d.). *About the Climate Club.* Federal Ministry for Economic Affairs and Climate Action (BMWK). https://climate-club.org

7 International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), United Nations, World Bank, & World Trade Organization (WTO). (2024). *Working together for better climate action: Carbon pricing, policy spillovers and global climate goals.* https://www.wto.org/english/res_e/booksp_e/climate_action_e.pdf; and International Monetary Fund (IMF) & Organisation for Economic Co-operation and Development (OECD). (2021). *Tax policy and climate change: IMF/OECD report for the G20 finance ministers and central bank governors.* https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/10/tax-policy-and-climate-change_c0830491/9ab5574d-en.pdf

8 Coalition of Finance Ministers for Climate Action. (n.d.). *Helsinki principles and work program.* World Bank Group. https://www.financeministersforclimate.org/

9 Climate Energy Finance. (2025). *A price on carbon: Building towards an Asian CBAM.* https://climateenergyfinance.org/wp-content/uploads/2025/06/CEF_A-Price-on-Carbon-Building-Towards-an-Asian-CBAM-Report_05June2025.pdf; and Rahut, D. B., Sebastian, S., & Sarangi, G. K. (2025). *The Carbon Border Adjustment Mechanism, Article 6 credits, and domestic carbon pricing instruments: A proposal for integration in Asia and the Pacific* (Policy Brief No. 2025-12). Asian Development Bank Institute. https://www.adb.org/publications/the-carbon-border-adjustment-mechanism-article-6-credits-and-domestic-carbon-pricing-instruments-a-proposal-for-integration-in-asia-and-the-pacific

verification regime. The forthcoming final report will reflect the full breadth of the working group's discussions, supported by more detailed modeling and analysis, to inform negotiations and encourage action. By advancing practical and equitable solutions, the climate coalition approach offers a promising path forward for those countries that are ready to lead.

2. Policy Framework for an Effective Climate Coalition

The following principles should guide the policy framework for an effective climate coalition.

Self-reinforcing

The framework should be designed to be economically beneficial for all members to join and remain in the coalition.

Efficiency

The policy framework should embed carbon pricing as a durable signal that helps to reduce greenhouse gas emissions and encourage clean innovation, while generating fiscal revenues. Carbon pricing encourages decarbonization by every actor in the economy (firms, households, and non-profit or government entities) by making higher-emission products more expensive compared to lower-emission alternatives; in brief, the price mechanism rewards lower-carbon choices for those that make them. Coalition members would commit to charging this carbon price on the direct carbon emissions associated with certain sectors of their economy (Scope 1 emissions), as well as the associated electricity used in those sectors (Scope 2 emissions).

The coalition could agree to impose a *uniform* carbon price floor (e.g., $50/tCO2e) across all members, which would help incentivize emissions reduction where it is most cost-effective. While a *uniform* carbon price floor may be more economically efficient as well as abide by the WTO principle of non-discrimination, some low- and middle-income countries with nascent carbon pricing regimes could find a *uniform* price floor politically and administratively challenging to implement, limiting the coalition's reach. For this reason, the coalition may decide that a *graduated* carbon price floor by level of income, as described below, could better balance efficiency and fairness.

Coalition members will need to decide whether to formally link domestic carbon pricing systems or to establish a process for mutual recognition.[10] Given the anticipated diversity in institutions across member countries, mutual recognition may be more practical at the outset. Members will also need to develop administrative rules to account for the many countries that implement carbon pricing via an emissions trading system rather than a carbon tax.

Fairness

The framework should balance efficiency with fairness by including incentives ("carrots") for low- and middle-income countries to join that reflect *common but differentiated responsibilities* and by helping to make carbon pricing more accessible. For instance, the coalition could permit a *graduated* carbon price floor by level of income, allow a more permissive use of free allowances, include provisions for nature-based solutions (e.g., forest preservation or restoration), or extend support for the adoption and diffusion of low-carbon technologies as well as climate finance (described later in this interim report).

10 Effective mutual recognition may require institutional mechanisms to assess whether countries comply with coalition commitments. This could include expert reviews, akin to the WTO's Trade Policy Review Mechanism or the IMF's Article IV consultations. Similar processes could also support transparency on technology transfer and international climate finance.

As one example, a coalition with a *graduated* carbon price floor could comprise three carbon pricing tiers for (1) low-income and lower-middle-income countries (LIC/LMIC), (2) upper-middle-income countries (UMIC), and (3) high-income countries (HIC), based on World Bank income group classifications.[11] Members would commit to carbon prices that reflect their tier, and they would not face CBAs (nondiscriminatory tariffs that apply domestic carbon price equivalents to imports) from other member countries if they are pricing at their committed level.[12] While a *graduated* price floor could be more realistic for low- and middle-income countries to implement, firms in HICs may raise competitiveness concerns or choose to shift their production to lower-income countries within the coalition.

With a *uniform* carbon pricing approach, the coalition could also allow certain lower-income members to allocate a limited amount of free allowances to emit greenhouse gases. These free allowances could be permitted in a manner that reflected countries' income levels, like World Bank income group classification, or per capita emissions.

Finally, integrating nature-based solutions into the design of the coalition framework could give many low- and middle-income countries with significant forest stocks, including Brazil, Indonesia, and the Democratic Republic of the Congo, more direct economic incentives to join. For instance, the coalition could consider allowing importing firms in a member country to offset emissions embedded in their imports, up to a predefined share, using verified carbon credits from approved afforestation, reforestation, and revegetation projects in low- and middle-income member countries.[13] However, absent a widely accepted, government-endorsed protocol to validate and verify carbon credits, as well as ensure their additionality, the inclusion of such credits could risk weakening incentives for genuine emissions reduction.

Integrity

The framework should ensure that firms within coalition member countries incur similar carbon-related costs to each other, and that imported goods from firms in non-member countries face similar costs as well. For covered sectors, members would agree to impose CBAs on imports from non-member countries, but not to impose CBAs on imports from other members. This mechanism would help ensure a level playing field, avoid carbon leakage, and encourage other countries to join the coalition.

Credibility

Transparency, as well as a robust measurement, reporting, and verification regime, as described later in this interim report, will be integral to building trust and compliance within the climate coalition.

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11 The LIC/LMIC could impose a domestic carbon price that is one-third of the HIC price, and UMIC could impose a domestic carbon price that is two-thirds of the HIC price. See Parry, I. W. H., Black, S., & Roaf, J. (2021). *Proposal for an international carbon price floor among large emitters* (IMF Staff Climate Note 2021/001). International Monetary Fund. https://www.imf.org/en/Publications/staff-climate-notes/Issues/2021/06/15/Proposal-for-an-International-Carbon-Price-Floor-Among-Large-Emitters-460468; and Clausing, K., Aldy, J., Tingley, D., & Wolfram, C. (2025). *Global climate cooperation after 2024: A proposal for a heavy industry climate coalition.* Working paper.

12 In this case, the coalition would need to decide how to treat exports from non-coalition countries. In the model, exports from non-coalition countries, regardless of income tier, face the HIC carbon price when exporting to coalition countries.

13 Global efforts to formalize the role of high-integrity carbon markets in meeting climate goals are advancing. At COP29 in November 2024, countries finalized technical guidance for Article 6.4 of the Paris Agreement, which facilitates the use of international carbon credits. Initiatives like the Tropical Forest Finance Facility (TFFF), LEAF Coalition, and World Bank's Forest Carbon Partnership Facility (FCPF) provide credible protocols and verification mechanisms that the coalition can align with.

Pragmatism

The framework should initially focus on a set of countries and select sectors with a view to broadening country membership and sectoral coverage over time. Specifically, building off the EU CBAM, the framework should cover iron and steel, cement, aluminum, and fertilizers based on their contribution to total emissions. Focusing on industrial products further upstream in the value chain will likely have limited impact on consumer prices,[14] making the proposal more politically feasible. The coalition's governance should establish a clear process and criteria for adding new member countries and expanding coverage across sectors, to sustain growing climate ambition.

Reflecting the above six principles, the forthcoming final report will present three scenarios for the design of a climate coalition: (1) the status quo, reflecting the current trajectory for international climate policy, with the implementation of the EU CBAM in January 2026; (2) a broader climate coalition[15] with a *uniform* carbon price; and (3) a broader climate coalition with a *graduated* carbon price. These scenarios will demonstrate benefits in terms of emissions reduction and fiscal revenues, as well as outline potential sunset provisions for the *graduated* pricing as low- and middle-income countries decarbonize their economies. The working group's preliminary estimates suggest that a broader climate coalition with a uniform carbon price could lead to almost 7 times as much emission reduction as the status quo and could generate nearly $200 billion in carbon pricing revenue across coalition countries.

3. Incentives for Low- and Middle-Income Countries to Participate in the Climate Coalition

To help ensure broad country participation, the coalition policy framework should include a suite of measures aimed at promoting low-carbon technology adoption in low- and middle-income countries, extending climate finance to support their transitions to low-carbon economies and adaptation needs, and building capacity. These measures should be grounded in evidence, offer good value for money, and be administratively practical and financially sustainable. These options should also be developed in partnership between donor and recipient countries and align with the existing international climate and development finance architecture. This section highlights some initial policy ideas, which will be developed further in the final report.

Low-Carbon Technology Adoption and Diffusion

Carbon pricing alone will not be sufficient to drive the necessary pace of decarbonization, especially where market barriers or financial capacity constrain the uptake of low-carbon technologies.[16] To help support a rapid clean energy transition in low- and middle-income countries, involving both industrial decarbonization and greening the power sector, the coalition can coordinate on measures that accelerate the development and diffusion of low-carbon technologies (LCTs),[17] including:

14 European Commission. (2021). *Proposal for a regulation of the European Parliament and of the Council establishing a carbon border adjustment mechanism* (COM/2021/564 final). EUR-Lex. https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0564

15 Scenarios 2 and 3 will include the EU (+EFTA), UK, a group of first-movers, including Australia, Brazil, Canada, China, India, Indonesia, Thailand, and a bloc of African countries, including *inter alia* Egypt, Algeria, and Senegal, which produce and export large amounts of relatively clean emissions-intensive products.

16 OECD & Climate Club. (2024). *Mapping financial and technical assistance for industry decarbonisation in emerging markets and developing economies: Taking stock of trends in hard-to-abate sectors.* OECD Publishing. https://doi.org/10.1787/7ecda2b7-en

17 Black, S., Parry, I. W. H., & Zhunussova, K. (2023). *Is the Paris Agreement working? A stocktake of global climate mitigation* (IMF Staff Climate Note 2023/002). International Monetary Fund. https://doi.org/10.5089/9798400257889.066

- Reduce tariffs and non-tariff barriers on LCTs: Lowering tariffs and simplifying import procedures for essential clean technologies and goods can significantly reduce costs and improve access in developing markets.

- Coordinate research, development, and technical standards: Member countries can address innovation market failures through basic research subsidies and targeted funding for pilot projects using carbon tax revenues. Coordinating research agendas across coalition members can improve the efficiency of research and development spending and accelerate technology learning curves. Harmonizing technical standards across member countries can unlock economies of scale, reduce compliance burdens, and enable cross-border trade and deployment.

- Promote technology diffusion via intellectual property (IP) policies: In selected cases, easing IP protections, such as through voluntary licensing, patent pools, or time-limited waivers, may help overcome adoption barriers for low-carbon technologies in low- and middle-income countries. Coalition members could explore cooperative frameworks that balance innovation incentives with equitable access to clean technologies.

- Provide pull finance to incentivize green innovation in hard-to-abate sectors: Coalition members could provide pull finance, including advance market commitments, to develop and deploy clean technologies, especially in hard-to-abate sectors (e.g., cement, steel), in low- and middle-income countries.[18]

In addition to these coordinated approaches, coalition countries can address innovation market failures through domestic support of low-carbon technologies. To support commercialization, deployment subsidies such as feed-in tariffs and low-carbon procurement mandates can bridge the cost gap for early adopters. Where fiscal space is limited, revenue-neutral mechanisms like feebates (fees on high-carbon products used to fund rebates for cleaner alternatives) offer a promising tool. The coalition will have to address the competitiveness effects of asymmetric LCT deployment incentives.

Climate Finance

The majority of 21st-century emissions are projected to come from low- and middle-income countries, yet many face real fiscal constraints right now—high debt levels, rising interest costs, and pressures to meet development needs—that prevent them from investing in decarbonization and adaptation. Commitments of public climate finance at the necessary scale, in support of credible policies to reduce emissions and adapt to climate impacts, remain critical.[19] At COP29 in 2024, countries reached an agreement on a "New Collective Quantified Goal" (NCQG) that replaces the previous $100 billion per year commitment by developed countries with a more ambitious goal of $300 billion annually. The Baku to Belém Roadmap, an initiative of the COP29 and COP30 Presidencies, endeavors to set a realistic course to scale climate finance to $1.3 trillion by 2035.

Coalition members could use a portion of the revenues from the coalition's CBA and domestic carbon taxes to contribute to the climate finance needs of low- and middle-income countries. In so doing, given the competing demands on these resources, they will need to seek opportunities that provide scale, leverage, and that are coordinated with a recipient country's overall climate and development strategy. One option is to place a modest portion of these revenues at a

18 Stephens, B. (2023). *Driving climate results with effective climate finance.* Instiglio. https://www.instiglio.org/wp-content/uploads/2023/12/Oxford-SOC-2023.pdf

19 Bolton, P., Edenhofer, O., Kleinnijenhuis, A., Rockström, J., & Zettelmeyer, J. (2025). *Why coalitions of wealthy nations should fund others to decarbonize.* Nature. https://www.nature.com/articles/d41586-025-00779-9; and Bolton, P., & Kleinnijenhuis, A. *(2025). International climate finance as a win-win: The economic case for coalitions of disposed developed countries to fund decarbonization in developing countries.* Working Paper.

trust fund at a multilateral development bank (MDB) to co-finance, on concessional terms, projects in coalition member low- and middle-income countries. This could include investment project financing for green infrastructure or results-based programs, as well as budget support to enable the implementation of policy reforms, such as introducing carbon pricing or removal of fossil fuel subsidies. Coalition members could also consider supporting sectoral or country-specific guarantees to free up additional space for MDB lending.[20] Innovative mechanisms, such as partnership models between donor and recipient country firms to implement projects, could help to strengthen the credibility of these climate finance commitments.[21] The final report will explore these options in more depth, with illustrative allocations from coalition revenues.

Capacity-Building

Finally, coalition members could support capacity-building in low- and middle-income member countries to support technological innovation, decarbonization, and implementation of the coalition policy framework (e.g., measurement, reporting, and verification). For example, coalition members could invest in education, training, and institutional development to support the adoption and operation of LCTs. They could provide, on a bilateral basis or via the international financial institutions, technical assistance on policy reforms, including policy crediting.[22]

4. Climate Coalition Governance and Implementation

Governance

At the outset, coalition members should prioritize a core set of guidelines necessary to establish the coalition. As the coalition expands and matures, its governance structure will need to perform several functions, such as: overseeing the accession of new member countries and expansion to new sectors; recognizing carbon pricing regimes and verifying carbon pricing commitments; shaping and approving incentives for technological innovation, climate finance, and capacity-building; and approving and regularly updating the measurement, reporting, and verification regime. The coalition will need to establish decision-making procedures, assign voting rights, establish the role and responsibilities of a secretariat, and any leadership positions and relevant committees.

To execute coalition functions, the institutional design could reflect the following guidelines:

- Ambition: At the outset, the coalition's governance should focus on the decisions essential to achieving emissions reduction through coordinated carbon pricing, including: the level of carbon pricing, covered sectors, how to recognize different forms of carbon pricing, and the level of carbon border adjustments.

- Transparency: Transparency will also be critical to build trust among coalition trading partners and to verify claims and actions. The coalition's governance will need to establish rules to govern members' provision of data and information on carbon pricing and related climate policies in a consistent manner to ensure compliance. Processes for peer or expert review could support this.

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20 Aboneaaj, R., & Landers, C. (2023). *IF-CAP recap: The Asian Development Bank's big climate finance bet.* Center for Global Development. https://www.cgdev.org/blog/if-cap-recap-asian-development-banks-big-climate-finance-bet

21 Gaikwad, N., Genovese, F., & Tingley, D. (2025). *Climate action from abroad: Assessing mass support for cross-border climate transfers.* International Organization, *79*(1), 146–172. https://doi.org/10.1017/S0020818324000365 and Milner, H. V., & Tingley, D. (2015). *Sailing the water's edge: The domestic politics of American foreign policy*. Princeton University Press. https://doi.org/10.2307/j.ctt1dgn6j9

22 World Bank. (2024). *What you need to know about policy crediting.* https://www.worldbank.org/en/news/feature/2024/10/01/what-you-need-to-know-about-policy-crediting

- **Flexibility:** To navigate the accession of new members, the expansion across sectors, and the evolving climate challenge, the coalition design will need to adapt to changing circumstances and new information. As part of this adaptive design, governance measures could include assessments, review periods, and escape clauses in case of unexpected shocks,[23] which aim to make it easier for countries to join initially.

- **Equity:** The governance structure needs to acknowledge diverse country circumstances and sectoral capabilities, while maintaining effectiveness. The governance structure could consider additional mechanisms to address capacity building, technological innovation, and the provision of climate finance to members. In so doing, using more tailored and dynamic groupings that evolve as countries develop and decarbonize would be more constructive than a rigid "developed" and "developing" dichotomy.

Implementation Arrangements for Measurement, Reporting and Verification

A robust measurement, reporting, and verification (MRV) regime, as well as common administrative procedures, are central to the coalition's effective implementation. A coalition-wide MRV regime would lower compliance and administrative burdens compared to the status quo, with global companies subject to a patchwork of inconsistent regulations. Setting these regulatory standards within the coalition would generate more durable political support for regulation. The data emerging from the coalition's MRV approach could provide firms, governments, and researchers with strong, consistent signals about the impact of policy measures and firm-level decisions on carbon emissions.

In designing and negotiating an MRV regime, coalition members will need to address the following challenges:

- **Data quality and sharing:** It is challenging to compute carbon intensity metrics, with trade-offs for coverage, timeliness, accuracy, and cost.[24] Moreover, legal and technical barriers inhibit sharing data across borders. Metrics to assess and compare both policy efforts and emissions data should aim to be comprehensive, measurable, replicable, and universal.[25]

- **Overlapping standards:** At the national level, countries juggle multiple frameworks like UNFCCC/IPCC guidelines for greenhouse gas inventories and the System of Environmental-Economic Accounting, which adds complexity. Similarly, "bottom-up" activity-based accounting often coexists with "top-down" atmospheric methods, requiring harmonization.[26] For businesses, the Greenhouse Gas Protocol remains a common Environmental, Social, and Governance standard, while the International Sustainability Standards Board develops new global rules (IFRS S2). The EU's CBAM further requires importers to report embedded emissions under strict verification rules aligned with the EU Emissions Trading System (ETS).[27]

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23 Rosendorff, B. P., & Milner, H. V. (2001). *The optimal design of international trade institutions: Uncertainty and escape*. International Organization, *55*(4), 829–857. https://doi.org/10.1162/002081801317193619

24 OECD. (2024). *Towards more accurate, timely, and granular product-level carbon intensity metrics: Challenges and potential solutions: An IFCMA report* (Inclusive Forum on Carbon Mitigation Approaches Papers, Vol. 4). OECD Publishing. https://doi.org/10.1787/87bbd6bf-en

25 Aldy, J. E., & Pizer, W. A. (2016). *Alternative metrics for comparing domestic climate change mitigation efforts and the emerging international climate policy architecture*. Review of Environmental Economics and Policy. http://dx.doi.org/10.1093/reep/rev013

26 Greenhouse Gas Monitoring and Measurement Interagency Working Group. (2023). *National strategy to advance an integrated U.S. greenhouse gas measurement, monitoring, and information system.* https://bidenwhitehouse.archives.gov/wp-content/uploads/2023/11/NationalGHGMMISStrategy-2023.pdf

27 European Union. (2023). *Regulation (EU) 2023/956 of the European Parliament and of the Council of 10 May 2023 establishing a carbon border adjustment mechanism* (Text with EEA relevance). Official Journal of the European Union, L 130, 52–104. https://eur-lex.europa.eu/eli/reg/2023/956/oj

- **Limited capacity:** The multiplicity of standards strains companies, especially SMEs, which lack resources to meet divergent demands from regulators, financiers, and supply chain partners.[28]

The final report will explore how a climate coalition could navigate these challenges and harmonize standards and methodologies, leverage advancements in technology, and build capacity to support a credible MRV regime. The final report will also consider the tradeoffs involved in leveraging existing frameworks and learning from ongoing efforts, such as the EU-UK ETS alignment, as a baseline for rapid scaling, versus the needs for a more inclusive MRV framework with durable political support.

5. Next Steps

Looking ahead, the working group intends to release a final report ahead of COP30. The final report will include modeling results that quantify the emissions, revenue, and trade impacts of various coalition scenarios, differing by carbon price levels, regime design, country membership, and border adjustment mechanisms. It will also provide a deeper treatment of the incentives for low- and middle-income countries to join, as well as governance and MRV considerations, informed by ongoing discussions within the working group. As this interim version is published for discussion alongside the 4th International Conference on Financing for Development, the Global Climate Policy Project welcomes feedback to refine and steer this effort toward a pragmatic and equitable climate coalition framework.[29]

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28 OECD. (2024). *Implementing sustainability reporting requirements that work for SMEs.* OECD. https://g20sfwg.org/wp-content/uploads/2024/06/P3-G20-SFWG-OECD-Implementing-sustainability-reporting-that-works-for-SMEs.pdf

29 Please submit your feedback and suggestions to cwolfram@mit.edu and arathi_rao@harvard.edu. We would be glad to receive already written and published material.