



Wilton Park



COP26 PRESIDENCY UK 2022

**DELIVERING THE
GLASGOW CLIMATE PACT**

Report

**COP26 Catalyst for Climate Action Assembly at the
UN Regional Climate Week for Africa and MENA
regions**

Carbon markets participation

Wednesday 29 September 2021





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Introduction

In its role as the incoming COP26 Presidency, the UK is committed to better understanding the capacity building challenges faced by developing countries and climate finance recipients, particularly those most vulnerable to climate impacts, and to providing opportunities to share positive experiences and lessons learned across the Africa and MENA regions.

The aim of this virtual session at this year's UN Regional Climate Week for the Africa and MENA regions was to explore capacity building challenges and share positive experiences and lessons learned across the Africa and MENA regions in relation to carbon market participation.

Historically the flow of carbon finance has historically not benefitted all parties equally. In future a high number of countries – almost 100 countries – have expressed interest in their Nationally Determined Commitment (NDC) to use carbon markets in some way to achieve or go above their NDC. Forming plans under the Paris Agreement will include requirements that were not there under the Kyoto Protocol. Many countries have already formed plans, and many have yet to get started. Developing countries have also highlighted their need for capacity building support to enable them to take advantage fully of these opportunities. This meeting explored the practical challenges that participants face and how they have avoided or overcome these challenges. What support might be needed for countries in the future? What further steps can we take for equitably and environmentally sound carbon markets? This report is a summary of the key points raised at the meeting.

Country experiences

Making progress with carbon markets: learning from country experience. What can be learnt from Africa and MENA country experience of carbon markets so far?

“You need both the political and project side to work.”

Participants shared experiences from a range of countries and contexts. Here are some examples and summary points.

Ghana

Ghana took a serious look at how to use the NDCs to enhance participation in carbon markets and with a politically motivated mandate, gained the authority to engage in bilateral negotiations with Switzerland. It took time, stamina and a multisectoral team led by the Ministry of Environment with engagement from other Ministries and departments to negotiate and achieve an agreement. While the Paris Agreement gives a broad notion of what issues to capture and negotiate on, Ghana was not clear about what could go into the agreement and what could not. It took time and careful effort to navigate the process with Swiss colleagues. Ghana used the bilateral agreement to further implement the Paris Agreement principles. Key aspects of the process were informal dialogue to agree elements of the negotiations, formal legal review in each country to reach a final version of the text, and then the signing by presidents and ratification by parliament. Then follows the projects and implementation.

Rwanda

Rwanda aims to use carbon markets as one source of funding to achieve NDC targets and also sees the co-benefits that carbon markets offer including job creation, and improving livelihoods and health outcomes in the country. Full implementation of Rwanda's NDC is conditional on the support of international stakeholders and using international markets where appropriate. The country piloted the [standardized crediting framework](#) to better understand the requirements needed to participate in carbon markets under the Paris Agreement. Rwanda met several challenges including building the crediting framework and developing methodologies and protocols. Building on existing activities made the work easier but Rwanda envisages future capacity challenges as more technical expertise and finance will be needed. It was also a challenge to develop a credible system, as the country had no experience of selling emissions reductions anywhere. It was critical to establish a legal framework to support the system with permanent and strong governance for carbon markets.

Lessons learnt

- It is important to get the political will and authority to move the carbon markets agenda forward, while ensuring a practical application of negotiation, agreement and implementation involving a range of stakeholders.
- Connecting the issue of transparency with opportunities available in participation in carbon markets is fundamental for a strong national system.
- Translating ideas into reality is challenging, and formal arrangements need to be in place to take action and ensure effective roles of people and institutions.
- National legal, policy, governance and institutional frameworks and structure are essential to establish carbon markets.
- Do not reinvent the wheel; build on national structures that already exist and identify entry points and adapt, and build bridges between different data systems and improve them.
- Fundamental areas of a national system are integration, automation and mainstreaming; all three of these support a national system that is responsive to carbon markets and transparency requirements.

“We recognise the fact that global processes are underway. We are learning everyday and we need to take advantage of what carbon markets can do to help us advance our NDCs.”

- Having a national infrastructure that works requires clear funding, clear formal arrangements and clear infrastructure that supports the overall system. It should not be complicated but a simple structure that can be improved over time.

Making progress with carbon markets: what more is needed to benefit from Article 6?

Participants shared experiences from a range of countries and contexts. Here are some examples and summary points.

Burkina Faso

Burkina Faso received funding from the climate change investment fund and, as a pilot country, has been setting up various pilot projects including a project looking at carbon markets through good practices. The funding has allowed them to look at the fundamentals of carbon markets and get clarity on aspects relating to carbon, and tools that allow measurement of carbon. An institutional framework was established for data collection, which brought together and made consistent various databases (on land use, soil, forestry etc). Burkina then created a roadmap for action across the eco-system and capitalized on existing structures. Burkina is currently preparing a law for carbon rights, engaging with a range of stakeholders at local, national and regional levels to increase understandings of how to participate in carbon markets. It also put in place an accrediting framework to facilitate the creation of carbon credit including a central registry on carbon counting. Trainings built the capacity of a national delegation to attend COP meetings for international negotiation, and support was provided for training on NDC implementation.

Ethiopia

Ethiopia needs to invest in climate change from its domestic sources, and participation in carbon markets is one of the finance options available to realize the country's ambitious targets. Many developing countries have limited or no experience of market-based finance and Ethiopia faces structural barriers in gaps to participating. Support for capacity building to participate is needed to establish a governance structure, institutional procedures for accounting, MRV and reporting requirements, verification, validation and negotiating skills. What is most needed is to create deep understandings of participation requirements, the gaps and opportunities, including how to strengthen institutions and how to establish the relevant structures. Provision of continuous capacity building, consultants and the exchange of experience with other countries are needed.

Eastern Africa Alliance on Carbon Markets and Climate Finance Experience

The Alliance has been working for around two years with seven countries in East Africa, to support them to use carbon markets. Activities are based on requests from the member countries, and are usually around capacity in readiness for Article 6, and for negotiations in COP26 to strengthen their national strategies. At first, when requests came in for support, they were very general, but now the requests are becoming more specific as countries understand better what they need to do in order to implement Article 6. There have been increasing numbers of requests for training on corresponding adjustments which indicates strong interest in Article 6 monitoring. The Alliance has also produced knowledge products such as a handbook for negotiators based on the experiences of the region.

What is needed?

- Capacity building is needed to strengthen a country's ability to participate in carbon markets including support for governance, negotiation, legal and institutional frameworks, technology transfer, knowledge, data collection and reporting.

"Private sector engagement is a big part of implanting NDCs and multi-stakeholder dialogue is crucial."

"We will continue to improve technology transfer and knowledge and build stakeholder engagement."

- Bringing several relevant sectors together, such as forestry, pastoral and agricultural, within a single institutional framework and reporting system is an important step.
- It is challenging to have a single operational system because each national institution has specific status that does not allow for the sharing of data. It is expensive, time-consuming and difficult to build this type of system, therefore greater capacity to improve synergies is needed in this area.
- It helps to have a standardised understanding of how things operate for carbon market activities, and then each country can do its own stakeholder engagement and modify efforts to be appropriate to the country.
- There are more requirements for national coordination under Article 6 than under the Clean Development Mechanism, and more ministries than before need to be engaged. Lessons from across East Africa show that different ministries and sectors, although doing things under their own mandates, were open in referring to each other. The overall approach should be to appreciate and work with governments as multi-layered, multi-sectoral and multi-stakeholder, encouraging all stakeholder participation.
- Engagement with Article 6 requires participation from the private sector and this area and processes need greater support than at present.

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Annex

[Carbon Markets meeting agenda](#)