

**Ministry of Agriculture and Forests
Forests National Corporation (FNC)
Eastern Africa Alliance (EAA)**

Carbon Markets Opportunities in Sudan



Eastern Africa Alliance
On Carbon Markets And
Climate Finance

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Khartoum - March 2021**



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BACKGROUND

- The Earth's climate has always changed and evolved. Some of these changes have been due to **natural causes** but others can be attributed to **human activities**
- Global warming has begun to affect the sea level, snow cover, ice sheets and rainfall. Shifts in regional patterns of climate marked by rising air temperatures are already affecting watersheds and ecosystems in many parts of the world.
- Reducing emissions of GHGs to a point where their concentration in the atmosphere can be stabilized at an agreed level would, according to the IPCC and others, delay and reduce adverse effects of climate change on natural systems and human development.

History of Carbon Market

- Carbon trading involves the selling and purchasing of emissions credits generated by a carbon reduction project. These trading initiatives are intended to increase private and public sector participation in investments that enhance the mitigation of GHG, under Mechanisms.
- African countries including Sudan, with all their climate mitigation potential, have remained marginalized from these expanding markets.
- Out of **more than USD 1.095 trillion** worth of climate funds that has been mobilized through various carbon funds, countries and global organizations to combat climate change, **only less than 10 % has come to Africa**. Africa's share of clean Development Mechanism projects has remained low, at less than 3 % of all projects, compared with over 60 % of projects in China alone. (IPCC 2013) in the past and previous.

Carbon Market Mechanisms

- These market mechanisms are designed to:
 - help countries meet their targets in a cost-effective manner
 - encourage the private sector to contribute to Greenhouse Gas (GHG) emission reduction efforts
 - encourage the participation of developing countries
 - stimulate sustainable development, technology transfer and investment in these countries.
- Three Carbon Market Instruments are:
 - International Emissions Trading (IET)
 - Joint Implementation (JI)
 - Clean Development Mechanism (CDM)

Carbon Market Elements and Principles

- A broadly similar global carbon price is an essential element of international collective action to reduce greenhouse gas emissions. A broadly similar price of carbon could keep down the overall costs of making GHG emission reductions and could be created through tax, trading or regulation. (Stern, 2008, p. 487)
- **Many African countries including Sudan have minimally participated in either or both of the two main carbon markets. The **regulatory compliance carbon market** and the **voluntary carbon market**.**

Carbon Market Status (Projects & CERs)

- Africa's participation in the compliance market has been relatively less impressive. Of the total 8814 projects registered by CDM by 2016, **only 261 are from Africa, a mere 3.0%, against a total population of over 900 million, a small fraction compared to Latin America and Asia Pacific that hold 95 %.**
- African Projects are expected to generate only 84 million CERs, against Latin America 400 million CERs and Asia Pacific's 1.8 billion CERs (UNEP 2016).

Carbon Market status (Projects & CERs)

- By 2015, buyers had contracted a total of 45.1 MtCO₂e from the continent, of which 54% was transacted in the last three years alone.
- African offset sales remained stable last year at 6.7 MtCO₂e, just slightly less than 2014's volume. The majority of the volume originated from forestry or cook stoves projects as buyers sought to support emissions reductions that contributed to low-deforestation and sustainable development on the continent (Ecosystems Marketplace, 2016).
- Though average prices decreased 9% to \$5.2/tonne in the voluntary markets, buyers paid more for African offsets than those from any other region except Oceania, for a total value of \$34.7 million. Buyers (whether end-users or retailers) often contracted directly with project developers.
- 54% of Africa's 2015 offset transactions represented primary market demand while the remaining 46% of tones were resold by secondary market actors.

Carbon Trade and Carbon taxation

- Trading in carbon tentatively started as the Kyoto Protocol moved toward ratification and is now one of the world's fastest growing markets.
- The market was worth US\$64 billion in 2007 with 70 per cent within the European Union Emission Trading Scheme (EU-ETS) (Capoor and Ambrosi, 2008).
- Carbon trading involves the selling and purchasing of emissions credits generated by a carbon reduction project, which are distributed through a market or exchange.
- These trading initiatives are intended to increase private and public sector participation in investments that enhance the mitigation of GHG, under CDM.

Carbon Trade and Carbon Taxation

- Carbon taxes lead to much leaner administrative mechanisms. They can indirectly control emissions because quantities are not directly targeted but rather via prices.
- Prices can then be adjusted if the targeted amounts of emission reductions are not being achieved.
- The revenues of carbon taxes would naturally accrue to the public sector.

Carbon Market in the Paris Agreement

- The new Paris climate agreement of 2015, if properly implemented, is set to promote more carbon markets activity, as countries seek to meet their intended nationally determined contributions.
- Article 4.1. In order to achieve the long-term temperature goal set out in Article 2, Parties aim to reach global peaking of greenhouse gas emissions as soon as possible, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with best available science, so as to achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century, on the basis of equity, and in the context of sustainable development and efforts to eradicate poverty.

Carbon Market in the Paris Agreement

- **Article 4. 4** Developed country Parties should continue taking the lead by undertaking economy-wide absolute emission reduction targets. Developing country Parties should continue enhancing their mitigation efforts and are encouraged to move over time towards economy-wide emission reduction or limitation targets in the light of different national circumstances.
- **Article 6. 1.** Parties recognize that some Parties choose to pursue voluntary cooperation in the implementation of their nationally determined contributions to allow for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity.

Carbon Market in the Paris Agreement

- **Article 6.2.** Parties shall, where engaging on a voluntary basis in cooperative approaches that involve the use of internationally transferred mitigation outcomes towards nationally determined contributions, promote sustainable development and ensure environmental integrity and transparency, including in governance, and shall apply robust accounting to ensure, inter alia, the avoidance of double counting, consistent with guidance adopted by the Conference of the Parties serving as the meeting of the Parties to this Agreement.

Carbon Market in the Paris Agreement

- **Article 6.3.** The use of internationally transferred mitigation outcomes to achieve nationally determined contributions under this Agreement shall be voluntary and authorized by participating Parties.
- **Article 6.4.** A mechanism to contribute to the mitigation of greenhouse gas emissions and support sustainable development is hereby established under the authority and guidance of the Conference of the Parties serving as the meeting of the Parties to this Agreement for use by Parties on a voluntary basis.

Eastern Africa Alliance on Carbon Market & Climate Finance

Objectives of the Eastern Africa Alliance on Carbon Markets and Climate Finance

The Alliance aims to enhance the long-term position of Eastern Africa countries to participate in international carbon markets and increase the region's capacities to access climate finance for NDC implementation.

Eastern Africa Alliance on Carbon Market & Climate Finance

Specific objectives of the Alliance include:

- I. Promoting a common vision on carbon markets and climate finance in the region;
- II. Active and better coordinated participation of delegates from the region in the UNFCCC negotiations on market mechanisms and climate finance as well as other international fora;
- III. Supporting readiness to implement Article 6 of the Paris Agreement.

To meet these objectives, countries in the region need to develop a collaborative approach in order to build their capacities. Eastern Africa countries should prepare themselves domestically by identifying where and how market mechanisms and climate finance could play a role in their NDC implementation

Conclusion and Recommendations

- Carbon Markets are not a goal by themselves but are employed by countries in order to fulfil their climate pledges at lower cost in the near term. The purchase of international units (be it credits or allowances).
- should at all times be supplemental to domestic action and lead to more climate ambition. This is because the challenge of limiting global warming to below 1.5 c requires that all countries implement more ambitious climate target at home.
- Current pledges are widely off track to meet the decarbonization objective. The focus should not be on offsetting , but on the transformative structural changes needed, including in infrastructure and technologies, to achieve decarbonization by 2050.
- Richer countries (Developed Countries) furthermore have a role to play in financing additional emission reductions in developing countries.
- With a few exceptions, most countries have outlined their intended Nationally Determined Contributions (INDCs) to be based on domestic reductions only. The use of carbon market units must therefore be supplementary to the presented climate pledges and must come on top of the proposed nationally determined mitigation commitments.

For more information visit

www.unfccc.int

Thank You

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