

INTRODUCTION

The global transition to a low-carbon economy is increasingly supported by carbon markets, which enable the trading of carbon credits to reduce greenhouse gas emissions. A carbon credit represents the reduction of one tonne of CO₂ equivalent emissions. Pakistan has launched its first national carbon credit policy to engage with these markets, aiming to combat climate change, attract green investments, and address the climate finance gap. The country is also seeking to strengthen its participation in international frameworks, particularly Article 6 of the Paris Agreement and the REDD/REDD+ mechanism, to enhance its climate action efforts and meet its emission reduction targets.

The policy empowers Pakistan to engage in both voluntary carbon markets (VCM) and cooperative market approaches.

VOLUNTARY CARBON MARKETS (VCM)

In the VCM, carbon credits are sold to private entities primarily for corporate social responsibility (CSR) or climate-neutral objectives. Once registered in Pakistan's national carbon registry, these credits can be traded internationally, offering the potential for substantial financial inflows. The VCM plays a crucial role in encouraging private sector participation and fostering climate action.

COOPERATIVE MARKET APPROACHES

Cooperative strategies under Article 6 allow countries to trade carbon credits to fulfill their climate commitments. These approaches are vital for nations like Pakistan in achieving their Nationally Determined Contributions (NDCs) under the Paris Agreement. Pakistan can leverage these cooperative arrangements to meet its emission reduction targets through cross-border collaborations.

UNDERSTANDING ARTICLE 6 OF THE PARIS AGREEMENT

Article 6.2

This provision allows countries to engage in bilateral or multilateral carbon trading. It enables Pakistan to sell carbon credits through “internationally transferred mitigation outcomes” (ITMOs), offering economic incentives.

Article 6.4

Introduces a centralized carbon market mechanism, where emission reductions from various projects can be used by countries to meet their NDCs. Pakistan can leverage this mechanism for both emission reduction and revenue generation.

REDD AND REDD+ INTEGRATION INTO PAKISTAN'S CARBON MARKET

REDD+ Mechanism

The REDD+ mechanism incentivizes countries to preserve forests and reduce deforestation. Forest carbon projects, including afforestation and reforestation, can generate tradable carbon credits that contribute to global climate goals.




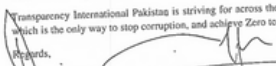
REDD+ Potential in Pakistan

With its vast forest resources, particularly in the northern regions, Pakistan has immense potential to implement REDD+ strategies. Sustainable forest management under REDD+ could significantly contribute to both Pakistan's emission reduction targets and global environmental objectives.



Since October 2024, Transparency International Pakistan has pointed out that there are integrity, transparency and accountability risks in the carbon markets. TI Pakistan highlighted that as Pakistan develops its first policy guidelines for Trading in Carbon Markets, it is important that the framework includes robust oversight and transparency measures based on global best practices.

TI Pakistan appreciates the federal government for ensuring that transparency and accountability remains at the heart of carbon market guidelines by integrating transparency, community participation and integrity measures in the Pakistan's Policy Guidelines for Trading in Carbon Markets 2024.

<div><div>Plot 22-612, 1st Floor, 9th Street, Jami Commercial, Phase VII, Defence Housing Authority, Karachi Phone: +92-21-5211386, 5211377 Email: ti.pakistan@gmail.com Website: www.transparency.org.pk</div></div> <p>October 10, 2024</p> <p>Principal Secretary to PM, Prime Minister House, Islamabad.</p> <p>(For the attention of the Honorable Prime Minister) Subject: Transparency International Pakistan Recommendations for Pakistan's First Carbon Credits Guidelines, Policy Framework for Trading in Carbon Markets Being Developed by the Ministry of Climate Change and Environmental Coordination (MoCC&EC)</p> <p>Dear Sir,</p> <p>Transparency International Pakistan appreciates the initiative of the federal government for developing policy guidelines/ framework for Trading in Carbon Markets 2024. Pakistan contributes the least to global GHG emissions (0.8%), however, it continues to remain as one of the countries hardest hit by climate (5% most vulnerable). Carbon markets are considered as an effective mechanism to help address climate change by targeting the reduction of greenhouse gases (GHG) in the atmosphere as envisioned in Article 6 of the Paris Agreement. Carbon markets provide economic incentives for transitioning to more sustainable sources, which are crucial for Pakistan to meet its targets as set out in the Nationally Determined Contributions (NDCs) 2021.</p> <p>Transparency International has pointed out that there are integrity, transparency and accountability risks in the carbon markets. As Pakistan develops its first policy guidelines for Trading in Carbon Markets, it is important that the framework includes robust oversight and transparency measures based on global best practices. In this regard, TI Pakistan recommends the following to mitigate the potential integrity risks in carbon credits and offset projects in Pakistan.</p> <p>Recommendation 1: Market Oversight, Project Approvals and Monitoring</p> <p>Given a relatively new nature of carbon credits market, there is a need to address governance arrangement around authorization of projects, in the guidelines for Trading in Carbon Markets being developed by MoCC&EC. Transparency International has pointed out that the risk of fraud, embezzlement and conflict of interest in the authorization of projects remain high. To address these integrity risks, TI Pakistan recommends the following in line with Article 6.2, 6.4 and 6.8 of the Paris Agreement which provides the guidelines for the creation and verification of carbon credits and safeguards against double counting. The MoCC&EC must put in place a measurement mechanism whereby it is imperative that the verification is not conducted by the project developers, which raises potential risk of "Conflict of Interest". In this regard, a mechanism like Pakistan Public Procurement Regulatory Authority (PPRA) Rule 7 (Integrity Pact) shall be enforced whereby if either the a) project approving agency at the national level, b) project</p> <p><small>A NON-PARTISAN, NON-PROFIT COALITION AGAINST CORRUPTION Donations exempted from tax U/S 2 (36) of I. Tax Ordinance 2001</small></p>	<div><div>Continuation Sheet No. _____</div></div> <p>implementer trading carbon credits or c) the intermediary, if engaged in any corrupt practice, shall be subject to sanctions and penalty.</p> <p>Recommendation 2: Participation of Local Communities in REDD+ Projects</p> <p>The Trading in Carbon Markets Guidelines must emphasize on the inclusion of the local communities in the design of the projects. Reducing Emission from Desertification and forest Degradation (REDD+) must particularly include forest-based communities in the decision-making process and share the benefits of these projects. For example, Transparency International has highlighted that an offsetting project in Mikoko Pamoja in Kenya, works to protect mangrove forests while also directly benefitting the community. In this project, carbon revenues have financed the purchase of hospital equipment and schoolbooks as well as the construction of freshwater wells among other community benefits. The MoCC&EC shall establish a "Benefit Sharing Mechanism", ensuring that local communities receive a fair share of the financial and social benefits from carbon offsetting projects. Key areas such as infrastructure, access to clean energy, and community development programs which uplift communities shall be prioritized.</p> <p>Recommendation 3: Environmental Integrity in the Carbon Market</p> <p>The integrity of the carbon market depends on its efficacy and effectiveness to reduce carbon emissions. This requires accounting for every tonne of carbon (or carbon equivalent) emitted, saved and removed from the atmosphere. In this regard, The Climate Change Authority, as mandated under the Climate Change Act 2017 to oversee climate finance projects, must establish an effective oversight mechanism as a regulatory body to validate the quality of the credits traded in the market as well as monitor the approval and the implementation of the projects.</p> <p>Recommendation 4: Robust Third-Party Validation and Verification</p> <p>There is a need to put in place, monitoring and reporting mechanisms that can help verify carbon offsetting claims through a robust third-party validation and verification. In this regard, MoCC&EC must establish the "Carbon Registry", a centralized database to provide open information on climate projects and emission reduction credits. For instance, Ghana has launched "Carbon Registry" to collect, verify and track transactions from mitigation activities – a bottom up approach to quantify and verify the GHG emissions reductions and their carbon credits. This will not only ensure an oversight on the companies eligible to trade in the carbon market, but also improve transparency and allow civil society and local communities to track the allocation and use of carbon credits, reducing opportunities for corruption. The Guidelines must also establish Whistleblower Protection Mechanisms to encourage reporting of corrupt practices without fear of retaliation.</p> <p>Transparency International Pakistan requests the honorable Prime Minister to issue directives for the inclusion of the key recommendations based on global best practices, in the Carbon Markets</p>	<div><div>Continuation Sheet No. _____</div></div> <p>Trading Guidelines, to ensure that integrity risks are addressed and Pakistan can take full benefit from carbon mitigation projects to address the effects of climate change.</p> <p>Transparency International Pakistan is striving for across the board application of Rule of Law, which is the only way to stop corruption, and achieve Zero tolerance against corruption.</p> <p>Regards,</p> <p> Advocate Dr. Irfan Muzaffar Trustee/Legal Advisor Transparency International Pakistan</p> <p>Copies forwarded for the information with request to take action under their mandate:</p> <ol style="list-style-type: none">1. Chief Minister, Government of Punjab, Lahore2. Chief Minister, Government of Sindh, Karachi3. Chief Minister, Government of Khyber Pakhtunkhwa, Peshawar4. Chief Minister, Government of Balochistan, Quetta5. Coordinator to Prime Minister of Pakistan on Climate Change and Environmental Coordination (CC&EC), Islamabad6. Chairman, Climate Change Authority, Islamabad7. Provincial Minister, Environment Protection and Climate Change Punjab, Lahore8. Provincial Minister, Environment, Climate Change & Coastal Development Department Sindh, Karachi9. Provincial Minister, Climate Change, Forestry, Environment & Wildlife Khyber Pakhtunkhwa, Peshawar10. Advisor, Climate Change & Environment Balochistan, Quetta11. Federal Secretary, Ministry of Climate Change and Environmental Coordination (MoCC), Islamabad12. Provincial Secretary, Environment Protection and Climate Change Punjab, Lahore13. Provincial Secretary, Environment, Climate Change & Coastal Development Department Sindh, Karachi14. Provincial Secretary, Climate Change, Forestry, Environment & Wildlife Khyber Pakhtunkhwa, Peshawar15. Provincial Secretary, Climate Change & Environment Balochistan, Quetta16. Representative, United Nations Environment Programme, Asia Pacific Regional Office, Bangkok
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