

# Transforming Pakistan's Carbon Market Readiness Through Improved Governance

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PARLIAMENTARY ENGAGEMENT - BRIEFING NOTE



Pakistan faces mounting climate-related risks, including catastrophic floods, glacial melt, water scarcity, and agricultural decline. The adoption of Policy Guidelines for Trading in Carbon Markets (2024), marks a critical milestone toward leveraging carbon markets as a strategic tool for carbon mitigation. In 2025, TI Pakistan provided the first comprehensive assessment of Pakistan's readiness for carbon markets. The report titled "Carbon Markets Readiness in Pakistan: Addressing Governance Gaps and Safeguarding Against Integrity Risks" identified country's potential revenue stream of USD 400 million to USD 2.25 billion annually, as well as governance, institutional, and integrity risks and proposed actionable recommendations for establishing a credible, transparent, and inclusive carbon market ecosystem aligned with global best practices and Article 6 of the Paris Agreement.

The report further highlighted that in international voluntary carbon markets, high-integrity credits associated with strong monitoring, reporting, and verification (MRV) systems and credible environmental standards tend to command significantly higher prices and a stronger market share. By contrast, credits with weaker environmental and social safeguards typically trade at substantially lower prices. This price differentiation underscores that Pakistan's ability to capture the higher end of its potential carbon market revenues will depend on embedding strong transparency, governance, and environmental integrity safeguards within the emerging regulatory framework.

## **KEY FINDINGS OF TRANSPARENCY INTERNATIONAL PAKISTAN'S FLAGSHIP REPORT ON CARBON MARKET GOVERNANCE:**

### **High Potential:**

Pakistan's emissions profile offers an opportunity to generate USD 400 million–2.25 billion in annual carbon revenue, in case of minimal potential being tapped. Yet weak legal, institutional, and technical systems hinder effective participation.

### **Governance Gaps:**

The absence of a legal framework defining carbon credit ownership, fragmented institutional mandates, limited technical capacity, and a lack of robust MRV systems undermine market integrity.

### **Data Deficiency:**

Incomplete national emissions baselines and siloed data systems prevent reliable crediting and risk double-counting.

### **Equity and Inclusion Deficits:**

Current policy frameworks inadequately address benefit-sharing, community participation, and safeguards for marginalized groups, risking social inequities and reduced public trust.

### **Transparency and Accountability Risks:**

Weak disclosure mechanisms, limited grievance redress systems, and insufficient oversight heighten the risk of elite capture and corruption.

The report was formally launched on 9 December 2025 by Ms. Romina Khurshid Alam, Coordinator to the Prime Minister on Climate Change, and brought together technical experts and stakeholders to contribute to the ongoing national discourse on carbon market development and governance considerations relevant for ensuring their effectiveness. It was highlighted that as Pakistan now moves from policy development toward implementation, parliamentary engagement on carbon market governance needs to be strengthened. With the parliament having limited information on integrity risks, benefit-sharing safeguards, and oversight roles within the emerging framework, it was identified that strengthening the awareness of parliamentarians was critical to mobilize finance and enhance community livelihoods through the auspices of carbon markets.

Transparency International Pakistan organized capacity-building engagements with parliamentarians to discuss Pakistan's evolving carbon market landscape and the potential role of Parliament in supporting the development of transparent and well-governed carbon market systems in the country. The first consultation was held on 17 February 2026 in Islamabad and was led by the Chairperson of the National Assembly Standing Committee on Climate Change and Environmental Coordination, and attended by members of the committee. The participation of parliamentarians from different political parties provided an opportunity for focused discussion on legislative perspectives related to climate policy and carbon market governance.

The second consultation was held on 9 March 2026 in Karachi, bringing together members of the National Assembly and the Provincial Assembly of Sindh, including members serving on provincial standing committees related to finance, planning, environment, energy, forestry, and parliamentary affairs. The meeting enabled dialogue with lawmakers at the provincial level on the opportunities and policy considerations associated with carbon market development in the Sindh province.

The key recommendations from both consultations provide a roadmap for strengthening governance of evolving carbon market landscape at different levels. These include:

## RECOMMENDATIONS

### **Strengthen dialogue and capacity:**

Promote sustained engagement among government, Parliament, technical experts, and stakeholders to support transparent, credible, and inclusive carbon markets aligned with Pakistan's NDCs and development priorities.

### **Advance legal and institutional reform:**

Establish a clear legal basis for carbon credits, define institutional roles, and create an independent oversight mechanism.

### **Build robust data and MRV systems:**

Develop a unified national carbon registry, improve coordination with provincial data systems, and strengthen transparent emissions reporting.

### **Ensure integrity and transparency:**

Require public disclosure, independent verification, and transparent benefit-sharing arrangements for carbon market projects.

### **Promote inclusion and equitable benefits:**

Put in place safeguards to ensure that local communities, including Indigenous and marginalized groups, fairly benefit from carbon revenues.

### **Invest in institutional and technical capacity:**

Strengthen federal and provincial capacities through targeted training, technical support, and strategic partnerships.

## OPPORTUNITIES FOR PAKISTAN:

Recent parliamentary engagements have underscored Pakistan's very strong potential to unlock climate finance through carbon markets across a wide range of sectors. With its significant natural capital, growing climate ambitions, and substantial emissions reduction and sequestration opportunities, Pakistan is well placed to use carbon markets as an important mechanism for attracting investment, advancing low-carbon development, and generating social, environmental, and economic co-benefits.

The consultation in Karachi underscored that Sindh has high potential for the mobilization of carbon credits. Carbon market opportunities exist across several sectors in Sindh, including mangrove restoration and coastal ecosystem conservation, where the province holds globally important mangrove resources; renewable energy, particularly solar and wind; climate-smart agriculture, including improved rice cultivation, water efficiency, soil carbon enhancement, and sustainable land management; waste management, including landfill gas recovery, methane capture, recycling, and waste-to-energy solutions; livestock and methane reduction; as well as forestry, afforestation, and land restoration initiatives in suitable landscapes. Together, these sectors provide Sindh with a strong foundation to develop high-integrity carbon projects capable of attracting climate finance at scale.

Whereas the consultation in Islamabad highlighted that with right enabling framework, Pakistan could emerge as a national leader in carbon market development, leveraging its ecological assets and economic potential to mobilize investment, support green growth, strengthen resilience to climate impacts, and create benefits for local communities. This is particularly relevant for provinces given their exposure to climate vulnerability, the economic importance of natural resources, and their strategic role in shaping Pakistan's broader green transition.

These discussions also highlighted the importance of continued engagement among policymakers, parliamentarians, technical experts, and other stakeholders to ensure that this potential is translated into credible and scalable action. Sustained dialogue and coordination will be essential to ensure that carbon market development is supported by sound governance, institutional clarity, technical robustness, and transparent oversight.

Transparency International Pakistan's engagement on carbon markets forms part of its broader work on climate governance and transparency in climate finance. Through research, analysis, and stakeholder engagement, TI Pakistan seeks to contribute constructive policy dialogue and support governance approaches that enhance transparency, accountability, and credibility in climate-related initiatives.

Pakistan stands at a pivotal moment. If designed and implemented with integrity, transparency, and inclusivity, carbon markets can become a major pillar of the country's climate finance strategy, mobilizing substantial green investment while supporting sustainable development, empowering communities, and safeguarding critical ecosystems. Provinces across Pakistan are well placed to capture these opportunities and demonstrate leadership in building high-integrity carbon market pipelines across sectors of strategic importance. TI Pakistan remains committed to supporting collaborative policy dialogue and knowledge exchange that complements ongoing government efforts to advance Pakistan's climate agenda

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