Regional Cooperation on Carbon Markets in the CAREC Region

Scaling Carbon Markets in CAREC: Lessons, Opportunities, and Regional Cooperation
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Climate Context and Imperative for Regional Cooperation

- **The CAREC Region Faces Severe Climate Challenges**
- **Climate-linked events** impacting the region:
  - Melting of glaciers
  - Punishing droughts
  - Excessive heat waves
  - Water resource conflicts
- **Long-term prospects** require urgent action on emissions control and resilience building
- **Why Regional Cooperation is Essential**
- Public finance alone cannot meet the enormous financing gap
- Tighter fiscal space from successive shocks necessitates private-sector investment
- **CAREC Climate Change Action Plan (CCAP)** provides strategic framework for regional cooperation

Key Collaborative Areas for CAREC Carbon Markets

Three Priority Areas for Regional Cooperation

1. **Standardized Measuring, Reporting, and Verification (MRV) Protocols**
2. **Regional Registry Infrastructure**
3. **Knowledge Exchange Platforms**

Collective action in these areas can significantly enhance market efficiency, credibility, and accessibility

Standardized MRV Protocols

- **Why MRV Matters**
  - **MRV** = Measurement, Reporting, and Verification
  - Multi-step process to measure GHG emissions reduced by mitigation activities
  - Proves that avoidance or removal of harmful GHG emissions is real
  - Key to unlocking climate finance and showing progress on climate goals
- **Benefits of Regional MRV Harmonization**
  - Increased trust and credibility in carbon credits
  - Comparability across projects and jurisdictions
  - Reduced costs through shared methodologies and resources
  - Efficient verification processes across borders

Regional Registry Infrastructure

- **The Critical Role of Carbon Registries**
  - Issue credits based on defined certification protocols
  - Track available offsets in the marketplace
  - Retire credits to prevent double-counting
- **Advantages of Regional Registry Approach**
  - Prevent double counting across national borders
  - Enhanced transparency through shared ledger systems
  - Reduce administrative costs through shared infrastructure
  - Standardized protocols for project registration and credit issuance

Knowledge Exchange & Capacity Building

Learning from Successful Models

- UN-REDD Learning Lab (November 2023) brought together 80+ government representatives
- Covered jurisdictional, nested, and project-based approaches
- Addressed REDD+ finance, nesting, and carbon markets

CAREC-Specific Knowledge Initiatives

- Regional training programs on carbon market fundamentals
- Expert exchanges on MRV implementation
- Shared learning on nesting approaches to prevent double-counting
- Technical workshops on legal and regulatory frameworks

Primary Obstacles to Regional Collaboration

Obstacle Category	Specific Challenges
Regulatory Fragmentation	Varying national standards, different certification requirements
Data & Capacity Limitations	Inconsistent MRV capabilities, technical expertise gaps
Institutional Preparedness	Differing levels of market readiness, governance structures
Trust & Coordination	Benefit-sharing concerns, verification reciprocity

Overcoming Trust & Coordination Challenges

- **Building Trust Through Transparency**
  - Public ledgers for credit issuance and retirement
  - Independent third-party verification for all projects
  - Shared buffer pools for risk management (e.g., wildfire insurance)
- **Enhanced Coordination Mechanisms**
  - Regional oversight body for standard-setting
  - Bilateral recognition agreements for verified credits
  - Common benefit-sharing principles for transboundary projects
  - Regular ministerial dialogues on carbon market integration

Accessing International Carbon Financing

- **Article 6.2 Framework for Cooperation**
  - Allows governments to enter bilateral agreements for trading 'internationally transferred mitigation outcomes'
  - Joint Crediting Mechanism with Japan serves as forerunner to Article 6.2
  - Regional approach can enhance negotiation position and reduce transaction costs
- **Strategic Benefits of Regional Coordination**
  - Larger portfolio of mitigation activities more attractive to international buyers
  - Standardized transactions reduce due diligence costs
  - Pooled expertise in Article 6 requirements and processes
  - Enhanced environmental integrity through regional oversight

Regional Institutions as Catalysts

- **CAREC Carbon Market Facilitation Platform**
  - Standard Setting Body: Harmonized MRV protocols and credit certification
  - Regional Transaction Hub: Registry integration and transaction facilitation
  - Capacity Building Center: Training, technical assistance, and knowledge sharing
- **Finance Access Facility**: Project pipeline development and investor matching
  - Building on Existing Foundations
  - CAREC Climate Change Action Plan provides mandate
  - ADB technical assistance and knowledge products offer foundation

The Way Forward

- **Summary of Regional Cooperation Benefits**
  - Enhanced efficiency through shared infrastructure and protocols
  - Increased credibility via robust regional standards and verification
  - Lower transaction costs from streamlined processes
  - Stronger negotiating position in international carbon markets
  - Improved access to climate finance through aggregated projects

"Alone we can do so little; together we can do so much." – Helen Keller

THANK YOU!

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