

CAREC Carbon Market Regional Readiness Plan (CMRRP) – Summary of Preliminary Draft

15/05/2026

1. Overview and Objectives

The CAREC Carbon Market Regional Readiness Plan (CMRRP) provides a structured roadmap to help CAREC countries participate effectively in carbon markets under Article 6 of the Paris Agreement. It offers CAREC countries a direct route to accessing climate finance and lowering the cost of meeting national climate targets. This plan provides a practical, regional roadmap for CAREC governments to build the systems needed to participate and achieve their Nationally Determined Contributions (NDCs), while mobilizing climate finance and enabling low-carbon development. Carbon markets are treated as a means of delivering verified emission reductions and unlocking financing, rather than as an end in themselves.

The plan is anchored in the CAREC Climate Change Action Plan (2025–2027) and responds to strong regional demand for guidance, as reflected in 2025 consultations. It recognizes that CAREC countries face significant climate risks, including water scarcity, desertification, and extreme weather events, and that they also face a substantial gap between climate investment needs, available financing, and trade competitiveness.

2. Regional Context and Key Challenges

Across CAREC countries, climate finance remains insufficient and unevenly distributed. Funding is largely dominated by public budgets, multilateral development banks, and foreign direct investment (FDI), with limited private-sector participation. Domestic capital markets are generally underdeveloped, except in China, which has a mature green finance ecosystem and a functioning emissions trading system (ETS).

A major barrier to progress is the prevalence of fossil fuel subsidies, which distort investment incentives and crowd out low-carbon alternatives. As a result, there is a strong need for carbon pricing mechanisms and market-based instruments to redirect investment toward sustainable sectors.

Transport, energy, industry, and agriculture are key sources of emissions across the region. Transport, in particular, is rapidly increasing emissions and offers strong mitigation potential through electrification, modal shifts, and efficiency improvements. This sector offers significant opportunities for carbon credit generation, especially as traditional sectors become saturated. It has the advantage that transport project development can be replicated across the region, increasing learning and cost savings through shared carbon accounting and MRV protocols.

3. Structure of the CMRRP: Four Pillars

The CMRRP is organized around four pillars. These are not parallel workstreams of equal urgency but follow a deliberate sequence: the foundations (Pillars 1 and 2) must be sufficiently advanced before the later stages (Pillars 3 and 4) can deliver results.

Pillar	Name	What it covers	Why it matters
Pillar 1	Legal Frameworks & Institutions	Laws, governance, and designated national authorities to approve carbon transactions	Most urgent — no legal framework = no credible carbon market
Pillar 2	MRV & Data Systems	Measuring, reporting, and verifying emissions at the sector and installation level	Needed for CBAM compliance and for generating credible credits
Pillar 3	Market Infrastructure & Registries	National registries linked to UN platforms to track and transfer carbon credits	Enables actual ITMO transactions once Pillars 1 & 2 are in place
Pillar 4	Piloting Pricing Instruments	First carbon projects, ETS design, and Article 6 transactions	Private sector enters here, sequencing depends on Pillars 1–3

The sequencing is critical: a government cannot authorize a carbon credit without a law that specifies who has that authority; a verifier cannot certify an emission reduction without agreed-upon measurement protocols; and a buyer cannot transfer a credit internationally without a registry that records the transaction.

4. Readiness Assessment and Regional Gaps

At the time of writing, the readiness assessment of CAREC findings is still underway and will be completed at the next Working Group on Climate Change (WGCC) meeting (toward the end of June). Preliminary findings indicate that CAREC countries are at very different stages of development. While China and Kazakhstan have advanced systems, most others are in early or nascent stages.

Key regional gaps include:

- Incomplete legal frameworks for ITMO authorization and carbon revenue management
- Limited sector-level MRV systems and digital infrastructure
- Absence of operational national or regional carbon registries
- Weak private sector engagement and limited technical capacity

MRV systems are the most urgent priority because they are essential for both carbon market participation and compliance with international mechanisms.

5. External Drivers and Opportunities

External factors are heightening the urgency for action. The EU's CBAM, fully operational from 2026, requires robust emissions tracking and reporting, particularly for export-oriented sectors. In addition, updated NDCs (NDC 3.0) provide the legal basis for participation in Article 6.

At the same time, new financing opportunities are emerging through international mechanisms, including the World Bank, ADB funds, and bilateral agreements such as Japan's Joint Crediting Mechanism. These platforms can provide critical support to countries establishing credible carbon market systems.

6. Regional Action Plan

The CMRRP proposes a coordinated regional action plan to address identified gaps. Key actions include:

- Developing harmonized legal templates and regulatory frameworks across CAREC countries
- Building capacity through training, regional workshops, and a community of practice
- Establishing standardized MRV protocols and digital systems
- Developing national and regional carbon registries linked to international platforms
- Piloting carbon pricing instruments tailored to different country readiness levels

The plan emphasizes regional cooperation, peer learning, and knowledge sharing through the CAREC Working Group on Climate Change. Countries are encouraged to learn from each other's experiences and align progress across pillars.

7. Role of the Private Sector

The private sector is central to the success of the CMRRP. Key actors include industrial exporters, renewable energy developers, financial institutions, and verification bodies. Their roles range from implementing emission reduction projects to financing investments and validating carbon credits.

The plan highlights the need to remove barriers to private participation, including unclear regulations, a lack of financing mechanisms, and weak MRV systems. Strengthening these areas is essential to scaling carbon markets and attracting investment.

8. Expected Outcomes and Timeline

By 2030, the CMRRP aims to have credible carbon market systems operational across the region, with laws and regulations in force, national registries connected to Article 6 platforms, verified ITMO transactions completed, and trained public and private stakeholders managing MRV, registries, and pricing instruments.

Ultimately, the CMRRP seeks to enable CAREC countries to access international carbon markets, enhance competitiveness under emerging global regulations, and accelerate the transition to low-carbon and climate-resilient economies.

9. Conclusion

The CMRRP provides a practical and structured pathway for CAREC countries to develop carbon market readiness. By addressing legal, technical, and institutional barriers and by fostering regional cooperation, the plan positions the region to harness carbon markets as a tool for climate action and economic transformation.

Its success will depend on sustained political commitment, coordinated implementation, and the ability to translate readiness into concrete emission reduction outcomes and financial flows.