



Pakistan Policy Guidelines for Trading in Carbon Markets

2024





PAKISTAN POLICY GUIDELINES FOR TRADING IN CARBON MARKETS

GOVERNMENT OF PAKISTAN
**Ministry of Climate Change &
Environmental Coordination**

MESSAGE FROM THE PRIME MINISTER

It gives me immense pleasure to announce that Pakistan's National Carbon Policy Guidelines has been approved by Federal Government. Pakistan has been part of the carbon markets since 2006 through the Clean Development Mechanism (CDM) under the Kyoto Protocol of UNFCCC where multiple projects were registered under CDM. Pakistan has also registered and monetized carbon projects under the two global carbon market standards i.e. Verra and Gold Standard. Hence Pakistan has been proactively participating both in compliance and voluntary carbon markets.



Pakistan's Carbon Policy aims to help decarbonize our economy, while generating revenue through sale of carbon credits. It will help significantly reduce our Greenhouse gas (GHG) emissions. Even though historically Pakistan has been one of lowest emitters of GHG gases, however, it has committed to further reduce its emissions through Nationally Determined Contributions (NDCs) under the Paris Agreement.

I am very happy to share that Pakistan is ahead of many nations in operationalizing Article 6 of the Paris Agreement and having a robust investor friendly policy in line with best international practices, where we will not only open up carbon markets for global investors and buyer's but also safeguard the transparency and integrity of the markets as well.

While operationalizing carbon markets in Pakistan, it is important to be mindful of three important aspects viz. i) ensuring integrity of carbon credits generated in Pakistan, ii) designing a transparent IT based faceless mechanism for processing carbon credit cases and iii) ensuring that the benefits of the sale of carbon credits reach the community where the credit is generated. Our policy and rules and regulation revolve around these three pillars. I am confident that implementation of our carbon policy will not only decarbonize our economy but it will also prepare us to effectively face the climate challenges.

My team at the Ministry of Climate Change and Environmental Coordination under the leadership of Ms. Romina Khurshid Alam has done a wonderful job of bringing Pakistan at par or even above many nations when it comes to operationalize carbon markets. However, the challenge has just begun and we must strive to make Pakistan a leader in carbon markets where we will not only execute world class carbon projects but will also lead in the fight against global climate change.

I wish the team at Ministry of Climate Change and Environmental Coordination best of luck with their endeavors to effectively address the climate challenges that lie ahead and I am confident that they will rise to the occasion and deliver the way they have done in the past.

Mian Muhammad Shehbaz Sharif
Prime Minister of Pakistan

FOREWORD

The launch of the “Carbon Market Policy Guidelines” marks a defining moment in Pakistan's journey towards climate resilience and sustainable economic transformation. With this initiative, Pakistan lays the groundwork for leveraging market-based solutions to advance its climate commitments under the Paris Agreement. This policy exemplifies our determination to integrate environmental sustainability into the heart of national planning and to pioneer innovative mechanisms that drive both economic growth and emissions reductions.



The development of Pakistan's Carbon Market Policy is the result of an intensive, collaborative effort that has engaged all the Federal Divisions, Provincial Governments, national and provincial institutions, private sector climate leaders, and international experts. By providing a robust and transparent regulatory framework, the policy ensures alignment with global best practices while tailoring solutions to Pakistan's unique development needs. This framework serves as a catalyst to accelerate clean technology deployment, attract green investments, and address critical challenges in sectors such as energy, agriculture, waste management, and forestry.

As we prepare to operationalize this Policy, Pakistan positions itself as a proactive and credible participant in global carbon markets. This initiative represents an opportunity to unlock transformative economic and environmental potential, foster inclusivity, and empower communities. However, its success hinges on continued collaboration, rigorous governance, and the steadfast commitment of all stakeholders. Support from international carbon markets will be of immense importance in this regard.

On behalf of the Government of Pakistan, I extend my sincere appreciation to team at the Ministry of Climate Change, led by Ms. Aisha Humera Ch., Secretary Ministry of Climate Change and Environmental Coordination and Mr. Zulfiqar Younas, Additional Secretary, Climate Finance, Ministry of Climate Change and all the members of the team who worked diligently and tirelessly to the finalization of the Policy. I must also thank the Federal Divisions and institutions, Provincial Governments, climate experts, development partners for their support and useful input to make this Policy a comprehensive document. Most importantly, I must thank the Honorable Prime Minister for his unflinching support and guidance during the approval process of the Policy.

Now it is our shared responsibility to ensure that the Policy not only drives meaningful climate action but also creates enduring value for Pakistan and the global community.

Romina Khurshid Alam

Coordinator to the Primer Minister on Climate Change and Environmental Coordination

PREFACE

The “Carbon Market Policy Guidelines” mark a landmark achievement in Pakistan's efforts to embed climate action within its national development agenda. This Policy provides a strategic roadmap for leveraging carbon market financing as a key mechanism for achieving our climate and economic objectives. It is the result of extensive collaboration among government agencies, international organizations, and private sector leaders, reflecting our shared commitment to climate ambition and sustainable growth.



This policy sets out a clear and transparent regulatory structure, aligning with international requirements and best practices. It prioritizes sectors with high emissions reduction potential, such as energy, agriculture, waste management, and forestry, while ensuring inclusivity and equitable benefit-sharing. The guidelines also emphasize the importance of robust Measurement, Reporting, and Verification (MRV) systems and capacity-building efforts to support effective implementation and long-term sustainability.

In order to make its implementation simpler, a very reasonable and simple fee structure has been envisioned with digital platform providing end-to-end solution and no paper or human interaction at the time of application and beyond. Integrity of the credit has been kept paramount and its co-benefits and its shared financial benefits with the local community are other important hall mark of the Policy.

As the world navigates the complexities of the global climate crisis, the “Carbon Market Policy Guidelines” demonstrate Pakistan's readiness to contribute meaningfully to international carbon market mechanisms. By fostering innovation, attracting green investments, and enabling transformative projects, these guidelines position Pakistan as a leader in climate action and a trusted partner in global carbon markets.

The success of this initiative relies on collective action. We invite domestic and international stakeholders to collaborate in building a resilient carbon market that delivers real, measurable results. This document serves as a foundation for achieving Pakistan's climate ambitions while contributing to global efforts to address the challenges of climate change.

On behalf of the Ministry of Climate Change and Environmental Coordination, I extend my heartfelt appreciation to all partners who contributed to this milestone achievement. My special appreciation is to the whole team of Climate Finance Wing at the Ministry who have worked tirelessly. Our Carbon Market Team at the Ministry is now fully prepared to facilitate investors for both compliance and voluntary carbon market. They are professionally trained and highly motivated team to handle the exciting carbon market work that lay ahead.

Together, we can ensure that Pakistan's carbon markets become a cornerstone of our climate strategy, driving progress toward a sustainable, equitable, and low-carbon future.

Aisha Humera Ch.
Secretary,
Ministry of Climate Change and Environmental Coordination

GLOSSARY OF TERMS

BTR	Biennial Transparency Report
CAF	Corresponding Adjustment Fee
CER	Certified Emission Reduction
CMWG	Carbon Market Working Group
GHG	Greenhouse Gas
GtCO ₂	Giga tons Of Carbon Dioxide
G2G	Government to Government
ITMO	Internationally Transferred Mitigation Outcomes
LOI	Letter of Intent
MRV	Measurement, Reporting and Verification
MO	Mitigation Outcomes
MoCC&EC	Ministry of Climate Change and Environmental Coordination
MRV	Monitoring, Reporting, and Verification
MtCO ₂	Million tons of Carbon Dioxide
NCCP	National Climate Change Policy
NDA	National Designated Authority
NDC	Nationally Determined Contributions
NOC	No Objection Certificate
OIMP	Other International Mitigation Purposes
PDD	Project Design Document
PIN	Project Idea Note
REDD	Reducing emissions from deforestation and forest degradation
SDGs	Sustainable Development Goals
SOP	Share of Proceeds
UNFCCC	United Nations Framework Convention on Climate Change
VCM	Voluntary Carbon Market

TABLE OF CONTENTS

MESSAGE FROM THE PRIME MINISTER	2
FOREWORD	3
PREFACE	4
GLOSSARY OF TERMS	5
1- INTRODUCTION	9
2- SCOPE OF THE GUIDELINES	11
a. Pakistan’s Carbon Market Potential	11
b. Background of the Guidelines	11
c. Objectives	11
i. Economic Development	11
ii. Climate Resilience	11
iii. Private Sector Engagement	11
iv. Alignment with International Commitments	11
v. Equitable Benefit Sharing	11
vi. Green Job Creation	11
vii. Monitoring and Verification	12
viii. Capacity Building	12
d. Targets	12
i. Facilitating Carbon Market	12
ii. Encouraging Emissions Reduction Projects	12
iii. Mobilizing Finance	12
3- KEY PILLARS	14
a. Harnessing Low-Hanging Fruits	15
b. Authorization Criteria	15
c. Government Role in Corresponding Adjustments	15
d. Ensuring Additionality	15
e. Comprehensive Mitigation Activity Information	15
f. Prevention of Double Counting	15
g. Ensuing Permanence	15
4- APPROVAL PROCESS	17
a. Project Preparation and Authorization	17
b. Standards for Project Registration	18



TABLE OF CONTENTS

c.	Guidelines for Priority Sectors	18
d.	Parameters of Project Qualification	18
i.	Compliance with Cooperative Approaches	18
ii.	Adherence to Article 6, Paragraph 4	18
iii.	Preferential Authorization for Shorter Crediting Period	19
iv.	Promotion of Nature-Based Carbon Projects	19
5-	IMPLEMENTATION MECHANISM	21
a.	Oversight and Governance	21
i.	Carbon Market Working Group	21
ii.	National Carbon Registry	21
iii.	MRV System	21
b.	Obligatory Fees	21
c.	Support and Guidance	22
i.	Capacity Building	22
ii.	Clear Sectoral Guidelines	22
iii.	Communication and Awareness	22
iv.	Benefit Sharing	22
	ANNEX 1: CARBON CREDIT PROJECT APPROVAL REQUIREMENTS	25
	ANNEX 2: TERMS AND CONDITIONS OF LETTER OF INTENT	27



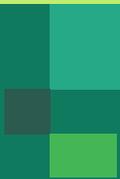
1.

INTRODUCTION



INTRODUCTION

- a. The purpose of this document, Pakistan Policy Guidelines for Trading in Carbon Markets: 2024 (henceforth referred to as “Guidelines”) is to set the stage for the establishment of carbon markets and provide a roadmap for their operational functioning. It seeks to align these markets with Pakistan's climate goals as well as policy priorities. This document is underpinned by a commitment to the Paris Agreement, international best practices, guidelines, and standards, as established through global forums and consensus.
- b. Carbon markets constitute an incentive for the production as well as export of an innovative “product”, namely mitigation outcomes (MOs)/ certified emission reduction (CERs) and once authorized MO/CERs called internationally transferred mitigation outcomes (ITMOs). The production of CERs can help meet global as well as national climate targets, while its export can generate additional financial resources for the exporting countries. The purpose of these guidelines is to provide guidance on the conditions within which such production and export of MOs/ITMOs/CERs can take place, and how the rights and interests of various parties, including entrepreneurs, communities, workers, and taxpayers, can be protected.
- c. The Government envisions the establishment of two distinct market mechanisms: voluntary carbon markets (VCM) and the compliance market. These cater to different objectives and function within their respective policy frameworks.
- d. These guidelines address such issues as eligibility criteria for proposing emission reduction projects, monitoring and verification protocols, standardization, compliance mechanisms, governance and oversight, transparency and reporting, and social and environmental safeguards.
- e. These guidelines envision carbon markets as a catalyst for mobilizing private sector finance, driving investment in sustainable projects, and accelerating the transition to a low-emission development and transition to net zero economy.
- f. The Government is in the process of formulating a policy and operational strategy for the compliance market, informed by the lessons learned from the implementation of these guidelines and guided by international best practices. The Government remains committed to ensuring that the market will adhere to the highest standards of sophistication and compliance.
- g. The MoCC&EC will undertake periodic reviews and revision in consultation with the provinces including GB and AJK preferably every two years of these guidelines in order to address emerging challenges, enhance effectiveness, and maintain alignment with Pakistan's climate goals and international commitments, and based on practical experience and changing circumstances, including feedback from stakeholders, data analysis, and international benchmarking.



2. SCOPE OF THE GUIDELINES

2 SCOPE OF THE GUIDELINES

a. Pakistan's Carbon Market Potential

The Government is committed to creating an enabling environment for the initiation and execution of development-friendly carbon mitigation projects—i.e., those that yield substantial co-benefits/sustainable development impacts and serve communities beyond mere emissions reduction—in areas such as forestry and land-use, wetlands, agriculture, waste management, industry, transport, and energy. A related goal is to provide incentives for private sector engagement through project development, financial support, and international collaboration.

b. Background of the Guidelines

The Article 6 of the Paris Agreement permits countries to collaborate voluntarily, utilizing carbon markets as a means to fulfill their NDCs and raise their ambition level, while ensuring environmental integrity and promoting sustainable development. Articles 6.2, 6.4, and 6.8 provide guidelines for the creation and verification of carbon credits and safeguards against double counting. COP26 committed to establish international standards for such markets. This work is expected to be finalized and approved by COP29 in Baku, Azerbaijan in 2024.

c. Objectives

The overarching objectives of the Guidelines are as follows:

i. Economic Development

Utilize carbon markets to foster low-emission, sustainable economic development in Pakistan.

ii. Climate Resilience

Enhance climate resilience, environmental integrity, and social well-being.

iii. Private Sector Engagement

Encourage active participation of the private sector in emission reductions and offset projects, promoting corporate responsibility.

iv. Alignment with International Commitments

Ensure that Pakistan's carbon markets align with its commitments under the Paris Agreement, contributing to global climate objectives.

v. Equitable Benefit Sharing

Ensure that carbon offset projects reflect, promote, and ensure equitable benefit sharing among communities, indigenous peoples, and vulnerable groups.

vi. Green Job Creation

Promote the creation of green jobs and livelihood opportunities, particularly in sectors related to emissions reduction, energy, and environmental sustainability.



vii. Monitoring and Verification

Implement transparent and robust measurement, reporting, and verification systems aligned with international standards.

viii. Capacity Building

Facilitate capacity building across all relevant stakeholders, including government agencies, private sector, civil society organizations, and academic institutions.

d. Targets

The Guidelines seek to achieve the following targets:

i. Facilitating Carbon Market

The carbon market will facilitate entities to offset their carbon emissions by acquiring carbon credits. This will incentivize Pakistani investors to transition toward adopting low-emission technologies by selling emission reduction impact to other entities who might need them for meeting their emission targets. The expected revenue will enable entities in Pakistan to invest in emission reduction projects profitably.

ii. Encouraging Emissions Reduction Projects

Carbon markets will help foster the development of projects dedicated to mitigating GHG emissions within Pakistan. These projects are expected to play a pivotal role in helping the country achieve its climate objectives by reducing emissions across various sectors. Carbon markets will provide an incentive to investors to develop emissions reduction projects over and above those mandated in Pakistan's NDCs. They can also help the country in achieving the "conditional" mitigation commitments.

iii. Mobilizing Finance

A robust carbon market can help mobilize private sector financing, both domestic and international. This financial stream can be utilized to support the implementation of emission reduction projects.



3.
KEY PILLARS

3 KEY PILLARS

- i. Pakistan has three overarching climate goals: (a) protecting human life and property against the adverse impacts of climate change; (b) ensuring the climate agenda is in consonance with the broader policy goals, especially the pursuit of sustainable development; and (c) honoring Pakistan's international commitments.
- ii. The updated Nationally Determined Contributions (NDCs) 2021 commit the country to reducing national emissions by 15% unconditionally, and another 35% conditionally (i.e., subject to the availability of funding).
- iii. Carbon markets can assist the achievement of the climate related goals in three ways. First, they can provide an alternative mode of mobilizing resources to finance conditional NDCs. Second, they can incentivize the production of MOs/ITMOs/CERs for "export", and thus support the national sustainable development agenda. Third, they can facilitate access to advanced climate friendly technologies at affordable cost.
- iv. The above requires the preparation of appropriate projects in the various priority sectors that can generate high quality carbon credits, i.e., those characterized by verifiability, transparency, and additionality. The following factors can provide investors with clarity in developing their proposals:



a. Harnessing Low-Hanging Fruits

Low-hanging fruits represent the most accessible and cost-effective measures to curtail greenhouse gas (GHG) emissions. With the effective harnessing of low-hanging fruits, there is a strategic opportunity to achieve substantial emissions reductions.

b. Authorization Criteria

Authorization criteria encompasses considerations pertaining to the sector coverage within Pakistan Updated NDC 2021, the strategic significance of the project, and the developmental context of the project's location. When authorizing carbon offset projects, it is vital to consider sectoral alignment with Pakistan's Updated NDC 2021, the strategic importance of the project, and the regional development scenario.

c. Government Role in Corresponding Adjustments

MoCC&EC will play a pivotal role in determining corresponding adjustments to emissions reduction targets, aligning with the national policy guideline and priorities.

d. Ensuring Additionality

Mitigation activities should yield emission reductions or removals that are genuinely additional and would not have occurred without the incentive created by carbon credit revenues. Various methods, including financial additionality, barrier analysis, performance-based tests, and common practice analysis, can be employed to address additionality. The Assessment Framework will evaluate the likelihood of additionality and the program's approach to assessing additionality in a thorough and accurate manner.

e. Comprehensive Mitigation Activity Information

Carbon-crediting programs should provide comprehensive and transparent information on all accredited mitigation activities, with this information being made readily available in electronic format and accessible to a non-specialized audience.

f. Prevention of Double Counting

Emission reductions or removals from mitigation activities must not be counted twice and should only contribute once towards meeting mitigation targets or objectives. Examples of double counting include double issuance, double claiming, and double use.

g. Ensuring Permanence

Emission reductions or removals resulting from mitigation activities should be permanent, with any risk of reversal fully compensated.



4. **APPROVAL PROCESS**

4 APPROVAL PROCESS

a. Project Preparation and Authorization

MoCC&EC has been designated as the National Designated Authority (NDA). The NDA or the designated department as notified by the respective provincial government will follow the following procedure for the issuance of a Letter of Intent (LOI) and No Objection Certificate (NOC):

i. The project proponent/Managing Authority shall submit Project Idea Note (PIN) for the issuance of a Letter of Intent (LOI)¹, together with an endorsement letter issued by the respective Managing Authority² and proforma as at Annex-I to the NDA or the designated department as notified by the respective provincial government.

ii. The project proponent, after issuance of LOI, shall prepare and register Project Document Design (PDD) within a period of two years, extendible once for a period of 180 days.

iii. LOI shall stand expired in case the project is not developed and registered within the time period as specified in para 16(ii).

iv. PDD registered shall be considered within the ceiling³ of 280 MT CO₂e NDC for Corresponding Adjustment (CA)⁴ on terms as given in Section-V of the guideline. Whereby, registered PDD beyond the ceiling shall be considered for CA on case to case basis.

v. The project proponent shall solicit NOC from the NDA for ITMOs / MOs transfers or corresponding adjustments. The NDA shall issue the NOC for corresponding adjustment and sale of credits of the requested projects.

vi. Projects under G2G shall be dealt under these Guidelines and the Rules of Business, 1973 in order to ensure transparency and maintenance and continuous updating of national registry.

¹ Terms and conditions of LOI are given at Annex-2

² Managing Authority can be autonomous bodies/organizations, provincial/regional bodies, local governments, private sector, etc. with the autonomy to develop and implement projects with other actors, including the determination of their equity shares and prices of the credit. The Managing Authority will be responsible for maintaining the project transparency in the process of selection of and awarding project to the project proponent.

³ Pakistan has committed to reduce the absolute 801.2 MtCO₂e by 2030 contributed by 240.15 MtCO₂e of unconditional target and 561.05 MtCO₂e of conditional target. The remaining 50% are outside the scope of Pakistan's Updated NDC 2021. The trading will occur for projects within the ceiling of 50% or 280.5 MtCO₂e of the committed conditional target in periodically updated NDC, covering all the sectors listed under the categories of conditional reductions.

⁴ Sectors/projects or plans earmarked for unconditional NDC shall stand excluded.

b. Standards for Project Registration

The priority sectors for carbon trading are provided in the Updated Nationally Determined Contributions (NDCs 2021), under the sections on conditional targets. The listed priority areas of desired investment are aligned with the policy objectives set forth in the National Climate Change Policy (NCCP) 2021, National Adaptation Plan (2023), and other relevant policies adopted by the Government of Pakistan from time to time in pursuance of the Paris Agreement and other international obligations particularly the Sustainable Development Goals (SDGs). The project sponsors and entities will adhere to the global standards duly recognized by the Government of Pakistan.

c. Guidelines for Priority Sectors

Pakistan has committed to reduce the absolute 801.2 MtCO₂eq by 2030 contributed by 240.15 MtCO₂eq of unconditional target and 561.05 MtCO₂eq of conditional target. The remaining 50% is outside the scope of Pakistan's Updated NDC 2021. The trading will occur for projects within the ceiling of 50% or 280.5 MtCO₂eq of the committed conditional target in periodically updated NDC, covering all the sectors listed under the categories of conditional reductions.

The proponents are however also encouraged to identify new, additional, and innovative areas that can play a transformational role in Pakistan's climate resilient and low emissions development for a transition to net zero economy.

d. Parameters of Project Qualification

The following parameters will serve as the foundation for project qualification:

i. Compliance with Cooperative Approaches

In order to ensure environmental integrity, safeguards, and restrictions on the transfer of MOs, the NDA/ MoCC&EC requires that the proposed projects must be aligned with the guidance provided in Article 6, paragraph 2 of the Paris Agreement, as delineated in paragraph 1 and 17 of the Annex to Decision 2/CMA.3. These include the specifications for ITMOs to be real, verified and additional.

ii. Adherence to Article 6, Paragraph 4

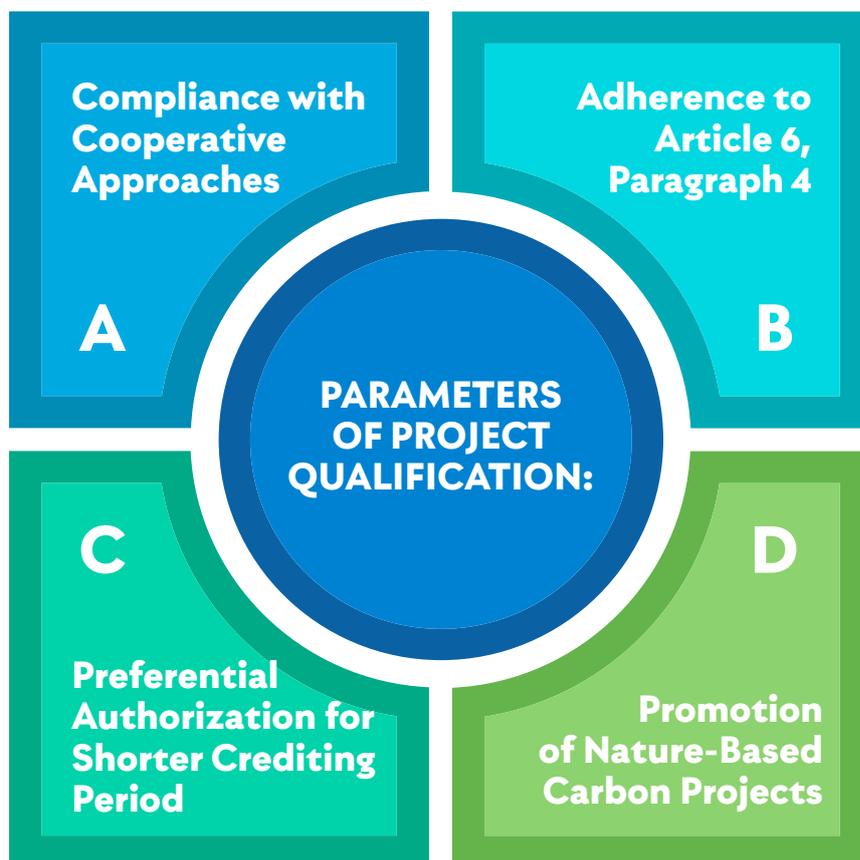
NDA/MoCC&EC requires that the proposed projects must conform to the requirements specified in Article 6, paragraph 4 of the Paris Agreement, as detailed in section V, paragraphs 30-39 of the Annex to Decision 3/CMA.3. These include the activity design to ensure mitigation and adaptation co-benefits/economic diversification and for compliance necessary to uphold the principles and mechanisms governing carbon markets: i) to deliver measurable and long-term benefits, ii) to minimize risk of non-performance over multiple NDC periods, iii) to minimize risk of leakage, iv) to ensure environment and social safeguards, v) to comply with crediting periods for issuance of A6.4 emission reductions, and vi) to follow methodologies approved by Supervisory Body upon its becoming operational.

iii. Preferential Authorization for Shorter Crediting Period

NDA/MoCC&EC may grant preferred authorization to MOs generated from projects with shorter crediting periods or those with early retirement schedules.

iv. Promotion of Nature-Based Carbon Projects

NDA/MoCC&EC reserves the right to grant preferred authorization to MOs derived from nature-based carbon projects that reflect, promote, and ensure equitable benefit sharing in order to acknowledge the need to uphold obligations related to human rights, the right to health, the rights of indigenous peoples, local communities, migrants, children, persons with disabilities, and people in vulnerable situations, as well as gender equality, women's empowerment, and intergenerational equity.





5. IMPLEMENTATION MECHANISM

5 IMPLEMENTATION MECHANISM

The Government is committed to a well-structured mechanism that ensures clarity, accountability, and equitable participation. The Implementation Mechanism outlined below will ensure that the Guidelines remain a dynamic, responsive, and effective tool through consistent evaluation, feedback, and adaptation.

a. Oversight and Governance

i. Carbon Market Working Group

The MoCC&EC will establish a dedicated Carbon Market Working Group (CMWG) to facilitate the implementation of the policy guidelines. Carbon Market Working Group will ensure adherence to guidelines and principles that maintain the integrity and transparency of the market. The CMWG will benefit from federal and provincial governments, academia, the private sector, civil society organizations, and other relevant stakeholders in discharging its functions. Equitable representation/ participation from the Provinces including GB and AJK will be ensured.

ii. National Carbon Registry

The Government will establish a National Carbon Registry and ensure development of Measurement, Reporting, and Verification (MRV) systems. The MoCC&EC is developing digital infrastructure, including a Domestic MRV System. This will ensure a decentralized and secured digital infrastructure for providing transparency and traceability in the market. It will also ensure that the credits are not double-counted or retired more than once. The provinces including GB and AJK may also establish provincial carbon registries and integrate the data with the federal registry to safeguard against double counting.

iii. MRV System

The Government is committed that the MRV will be consistent with the transparency obligations outlined in the Paris Agreement pertaining to activities developed under Article 6.2, Article 6.4 and Principles of the Integrity Council for the Voluntary Carbon Market (ICVCM). The MoCC&EC will ensure that the MRV system are an integral part of the biennial transparency report (BTR) under Article 13, to be submitted to the United Nations Framework Convention on Climate Change (UNFCCC).

b. Obligatory Fees

For all projects, NDA shall deduct following obligatory fees/ contributions and credits:

- i. 5% of the credits generated by the project shall be deducted at source, in the form of credits, preferably to be adjusted towards Pakistan's voluntary NDCs.



ii. Corresponding Adjustment Fee (CAF) calculated at 12% of net revenues generated from the sale of carbon credits. 50% of the CAF shall be directly transferred to the province where the project is based. Remaining portion (50%) of the CAF will be credited in Pakistan Climate Change Fund, to be used for climate change initiatives across the country, in consultation with the province where the credits are generated, giving preference to initiatives within the province, barring climate induced emergencies/exceptional circumstances to be determined by the Pakistan Climate Change Council.

iii. Administrative Costs, equating to 1% of gross revenues generated from the sale of carbon credits will go to the Federal Government.

iv. The utilization of CAF will be guided by the principles of sustainability, equity, and effectiveness in reducing greenhouse gas emissions while advancing sustainable development.

c. Support and Guidance

i. Capacity Building

MoCC&EC will develop a capacity-building program as an essential component for the successful implementation of carbon markets in Pakistan, involving different stakeholders from both the public and private sectors and federal & provincial government agencies, for them to effectively contribute to the overall carbon market ecosystem. This program will cultivate local expertise and will be inclusive and gender-sensitive, ensuring equitable participation and benefit-sharing among stakeholders.

ii. Clear Sectoral Guidelines

MoCC&EC will develop sectoral guidelines, providing specific criteria for project qualification and eligibility in consultation with the provinces including GB and AJK. These guidelines will consider the priority sectors aligned with conditional and unconditional targets of Pakistan's periodically updated and revised NDCs while addressing the environmental and economic viability of projects.

iii. Communication and Awareness

MoCC&EC will develop and implement a communication strategy to raise awareness and promote the participation of all stakeholders in the carbon market. This will include regular stakeholder consultations and the dissemination of information.

iv. Benefit-Sharing

MoCC&EC will design in consultation with the provinces a transparent mechanism for sharing of Corresponding Adjustment Fees (CAF) in line with Section 23 (ii). The MoCC&EC will formulate a clear plan for the utilization of these funds, with a focus on alignment of climate goals and development priorities with Article 6.2 and international standards.

IMPLEMENTATION MECHANISM

Oversight and Governance

Carbon Market Working Group

National Carbon Registry

MRV System

Obligatory Fees

5% of credits deducted at source

CAF calculated at 12% of net revenue

1% of gross revenues go to Federal government

Guiding principles for utilisation of CAF

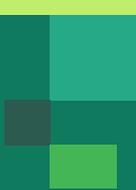
Support and Guidance

Capacity Building

Clear Sectoral Guidelines

Communication and Awareness

Benefit-Sharing



ANNEXURES

ANNEX I: CARBON CREDIT PROJECT APPROVAL REQUIREMENTS

Project Description and Eligibility:

- Project Type: Does the project fall under eligible project types for carbon credits (e.g., renewable energy, afforestation, energy efficiency, transportation, waste management)?
- Feasibility Study: Has a feasibility study been conducted to assess the technical, financial, and environmental viability of your project.
- Project Objectives: Has the objectives of the project clearly outlined, including environmental, social, and economic goals.
- Location: Geographical location(s) where the project will be implemented.

Project Financing:

- Project Cost: What is the project cost in PKR?
- Budget Allocation: Is appropriate budget for project development, implementation, and verification processes available?
- Financial Projections: Are financial projections for the project's development and implementation prepared?
- Funding Sources: What are the potential funding sources - Grants, Loan, or Private Investments?
- Funds Availability: Have the necessary funds for the proposed project secured?

Emission Reduction Potential:

- Baseline Emissions: Has the baseline emissions scenario without the proposed project described?
- Emission Reductions: What are the estimated potential emission reductions achievable through the project. Provide calculations based on approved methodologies?
- Carbon Accounting Methodology: Specify the approved carbon accounting methodology to be used for the project.
- Additionality Assessment: Are the project's emission reductions additional to a business-as-usual scenario.
- Co-benefits and Sustainable Development Aspects:

Environmental and Social Impact:

- Environmental Impact Assessment: Has an Environmental Impact Assessment (EIA) or IEE, addressing potential environmental risks and mitigation measures conducted?
- Social Impact Assessment: Has a social impact assessment, including impact on local communities and stakeholder engagement plan prepared?

Legal and Regulatory Compliance:

- Permits and Approvals: Have all necessary permits and approvals from relevant authorities been obtained?
- Land Rights and Ownership: Are proper documentation of land rights and ownership where the project will be implemented available?
- Compliance with National and International Standards: Is the project aligned with national laws and international standards (e.g., CDM, VCS, etc.). if yes, which one?



Emission Reduction Verification:

- Third-Party Verification: Will the project proponent engage an accredited third-party organization for the verification of emission reductions?
- Carbon Credits Issuance: Ensure proper issuance of carbon credits following verification and retire them in relevant registries to prevent double counting.

Stakeholder/Community Engagement and Consultations:

- Stakeholder Consultation: Has necessary consultation process with local communities, NGOs, and other stakeholders conducted?
- Community Consultations: Has consultations with local communities conducted to address their concerns and ensuring their participation in the project?
- Benefit Sharing Mechanism: Has a clear mechanism for sharing project benefits with local communities, especially if applicable to the project established?

Measurement, Reporting & Verification:

- Monitoring Plan: Is a detailed plan for monitoring and verifying emission reductions, including data collection methods and frequency of reporting prepared?
- It should follow a robust and transparent procedures for Authorized & Credit Accounting, Trading of Mitigation Outcomes, Accounts Management and Corresponding Fee and Share of Proceeds (SOP) Plan

Risk Assessment:

- Have you assessed the potential risks and challenges to your project, and developed mitigation strategies?

Sustainability:

- Sustainability Plan: Has measures to ensure the project's long-term sustainability and impact beyond the crediting period Outlined?

International Linkages:

- Required Documents: Is the project establish linkages with international carbon markets and enable cross-border trading of carbon credits?

Documentation Submission:

- Required Documents: Has all documents, reports, and data submitted with the project proposal.

ANNEX-II: TERMS AND CONDITIONS OF LETTER OF INTENT

The LOI shall be subject to the following terms and conditions:

- a. This LOI is contingent upon the project proponent fulfilling all terms and conditions specified in the Pakistan Policy Guidelines for Trading in Carbon Market, 2024, as amended from time to time.
- b. The issuance of this LOI does not imply mandatory acceptance of the Project Design Document (PDD) or automatic eligibility for the generation of carbon credits and corresponding adjustments (CA).
- c. The project proponent must adhere to all requirements outlined in the multilateral environmental agreements to which Pakistan is a party.
- d. The development and submission of the PDD are subject to full compliance with national laws and policies.
- e. The PDD must align with the nationally determined contributions (NDC-2021) and any subsequent amendments or updates.
- f. The project proponent shall conduct a comprehensive stakeholder consultation, including local communities, and incorporate their feedback in the development of the Project Design Document (PDD).
- g. The project proponent shall provide a detailed plan for monitoring, reporting, and verifying the emissions reductions claimed in the PDD, in accordance with international standards and methodologies.
- h. The LOI is contingent upon the project proponent obtaining and maintaining all necessary permits, approvals, and licenses from relevant authorities, both at the national and local levels.
- i. The project proponent shall establish a robust grievance redressal mechanism to address any concerns or disputes raised by affected stakeholders during the project development/lifecycle.
- j. The LOI is subject to the project proponent demonstrating financial responsibility for the project's entire lifecycle, including post-credit issuance monitoring and maintenance of emission reductions.
- k. The project proponent shall commit to the transfer of knowledge and technology to local communities, enhancing their capacity to participate in and benefit from carbon market activities.
- l. The LOI may be revoked if the project proponent fails to meet timeline for development of PDD or a significant deviation from the proposed project scope.
- m. The project proponent shall incorporate adaptation measures within the project to address potential climate change impacts and contribute to building the resilience of vulnerable communities.
- n. The National Designated Authority (NDA) retains the authority to withhold or withdraw this LOI based on national circumstances.

