

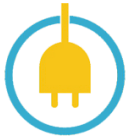
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# Best Practices for Implementation of Carbon Market

## Case Study: Ghana





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## OVERVIEW

Ghana is one of the world's second-largest cocoa producers. The mass production of cocoa is reasoned to be the leading cause of deforestation and degradation in the Southeast and Western region of the country.<sup>1</sup> Ghana is one of the developing African countries that are making efforts to limit the impact of climate change through their National Determined Contributions (NDCs) as well as successfully transitioning to a low carbon society. The government of Ghana has expressed interest in exploring carbon pricing instruments as part of the policy options to mobilize resources to implement its NDC. In particular, Ghana is a member of the [Vulnerable Twenty \(V20\) Group of Ministers of Finance](#) of the Climate Vulnerable Forum. In their Ministerial Communiqués, V20 Ministers of Finance decided to “commit to support carbon pricing by working to establish pricing regimes within the next decade”.<sup>2</sup>

## OBJECTIVE OF STUDY

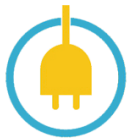
The objective of this study is to understand the developed carbon pricing instruments that mitigate GHG emissions in Ghana, foster sustainable development by doing so, to also identify ways Clean Technology Hub can support the implementation of successive NDCs as well as understand the country's pathway on a low GHG. This will be done by tackling key sectors in the reduction of greenhouse gas emissions, especially those aforementioned, in consideration of the legal, regulatory, institutional, social and economic frameworks in the view of efficiently implementing Ghana's National Determined Contribution. The specific objectives include;

- To analyze existing carbon pricing instruments or related instruments already in place in the country
- To identify potential opportunities for various carbon pricing based on the country circumstances and context
- To assess the existing legal and policy framework in the country with respect to carbon pricing and perform a preliminary stocktake on the status-quo of MRV structure for enabling carbon pricing instruments

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<sup>1</sup> Marius Wessel, P.M. Foluke Quist-Wessel, [Cocoa production in West Africa, a review and analysis of recent developments](#), NJAS - Wageningen Journal of Life Sciences

<sup>2</sup> [v20-ministerial-communication](#)



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- To provide an overall assessment of feasibility and readiness for carbon pricing for the country.
- To explore how carbon pricing approaches could support involvement in cooperative climate action such as foreseen under Article 6 of the Paris Agreement.

## INTRODUCTION

Currently, Ghana's carbon market strategy aims at raising carbon finance to support its NDCs and foster foreign direct green investment to benefit local businesses. The existing international carbon market (Art. 6, CORSIA for international aviation and the voluntary carbon market) offers an opportunity for Ghana to partner with other nations, international organizations and private entities to achieve 24 tonnes of conditional greenhouse gas emissions reduction goal. Ghana currently has a framework document divided into three volumes. The volume focuses on specific mechanisms under article 6 of the Paris Agreement which states that “Parties recognize that some Parties choose to pursue voluntary cooperation in the implementation of their nationally determined contributions to allow for higher ambition in their mitigation and adaptation actions and to promote sustainable development and environmental integrity”<sup>3</sup>.

. Volume 1 is the operational framework for Art. 6.2 cooperative approach. It provides policy, regulators and operational information on Ghana’s engagement in the cooperative approach and voluntary carbon market. Volume 2 is the guideline for domesticating the rules, modalities and procedures (RMP) of the article 6.4 mechanism. Volume 3 upon development will contain additional guidance on how Ghana will implement art.6.8 non-market approaches provision when the ongoing work is concluded.

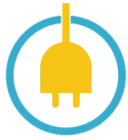
## GHANA CARBON MARKET OFFICE



Ghana carbon market office is the secretariat established to provide administrative and technical services to the general public and support the implementation of the Ghana international carbon market and non-market approach framework. CMO was established under Ghana’s carbon market framework and mandated under the EPA Act 490. The

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<sup>3</sup> Article 6 (1) [Paris Agreement](#)



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EPA's Climate Change Unit hosts the CMO and performs the functions assigned under the framework including implementing the policies, rules and guidance on transactions, by providing targeted support for mitigation activity sourcing. Their activity also involves matchmaking, development services, MRV and accounting, registry operations, creation, and transfer of ITMOs, reporting & corresponding adjustment.

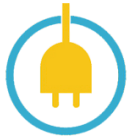
## **GHANA COOPERATIVE APPROACH TO CARBON MARKET**

Ghana has engaged bilaterally with Switzerland, Sweden and Singapore. This bilateral approach allows Ghana and any other participating country to lay out the processes for mobilizing national stakeholders in co-creating and adopting a legally binding agreement. The status of the the cooperative approaches so far:

1. Ghana and Switzerland - Signed in November 2020; [Authorization Statement](#)
2. Ghana and Singapore - [Completion of negotiation announced in November, 2022](#)
3. Ghana and Sweden- [Completion of negotiations announced in November, 2022](#)

## **GHANA CAPACITY BUILDING DEVELOPMENT AND STAKEHOLDER COLLABORATION**

- The Swiss State Secretariat for Economic Affairs (SECO) and the UNDP are designing capacity development programmes to support Ghana in implementing the Article 6.2 framework and Switzerland - Ghana bilateral agreements.
- Ghana is a member of the West African Alliance on Carbon Market and Climate Finance and the main objective is to build capacity and stimulate knowledge exchange among countries on accessing carbon finance.
- UNDP has prepared training to create capacity in Ghana to implement the Ghana-Switzerland cooperative approach.
- The Carbon Market Office (CMO) has developed an elaborate proposal on capacity building programme and carbon market project readiness to double up efforts on carbon market project development in Ghana. The stakeholders are currently reviewing the proposal for possible funding for implementation.
- The Swedish agency planned to visit Ghana on the 27th of March, 2023 for further collaboration.



## MITIGATION PROCESS OF CARBON MARKET IN GHANA.

According to Ghana's latest NDCs, the country aims to mitigate an absolute of 64 MtCO<sub>2</sub>eq<sup>4</sup> by 2030 with 24 MtCO<sub>2</sub>eq as the unconditional target and 39.4 MtCO<sub>2</sub>eq as the conditional target. The aim to achieve MtCO<sub>2</sub>eq is a single year target for nine years starting from 2021-2023. The 64 MtCO<sub>2</sub>eq represents 88% of the national emission, the remaining 12% which translates into 9 MtCO<sub>2</sub>eq represent other mitigation potentials. Hence, all Voluntary Carbon Market (VCM) projects aiming to generate carbon credit offset will obtain formal recognition under the framework in order to ensure an accurate accounting in reporting GHG gasses to UNFCCC.

Similarly, Ghana's authorized MOs associated with its conditional mitigation of NDCs activities and outside NDCs (the 12%) is based on their eligibility criteria on their framework.

## GHANA EXISTING PARTNERSHIPS ON CARBON MARKET.

- 1. Forest Carbon Partnership Facility:** On the 24th of January 2023, Ghana became the second country after Mozambique to receive payments from a World Bank trust fund for reducing emissions from deforestation and forest degradation, commonly known as REDD+. The World Bank's [Forest Carbon Partnership Facility \(FCPF\)](#) paid Ghana \$4,862,280 for reducing 972,456 tons of carbon emissions for [the first monitoring period](#) under the program (June to December 2019). This payment is the first of four under the country's [Emission Reductions Payment Agreement \(ERPA\)](#) with the World Bank to demonstrate potential for leveraging results based payments for carbon credits," said **Pierre Laporte, World Bank Country Director for Ghana, Liberia, and Sierra Leone**. *"Subject to showing results from actions taken to reduce deforestation, Ghana is eligible to receive up to \$50 million for 10 million tons of CO<sub>2</sub> emissions reduced by the end of 2024."* The [Forest Carbon Partnership Facility \(FCPF\)](#) is a global partnership of governments, businesses, civil societies, and Indigenous Peoples' organizations. Their focus includes reducing emissions from deforestation and forest degradation, forest carbon stock conservation, the sustainable management of forests, and enhancement of forest carbon stocks in developing countries, activities which are commonly referred to as REDD+. Launched in 2008 the FCPF has worked with [47 developing countries](#) across Africa, Asia, and Latin America and the Caribbean, along with [17 donors](#) that have made contributions and commitments totaling \$1.3 billion.<sup>5</sup>

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<sup>4</sup> Million Tonnes of carbon dioxide equivalent

<sup>5</sup> [ghana-begins-receiving-payments-for-reducing-carbon-emissions-in-forest-landscapes](#)



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- 2. Regional Collaboration Centre** The Government of Ghana in collaboration with the Regional Collaboration Centre looks to conduct an opportunity study on the application of carbon pricing approaches in addressing climate change. This study will aim to gather information on the potential feasibility and readiness for carbon pricing/market instruments in the specific context of Ghana. The target stakeholders for this study include the UNFCCC/DNA Focal point for Ghana, officials from the Ministries of relevant ministries, legislative and executive bodies of the Government of Ghana, regional cooperation organizations, key private sector representatives, Academia, and civil societies. The scope of the study is to focus mostly on carbon pricing as a system of disincentivizing GHG emissions and favoring low-carbon development. In this regard, elements such as climate finance and/or project and programme-based crediting mechanisms should not be understood as core topics of the study but rather as elements of the broader landscape to be considered.

## KEY LESSONS FOR NIGERIA IN THEIR MITIGATION EFFORTS

Although Nigeria is in its developing stage in terms of Carbon Market, she can learn from the mitigating efforts of Ghana in the following ways:

1. Have a central Office scheduled with the responsibility and management of Carbon Market similar to Ghana but unique in terms of how the market will be regulated in Nigeria.
2. Ghana has been able to build sustainable partnership with international bodies by focusing its carbon market amongst other things on deforestation. Nigeria can find an international country to develop its standard regulations and framework and build partnership on the most impacted aspect of our climate issues.
3. Most Importantly, Nigeria needs its own regulatory framework to be able to adopt the carbon market, integrate it to our system and reach our expected target in achieving net-zero.