



CARBON MARKET

# COP28

## COP 28 Review: Assessment of Benefits and Drawbacks of the High Level Decisions on Carbon Market

Curated by [Clean Technology Hub](#)

Written by Odion Ibadin, Carbon Market Lead at Clean Technology Hub



Clean Technology Hub  
energy innovation centre



## COP28 Review: Assessment of Benefits and Drawbacks of the High Level Decisions on Carbon Market

COP 28 began with a pledge to operationalize a Loss and Damage Fund and concluded with an agreement to phase out fossil fuels using a range of approaches, including drastically increasing the use of renewable energy, promoting energy efficiency, and even carbon removal and storage (CCS).

In the late 1990s and early 2000s, voluntary carbon standards, including Plan Vivo, Gold Standard, and the Chicago Climate Exchange, were established with the intention of developing transitional mechanisms to test new ideas and encourage early action until a global regulatory apparatus was created.<sup>1</sup> However, it is suggested that the mechanism that was put in place more than 20 years ago is still in limbo, and regulation of International Carbon Credits (ICCs) will not be operational for at least another year, and probably two, after delegates to the UN climate conference in Dubai (COP 28) failed to come to an agreement on operationalizing Article 6 of the Paris Climate Agreement<sup>2</sup>.

As a result, the voluntary carbon market (VCM) can function without cumbersome and ineffective corresponding adjustments.<sup>3</sup> The debate was on whether “corresponding adjustments” (CAs) must be applied to VCM transactions. This created significant policy and integrity uncertainties that put VCM project and programme investments at risk. Additionally, insecurities around the impact of VCM projects must have led government officials in host countries to re-evaluate their policies as to whether VCM investments could complicate the achievement of host countries’ Nationally Determined Contributions (NDCs).

Nevertheless, the failure at COP28 may have a detrimental impact on the environment because it delays the establishment of a global compliance market, which has the potential

<sup>1</sup> *How Forests Found Protection in Voluntary Carbon Markets* - Verra. (2023, November 10). Verra. <https://verra.org/verra-views/how-forests-found-protection-in-voluntary-carbon-markets/> accessed January 10, 2024

<sup>2</sup> *Piloting to Continue Under Article 6 Despite COP28 Failure* - Ecosystem Marketplace. (2023, December 13). Ecosystem Marketplace. <https://www.ecosystemmarketplace.com/articles/piloting-to-continue-under-article-6-despite-cop28-failure/> accessed January 10, 2024.

<sup>3</sup> “Shades of REDD+Burdened by Unverifiable Policy Assumptions: The Decision on When to Apply Corresponding Adjustments to Voluntary Carbon Markets - Ecosystem Marketplace” (*Ecosystem Marketplace*, December 13, 2023)

to erroneously double the climate effect of every dollar spent on carbon reductions (double counting).<sup>4</sup>

This article, presenting an update on the current state of affairs, examines the discussions, agreements, debates, and documents on the carbon market that took place during the high-level conference of parties, which Clean Technology Hub attended.

## Uncertainty of the Carbon Market in the Global Sphere

After a back-and-forth between the US and the EU, hopes of reaching an agreement on carbon trading systems faded in Dubai. Hence, countries failed to reach an agreement on crucial rules for bilateral trade offsets and the establishment of a long-awaited global UN-sanctioned market.<sup>5</sup> It may seem that the US supported a regulatory strategy that critics referred to as "light-touch, no-frills." Which would give participants within the much-criticized voluntary market in the private sector a significant role.

A collection of governments from Latin America and Africa, led by the EU, however, withdrew. They desired stronger safeguards against abuse and a relaxation of terms of confidentiality that would have avoided scrutiny.

Furthermore, the failure puts bilateral agreements in jeopardy. To satisfy their emissions targets, several countries have made tentative negotiations to purchase carbon credits from third parties. For Instance, Singapore negotiated a bilateral agreement with Papua New Guinea on December 8, 2023<sup>6</sup> while Switzerland inked the initial agreement of this sort with Peru back in 2020.<sup>7</sup> Additionally, the goal of the Emirati business Blue Carbon was to exchange credits from various African and Caribbean countries using the method. It has been argued that the collapse of the negotiations also forces those tasked with establishing new global carbon market regulations to start over.

## Article 6

In Dubai, discussions stalled on how stringent the UN's 6.2 guidelines should be and the role of nature-based solutions under 6.4, among other difficult issues in what remains a highly technical and nuanced climate market. Discussions revolved around these four main-issues:

---

<sup>4</sup> *Countries on the Cusp of Carbon Markets*. (2022, July 26). World Bank.

<https://www.worldbank.org/en/news/feature/2022/05/24/countries-on-the-cusp-of-carbon-markets>

<sup>5</sup> Civillini, M. (2023, November 29). *Four questions for Cop28 to settle about a global carbon market*. Climate Home

<sup>6</sup> *Singapore signs carbon credits deal with Papua New Guinea*. (2023, December 8). Reuters. accessed January 19, 2024.

<sup>7</sup> Lo, J. (2020, October 22). *Peru and Switzerland sign world first carbon offset deal under Paris Agreement*. Climate Home News.

1. The extent to which countries can specify whether information is considered confidential and must be disclosed.
2. The sequence and timeliness of reporting requirements before ICCs can be issued.
3. The level of uniformity among international trading relationships.
4. The role of registries and the necessity for links between them.

Nonetheless, the countries split after the United States objected to the European Union's proposal for more restrictive language in Dubai. Some claimed that ambiguous guidelines could lead to abuse and confusion, while others said that the additional standards amounted to renegotiating the Glasgow Rulebook and that the countries involved in 6.2 were advanced enough to create their regulations.<sup>8</sup> Additionally, clauses 6.2 and 6.4 stated that International Transferred Migration Outcomes (ITMOs) might be revoked following a transfer internationally. Advocates of integrity claimed these rules were going to preserve demand, while opposing parties claimed they were going to undermine it.

Overall, the draft agreement requested that the Article 6 Supervisory Body (A6 SB) create a Designated National Authorities Forum "to facilitate the exchange of information and experience among designated national authorities and the identification of common challenges at the regional and subregional level in operationalizing the mechanism." As of December 12, 2023, 67 countries had identified designated national authorities for engaging Article 6.4. Since Article 6.4 regulates a central organisation, the Article 6 Supervisory Body is responsible for creating procedures that control transactions.

Furthermore, governments are unclear about the general definition of carbon credits: Although many nations at COP28 pushed for emissions avoidance to be included as well, Article 6.4 specifies that emissions removal and reduction are taken into account when calculating carbon credits.<sup>9</sup> One such programme may be REDD+, which pays forest owners to protect their forests rather than clear them for development.<sup>10</sup> Some maintained that if deforestation is prevented but not actually stopped, then there is no visible reduction in emissions; others, on the other hand, maintained that deforestation is effectively prevented by forest protection initiatives.<sup>11</sup>

---

<sup>8</sup> Steve Zwick "What Lies Ahead for Carbon Markets After COP28? - Ecosystem Marketplace" ( *Ecosystem Marketplace*, December 23, 2023) accessed January 19, 2024

<sup>9</sup> "COP28 Update: Progress Towards Agreement on Avoidance Under Article 6.4, but Backsliding in 6.2 - Ecosystem Marketplace" ( *Ecosystem Marketplace*, December 10, 2023)

<sup>10</sup> Danon S and Bettiat D, "Reducing Emissions from Deforestation and Forest Degradation (REDD+) – What Is Behind the Idea and What Is the Role of UN-REDD and Forest Carbon Partnership Facility (FCPF)" (2011)

<sup>11</sup> Daniel B., "What Happened to Global Carbon Markets at COP28?" (December 21, 2023) accessed January 19, 2024

Despite initial progress on an Article 6.4 agreement that would have allowed for emissions avoidance in circumstances where it could be classified as reduction or removal, the plan was subsequently rejected.

One should note that the next opportunity for a deal will be at COP29 in Azerbaijan in 2025; therefore, the technical working groups will have to start over in 2024. It may be argued, though, that this delay is positive because it will be better to have an operational and sustainable carbon market next year rather than one now, which could have devastating repercussions. Though it was not able to be adopted due to a lack of consensus, there was still progress made during COP28. It is possible to build upon this development even after a further year of doubt and hesitation. Ultimately, a worldwide agreement to rebalance the global carbon budget will be sought at COP29.

### Africa's Carbon Market Update



fig.2<sup>12</sup>

Africa saw differing outcomes from the UN's yearly climate summit; numerous initiatives aimed at building Africa's climate resilience were announced, including the creation of green

<sup>12</sup> Dada O, "Nigeria at COP28: Separating the Facts from Fiction" (*Medium*, December 3, 2023)

banks, systems for trading greenhouse gases, public-private partnerships, innovative finance tools including sustainability-linked products and green bonds, and an abundance of recently announced funding commitments.<sup>13</sup> Paul Walton, the executive director of the Africa-Europe Foundation, published a paper at the conference stressing Africa's potential as a provider of carbon credits. He claims that COP28 made "good progress" in realising the "win-win opportunities" of carbon markets.

Nevertheless, as earlier mentioned, governments did not reach an agreement in Dubai on numerous matters related to Article 6 of the 2015 Paris Agreement, which established rules for controlling global carbon markets.<sup>14</sup> EU negotiators vetoed a deal in Dubai due to concerns over greenwashing, and the inability to secure an agreement denies Africa a possible opportunity to extend the international sale of carbon credits.

These are some of the important announcements regarding Africa's carbon market.

- At COP 28, South Africa unveiled its completed Just Energy Transition Investment Plan (JET-IP), which is in line with the National Just Transition Framework approved by the Cabinet.<sup>15</sup> It describes the investments needed to meet the nation's decarbonisation targets while fostering sustainable development and guaranteeing a fair transition for impacted workers and communities. The JET-IP addresses green hydrogen, new energy vehicles, and electricity and identifies USD 98 billion in financial demand over the five years that ensue.<sup>16</sup> Funding will be provided by both the public and commercial sectors.
- For Nigeria, the agreement with Germany to accelerate the Presidential Power Initiative was signed, and a high-level meeting on the Nigeria Carbon Market and the Electric Bus Rollout Programme was scheduled. These initiatives aim to combat climate change, reduce carbon footprints, modernise infrastructure, and attract international investment.<sup>17</sup>
- Rwanda has signed cooperation agreements with Singapore and Kuwait towards the implementation of Article 6 of the Paris Agreement that governs the carbon market. carbon trading is among innovative climate finance solutions that will help Rwanda deliver on its target to reduce emissions by 38 percent by 2030.<sup>18</sup>

---

<sup>13</sup> Foundethakis M, "Africa: COP 28 Highlights" (*Lexology*, December 12, 2023) accessed January 15, 2024

<sup>14</sup> Payton B, "COP28 Provides a Mixed Picture for Africa" (*African Business*, December 18, 2023) accessed January 19, 2024

<sup>15</sup> Lenferna A, "COP28: South Africa Pioneered Plans to Transition to Renewable Energy – What Went Wrong" (*The Conversation December 6, 2023*) accessed January 19, 2024

<sup>16</sup> n.13 above

<sup>17</sup> "COP28: President Tinubu Unveils Bold Vision for a Greener Nigeria with Rollout of 100 Electric Buses – The Statehouse, Abuja"

<sup>18</sup> "Carbon Market Governance: Rwanda Inks Deals With Singapore, Kuwait" (*Naturenews.africa*, December 12, 2023)

It is clear from the outcomes of the COP that Africa is receiving increasing attention for its contributions to the fight against climate change. Large areas of Africa have excellent opportunities for producing renewable energy, and the continent additionally contributes to a significant role in removing carbon from the atmosphere through the use of its mangroves, forests, and other ecosystems.

Copyright © 2024, Clean Technology Hub, January 2024. All rights reserved. Email: [admin@cleantechnologyhub.org](mailto:admin@cleantechnologyhub.org).