

CARBON CREDITS AND COMPLIANCE IN TANZANIA



Exploring the Markets, Advantages and Disadvantages.

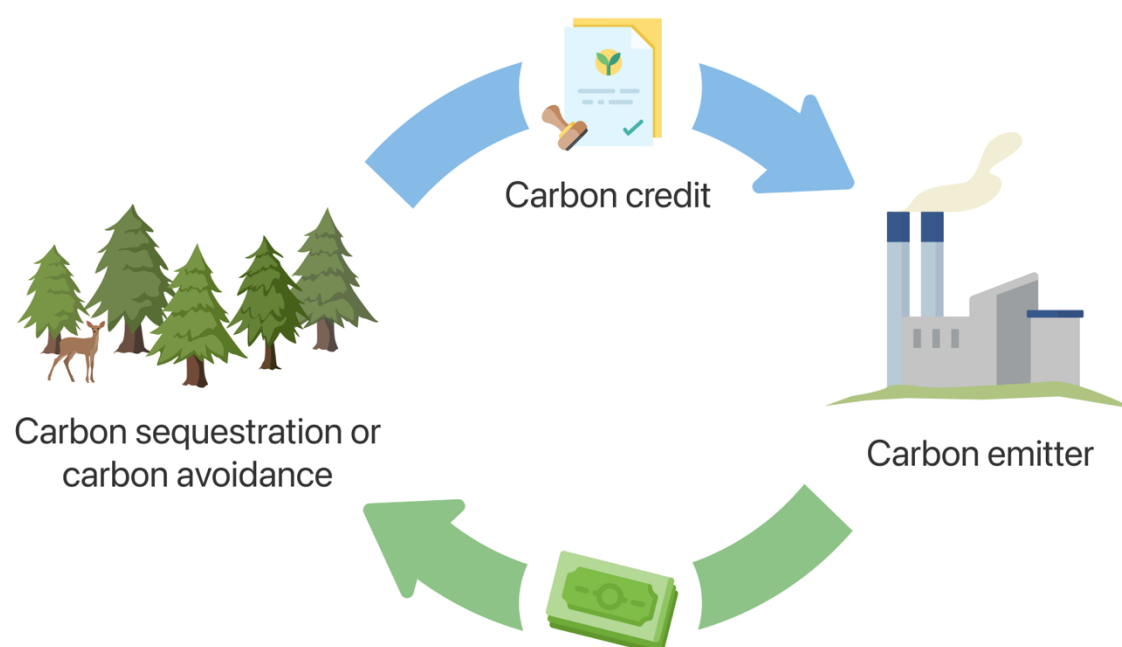
CARBON CREDITS AND COMPLIANCE IN TANZANIA: EXPLORING THE MARKETS, ADVANTAGES, AND DISADVANTAGES.

Introduction:

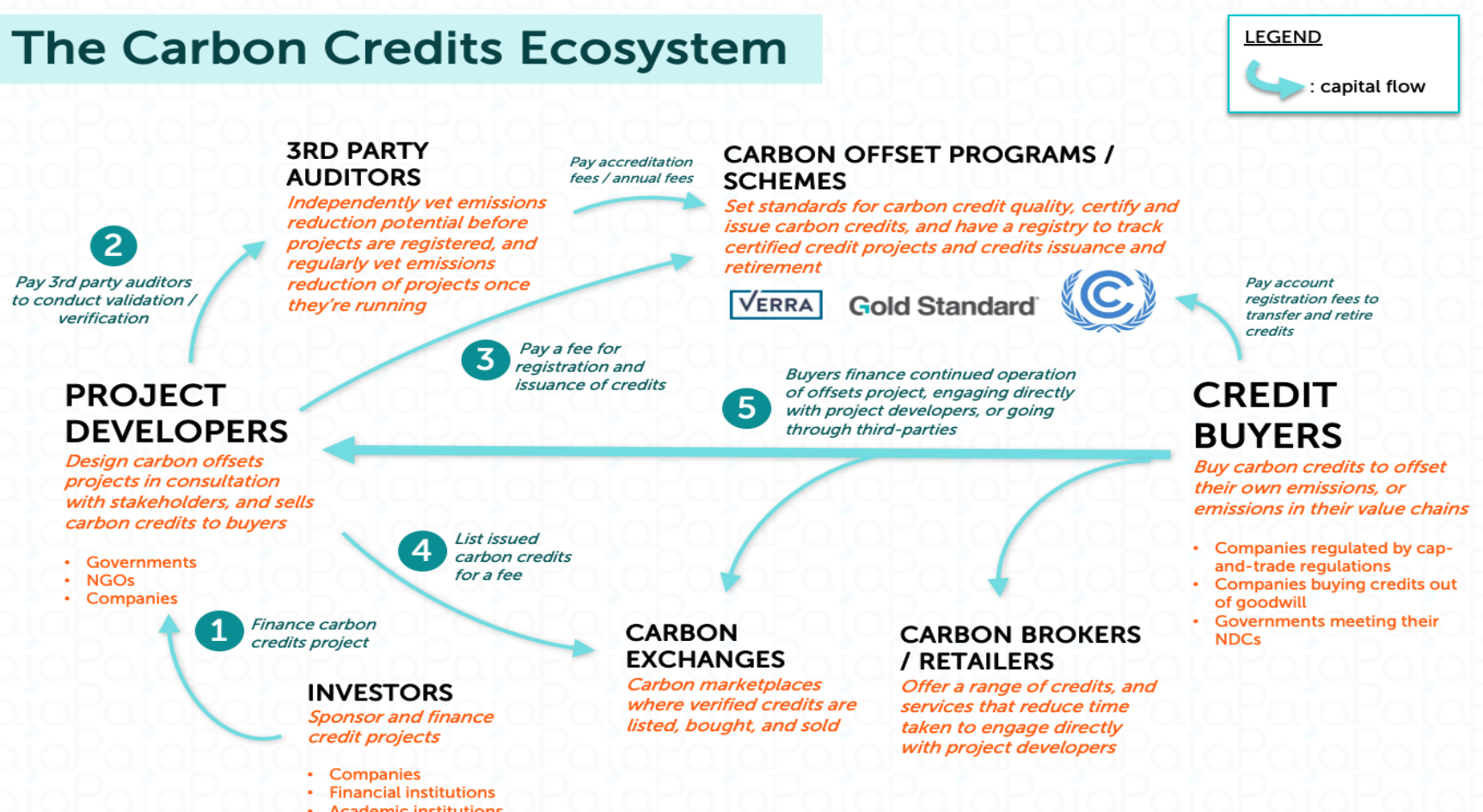
As the world continues to grapple with climate change and the need to transition towards a low-carbon economy, the concept of carbon credits has gained prominence. Carbon credits offer a mechanism for countries and organizations to reduce their greenhouse gas emissions and contribute to reducing global warming. In Tanzania, carbon credits have emerged as a promising avenue for both environmental conservation and economic development. In this article, we delve into the concept of carbon credits, examine their compliance in Tanzania, explore the market dynamics, and weigh the advantages and disadvantages.

Understanding Carbon Credits:

Carbon credits, often referred to as Certified Emission Reductions (CERs), are tradable permits that represent a reduction or removal of one metric ton of carbon dioxide (CO₂) equivalent from the atmosphere. This reduction is achieved through various activities, such as renewable energy projects, energy efficiency improvements, afforestation, and reforestation initiatives. By investing in these activities, entities can earn carbon credits that can be sold into the global carbon market. According to the World Economic Forum There are three basic types of carbon credits: **those from reduced emissions** (typically energy efficiency measures), **removed emissions** (carbon capture and planting forests), and **avoided emissions** (for example refraining from cutting down rainforests).



The Carbon Credits Ecosystem



Compliance in Tanzania:

Tanzania, as a signatory to the United Nations Framework Convention on Climate Change (UNFCCC), is actively involved in climate change mitigation efforts. The country recognizes the importance of carbon credits as a tool to incentivize emission reduction projects and attract sustainable investments. Tanzania is a country with immense potential for carbon trading, especially in the forestry sector, which accounts for approximately 40% of the nation's land area. Tanzania has ratified several international treaties and agreements concerning climate change, such as the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol, and the Paris Agreement. These agreements provide the legal framework and guidelines for carbon trading activities in Tanzania. However, until recently, Tanzania had no specific national legislation on carbon trading. As a result, it has been challenging to develop and implement carbon trading projects in the country.

In October 2022, the Government of Tanzania introduced the Environmental Management (Control and Management of Carbon Trading) Regulations, 2022, which represent the first legal framework for carbon trading in Tanzania. The scope of the regulations encompasses all carbon trading projects in mainland Tanzania and seeks to establish control and management mechanisms for carbon trading initiatives in the country. The regulatory framework covers a range of aspects of carbon trading, including but not limited to administration and institutional framework, requirements for carbon trading projects, verification and certification, cost and benefit sharing, capacity building, awareness-raising, public participation, and enforcement measures. As such, the regulations provide a comprehensive framework for carbon trading activities in Tanzania, ensuring transparency, accountability, and standardization across all projects within the sector. The National Carbon Monitoring Center has been established to oversee the verification and issuance of carbon credits in Tanzania.

A Guide to Establishing Carbon Trading Projects in Mainland Tanzania.

To register a carbon trading project, a person must have relative expertise in carbon trading, the capacity to invest in carbon trading and adhere to applicable laws. The project proponent or managing authority must apply for approval of the carbon trading project idea to the Designated National Authority or National Focal Point by filling out the application form prescribed in the First Schedule 3. The completed application form shall be accompanied by a non-refundable application fee of TZS 500,000 (approximately USD 215).

If you are interested in trading carbon in Tanzania, there are some steps you need to follow. First, you need to be a person or organization that is qualified to execute a carbon trading project or program. Then, you must submit a Project Concept Note (PCN) to the Designated National Authority or National Focal Point (DNA/NFP), which is the ministry responsible for environment and carbon trading projects in Tanzania. The PCN should contain basic information about your project, such as the name and address of the person or organization proposing the project, the location and size of the project, and the type of project. The DNA/NFP will review your PCN and issue an endorsement letter if it meets the requirements. This letter will authorize you to proceed with the development of a Project Document (PD).

The Project Document is a more detailed document that should contain information about your project's objectives, activities, monitoring plan, verification plan, risks and mitigation measures, legal issues, safeguards, and the environmental and social impact of your project. Once you have submitted your PD, an ad hoc committee known as the National Carbon Projects Assessment Technical Committee (NCPATC) will evaluate it based on technical, social, environmental, economic, legal, and institutional criteria.

If your Project Document is approved, you will need to enter into a contractual agreement with all parties involved in the project, such as the managing authority, the relevant authority, the local government authorities, and any other stakeholders. The contractual agreement should specify the roles and responsibilities, the rights and obligations, the costs and benefits sharing arrangements, the dispute resolution mechanisms, and any other terms and conditions of each party. After signing the contractual agreement and obtaining the necessary permits and licenses, you can begin implementing your project. You will also need to comply with the monitoring and reporting requirements as stipulated in the PD and the contractual agreement.

To verify the emission reductions or removals generated by your project, you should engage an independent third-party verifier who is accredited by a recognized international carbon standard. This verifier will issue a verification report and a certification report upon completion of the verification and certification process. You can then register the carbon credits with a registry system that is compatible with the chosen standard and methodology.

Finally, you can sell or trade the carbon credits in the voluntary or compliance markets, paying a transaction fee to the DNA/NFP. You should also undertake corporate social responsibility activities, such as providing social services, improving livelihoods, enhancing biodiversity, and promoting sustainable development in the project area and surrounding communities.

Market Dynamics:

The carbon credit market in Tanzania is still relatively nascent but showing promising growth. A wide range of projects, including renewable energy, forestry, and waste management, have received carbon credit certifications. Tanzania benefits from being situated close to Europe, Middle-East and Asia where carbon offset demand is high due to strict emission reduction targets. Consequently, Tanzanian projects have the potential to attract international buyers seeking compliance with emission reduction goals.

Advantages of Carbon Credits in Tanzania:

1. **Climate Change Mitigation:** Carbon credits promote investments in projects that reduce greenhouse gas emissions, contributing to Tanzania's overall efforts in combating climate change.
2. **Economic Development:** The revenue generated from selling carbon credits can support local communities and assist in the development of sustainable industries.
3. **Environmental Conservation:** Carbon credit initiatives encourage the preservation and restoration of forests, thereby protecting biodiversity and enhancing ecosystem services.

Disadvantages of Carbon Credits in Tanzania:

1. **Administrative Burdens:** The process to obtain and validate carbon credits can be complex and costly, particularly for small-scale and rural projects that lack technical expertise and financial resources.
2. **Market Volatility:** Carbon credit prices can be subject to market fluctuations and uncertainty, potentially affecting the financial viability of projects.
3. **Additionality Challenges:** Ensuring that carbon credit projects are additional to standard business practices can be a subjective task, leading to potential loopholes and difficulties in measuring actual emission reductions.

Conclusion:

Carbon credits present a tremendous opportunity for Tanzania to make a contribution to global efforts geared toward reducing carbon emissions and attracting sustainable investments. The capacity benefits of carbon credits for Tanzania are numerous, along with the opportunity to generate revenue even as simultaneously advancing pro-environmental projects. Through the implementation of carbon credit score programs, Tanzania can facilitate the transition to a low-carbon financial system at the same time as developing a more sustainable future for its residents. As such, the development of carbon credit score packages in Tanzania need to be pursued with utmost urgency, as it represents a key strategy for reaching sustainable development desires and enhancing the Tanzania economic increase trajectory.