



SESSION B3 LEGAL IMPLEMENTATION

Approaches to
establishing a legal
framework to access
carbon markets



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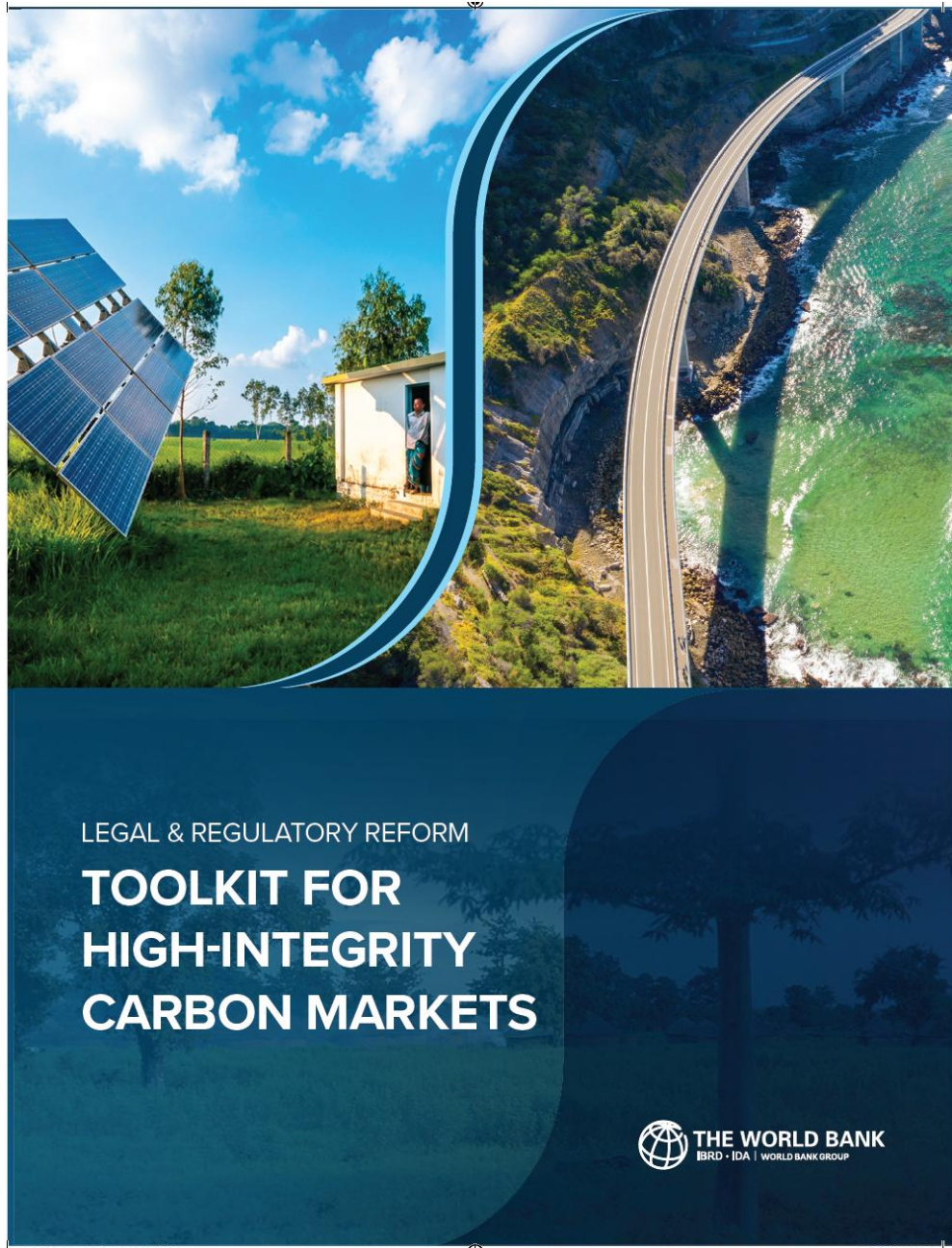
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LEGAL TOOLKIT

CARBON MARKETS READINESS QUESTIONNAIRE





WB's Legal and Regulatory Reform Toolkit for High-Integrity Carbon Markets

- **Goal:** provide comprehensive, practical guidance to support countries in developing and implementing an enabling institutional and legal, framework to access high integrity carbon markets.
- **Scope:**
 - baseline-and-crediting mechanisms (does not cover ETS)
 - VCMs and compliance carbon markets under the Paris Agreement,
- **Target audience:** legislators, policy and decision makers, public sector institutions, other stakeholders involved in carbon markets.

WB's Legal and Regulatory Reforms Toolkit for High-Integrity Carbon Markets

1. CREATION OF THE CARBON CREDIT		
<p>Stage 1</p> <p>LEGAL AND REGULATORY FRAMEWORK</p>	<p>Stage 2</p> <p>ELIGIBLE ACTIVITIES AND STANDARDS</p>	<p>Stage 3</p> <p>MONITORING, REPORTING, AND VERIFICATION (MRV) AND REGISTRIES</p>
<p>Building the foundation: Regulating market access and institutional design</p>	<p>Defining what counts: Determining eligible activities and standards</p>	<p>Infrastructure for trust</p>
<p>Should a country regulate voluntary carbon markets, international compliance markets, or both? Which legal instruments and institutional structures should be used?</p> <ul style="list-style-type: none"> • New statute vs. adapted existing laws • Centralized vs. delegated governance model • Designate authority for policy, authorizations and registries 	<p>How should a country determine what activities and standards are allowed, and how is integrity ensured?</p> <ul style="list-style-type: none"> • Positive list, negative list, or hybrid approach • Adopt international standards (for example, Verified Carbon Standard, Gold Standard, and Paris Agreement Crediting Mechanism) or develop domestic methodologies • Define additionality, baselines, permanence, and leakage 	<p>How should MRV systems and registries be structured to ensure robustness and prevent double counting?</p> <ul style="list-style-type: none"> • Minimum MRV requirements and interaction with international standards • Registry type: tracking vs. transactional • Interoperability with Article 6 infrastructure

WB's Legal and Regulatory Reforms Toolkit for High-Integrity Carbon Markets

2. TRANSACTION OF THE CARBON CREDIT		
Stage 4	Stage 5	Stage 6
LEGAL RIGHTS AND CREDITS	TRANSACTIONS AND REVENUE	ENFORCEMENT AND DISPUTES
<p>Defining the asset: Legal nature and ownership of emissions reductions or removals (ERRs), and credits</p>	<p>Regulating transactions, authorization procedures, and revenue frameworks</p>	<p>Holding the line: Enforcement, sanctions and dispute resolution</p>
<p>How should a country define legal rights to ERRs and the legal nature of carbon credits?</p> <ul style="list-style-type: none"> Analyze how credits would be classified in accordance with domestic law: intangible property; financial instrument; commodity? Define who holds rights to underlying ERRs Determine authority to issue carbon credits 	<p>How should authorization procedures and revenue frameworks for non-authorized credits, internationally transferred mitigation outcomes, and Paris Agreement Article 6.4 emission reductions be designed?</p> <ul style="list-style-type: none"> Authorization procedures for different credit types Transactional rules (who can sell, and under which conditions?) Structure of taxes, fees, and levies Revenue allocation and benefit sharing mechanisms 	<p>How should a country approach enforcement and dispute resolution?</p> <ul style="list-style-type: none"> Define and assign enforcement powers, sanctions, and corrective measures Administrative, judicial, and alternative dispute resolution pathways Domestic, cross-border, or combined mechanisms

Practical and modular guidance:

- Built on the premise that legal issues are context sensitive, need to be tailored to each specific legal tradition, policy needs and socioeconomic / political situation of each country.
- For each of the main themes:
 - Proposes approaches with advantages x disadvantages
 - Presents sample legal text countries
- Can be used as a whole, or in a modular approach according to specific needs.



OPTION 1: Establish a positive list of sectors and activities that are approved to generate ITMOs.	
Advantages	<ul style="list-style-type: none"> • Provides clear guidance and certainty to project proponents and investors about approved sectors and activities • Simplifies initial mitigation sector and activity screening and reduces administrative review burden • Allows the country to direct carbon finance toward preferred sectors and activities
Disadvantages	<ul style="list-style-type: none"> • May exclude potentially valuable sectors and activities not initially anticipated • Requires periodic updates to remain current with evolving technologies and opportunities • Could limit market flexibility and innovation in emerging sectors
Example legal text	<p>Section III. Mitigation Activity Design and Development</p> <p>A. Approved sectors and activities for generating ITMOs</p> <ol style="list-style-type: none"> 1. The Administrative Authority shall utilize the following criteria to evaluate sectors and activities approved to generate Internationally Transferred Mitigation Outcomes (ITMOs), including contribution to sustainable development, alignment with the Nationally Determined Contribution (NDC), [alignment with conditional NDC] [insert other country policy objectives]. 2. The following “positive list” of mitigation activities shall be deemed to meet the criteria and approved to generate ITMOs: [insert list of approved sectors and activities].⁴³ 3. Activities that are part of the positive list are not automatically approved to generate ITMOs. Activities must utilize approved carbon crediting standards contained in Section [III.B]⁴⁴ and comply with the authorization requirements set out herein. 4. The Administrative Authority shall maintain the list of approved sectors and activities and may add additional approved activities through [regulations] [guidance].

LEGAL TOOLKIT



**DOWNLOAD THE
FULL TOOLKIT**





Ethiopia readiness on the regulatory framework for the carbon market

19 , may, 2026

Suntec , Singapore

Outline

Regulatory readiness

Institutional arrangement

Bilateral agreement

Data consistence

Challenge



1. Regulatory Readiness – Ethiopia (2025)

Developed a **robust and inclusive carbon market strategy**

Defines **core principles and strategic direction**

Identifies **key issues and priorities**

Clarifies **roles and responsibilities of:**

- Sector ministries
- Government agencies
- Regional states

- **2. Institutional Arrangement**

Lead Institution

Ministry of Planning and Development

Functions as the **Designated National Authority (DNA)** for Article 6 of the Paris Agreement

Carbon Market Desk

➤ Established under **Environment & Climate Change subsector**

❖ Leads **carbon market operations and coordination**

Key Responsibilities

➤ Issue **No Objection Letter (NOL)**

❖ **Approve Mitigation Activity projects**

❖ Grant **Letter of Authorization (LoA)** for mitigation outcomes

Coordination Role

- Coordinate the **Inter-sectoral Carbon Market Committee**

- Ensures collaboration across **key ministries** , agencies and regional state

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- Revisions have been completed
- No authorization of ITMOs for mitigation activity projects at this stage
- Preparation of initial Biennial Transparency Report (BTR) is underway
- Ensuring alignment with corresponding adjustments and UNFCCC reporting requirements .

3. Bilateral Agreements & Data Consistency

- As part of our strategy, we have identified potential partner countries such as the UK, Norway, Switzerland, Sweden, and South Korea.
- We have already signed a bilateral agreement with Singapore.
- Additionally, an MOU was established with Japan under the CDM era; this is currently being revised and aligned with the Joint Crediting Mechanism (JCM).

4. Data Consistency

- At the national level, we are currently developing a Monitoring, Reporting, and Verification (MRV) framework.
- This framework is being aligned with our NDC 3.0 commitments.

5. Challenge:

- Limited institutional and technical capacity for maintaining data consistency
- Inadequate management of MRV systems

