This is a new section of the Public-Private Partnership Resource Center website and is currently in draft form. Your feedback is welcome: If you would like to comment on the content of this section of the website or if you have suggestions for links or materials that could be included please contact us at ppp@worldbank.org.

Photo Credit

Cross-border ERC Trade



Cross-border ERC Trade, high angle view of two businesspeople shaking hands over desk, over maps and plans

Cross-border ERC Trade

Download Chatbot

On this page: *Cross-border ERC trade and clarification of the process for authorization of international transfer of ERCs. Read more below, or visit Strategic Guidance for Country System Assessments, Guidance for Countries in Assessing ERC Projects, or Mobilizing ERC Finance.*

Countries will need to decide whether to allow ERCs to be traded outside the country (e.g., through Article 6 mechanisms), thereby granting sellers access to a far greater pool of potential buyers and increasing the investability of ERC activities. Incorporating ERCs into domestic carbon pricing schemes will create one source of demand for ERCs generated within a country's borders. However, this will be limited relative to global demand arising from international compliance schemes (including Article 6 and CORSIA), other countries' domestic compliance schemes, and the global VCM. This decision to permit international transfer could in turn fundamentally affect the investability of an ERC activity. However, ERC eligibility in domestic and international carbon markets is not mutually exclusive, and host countries may choose to allow and encourage both carbon trading options. Countries that permit international transfer of ERCs may facilitate greater clarity for buyers and sellers by signing a government-to-government (G2G) memorandum of understanding with other countries.

Whether countries decide to require authorization and corresponding adjustments for the VCM could influence price and demand for ERCs credited by independent mechanisms and sold for voluntary end uses. The Article 6 Rulebook is silent on whether authorization and corresponding adjustment is required for the VCM and leaves this decision in the purview of countries to make this determination for their own individual jurisdictions. The key question is whether voluntary ERCs sold outside the country in which they were generated will: (a) be authorized for international transfer in line with Article 6 and be subject to a corresponding adjustment; or (b) not be authorized for international transfer and be counted toward the host country's NDC. In the latter case, ERCs buyers will receive a 'mitigation contribution claim,'[1] but not the full claim rights to the ERC as a carbon asset. Authorized and correspondingly adjusted ERCs could be considered more valuable than non-authorized ERCs resulting from the claim and use restrictions.

If cross-border trade is permitted, the authorization process needs to be sufficiently clear and achievable for market participants to navigate **(**Box 7**).** From the supply side, lack of clarity on what is required for authorization could create confusion and uncertainty and stifle ERC finance and issuance. On the demand side, meeting potential market preference for authorized and correspondingly adjusted ERCs would necessitate transparency to the market on whether specific ERCs are authorized. Some standards bodies, such as Verra and Gold Standard, have confirmed they will introduce, or have already introduced, labels to tag ERCs listed on their registries that have been authorized by the relevant host country.[2]

Box 7

Case of Ghana's Article 6 governance framework.

In December 2022, Ghana published its Article 6 Framework on International Carbon Markets and Non-Market Approaches,[3] which sets out Ghana's approach to implementation of Article 6 cooperative approaches, as well as requirements and guiding principles for participation in Ghana's carbon market. Importantly, the framework sets out strategic decisions taken by Ghana with respect to the process and requirements for assessing, granting, or denying authorization. These include:

- Clarification that Ghana can authorize mitigation outcomes generated from post-2021 mitigation activities for international transfer under the Article 6 cooperative approaches.
- Establishment of a new Carbon Market Office (CMO) to be hosted by the Ministry of Environment, Science, Technology and Innovation and the Environment Protect Agency. The CMO will support the work of the Carbon Market Inter-Ministerial Committee, Carbon Market Committee, and Carbon Market Technical Advisory Committee to oversee the coordination, approval, rulemaking, and technical advice functions related to carbon market engagements.
- Creation of an allowed list containing pre-authorized mitigation activities which will automatically be considered additional to Ghana's NDC baseline. Pre-authorization will be provided through a Letter of Assurance issued by the CMO at the request of the activity developer.
- Designation of a national buffer system, which reserves 1% of issued mitigation outcomes in a 'National Buffer Account' for use toward the NDC to mitigate the risk of potentially overselling ERCs or for contribution to OMGE.
- Clarification that VCM activities shall not be subject to authorization and corresponding adjustment requirements when intended to meet domestic voluntary commitments, but they do require "formal recognition" from the CMO. VCM activities will only need to comply with the authorization and corresponding adjustment requirements if project proponents look for mitigation outcomes to be internationally transferred or if they wish to exercise the option to have domestic voluntary ERCs authorized for the purpose of demonstrating high integrity.

The framework also provides sample letters, templates, and forms required for market participants to implement the policy and act in accordance with its requirements.

In November 2022, Ghana became the first country globally to launch a project and issue an authorization statement for the transfer of mitigation outcomes under Article 6 of the Paris Agreement.[4] The authorization formalized a bilateral agreement with Switzerland to transfer ITMOs generated from a climate-smart agriculture project.[5]

Footnote 1: While there is no standardized definition of a mitigation contribution claim, it is recommended and expected that where units are also used toward the host country's NDC, the user should transparently and accurately communicate that they have financed the mitigation outcome contributing toward the achievement of the host country's NDC. For example, a corporate in Country A can purchase ERCs from an activity in Country B even though the government in Country B has not authorized ERCs issued from that activity to be internationally transferred. The corporate can make a mitigation contribution claim to the effect that it has financed emissions reductions or removals in Country B to support Country B in meeting its NDC and to demonstrate the corporate's positive contribution to global climate outcomes. However, Country A will not be able claim or count the ERCs towards its NDC.

Footnote 2: Verra, "Verra Publishes Responses to Consultation on VCU Label Proposals", 2022; Gold Standard, *Guidance on functionality to support attribution and management of VERs authorised for use under article 6 of the Paris Agreement*, 2022.

Footnote 3: Carbon Market Office, *Ghana's framework on international carbon markets and non-market approaches,* 2022.

Footnote 4: UNDP, *"Ghana authorizes transfer of mitigation outcomes to Switzerland*", 2022.

Footnote 5: UNDP, *"Ghana authorizes transfer of mitigation outcomes to Switzerland*", 2022.

Additional Resources

- Connectivity Across Borders: Global practices for cross-border infrastructure projects
- The Legal Nature of Carbon Credits
- Climate-Smart PPP Legal and Regulatory Framework

This section is intended to be a living document and will be reviewed at regular intervals. The Guidelines have not been prepared with any specific transaction in mind and are meant to serve only as general guidance. It is therefore critical that the Guidelines be reviewed and adapted for specific transactions. Unless expressly stated otherwise, the findings, interpretations, and conclusions expressed in the Materials in this Site are those of the various authors of the Materials and are not necessarily those of The World Bank Group, its member institutions, or their respective Boards of Executive Directors or member countries. For feedback on the content of this section of the website or suggestions for links or materials that could be included, please contact the Public-Private Partnership Resource Center at ppp@worldbank.org.