

14th Conference on Climate Change and Development in Africa

From readiness to resilience

Risks and Opportunities of Article 6 and Carbon Pricing

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Introduction: Understanding the Frameworks

Article 6.2: Allows countries to trade emission reductions directly through bilateral agreements using Internationally Transferred Mitigation Outcomes (ITMOs).

Article 6.4: Establishes the centralized UN-run Paris Agreement Crediting Mechanism (PACM) to generate verifiable carbon credits.

Carbon Pricing: Domestic taxes or emission trading systems that put a direct monetary value on greenhouse gas emissions.

Example: Switzerland partnered with Ghana under Article 6.2 to finance sustainable, climate-smart rice cultivation that reduces methane emissions, with the resulting ITMOs transferred to help Switzerland meet its climate goals.

➤ Why this conversation matters for Africa ?

The issue is no longer only climate policy

- ▶ Carbon markets are becoming part of the international economic architecture.
- ▶ Carbon pricing increasingly shapes investment, production and trade decisions.
- ▶ Strategic question: how can Africa capture development value while protecting climate ambition?

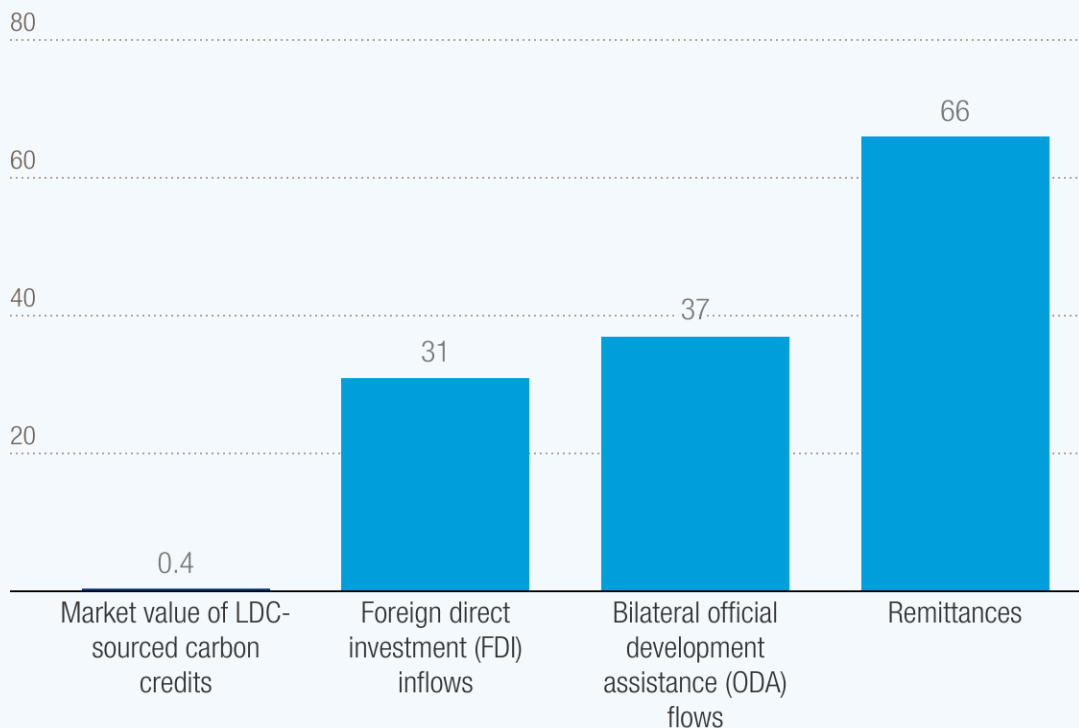
The Strategic Imperative

African nations hold key natural and renewable assets but face structural negotiation asymmetries:

- High demand for high-integrity carbon credits to fulfill Global North climate targets.
- Need for institutional capacity to evaluate fair market value vs. low-cost long-term lock-in.
- Ensuring carbon revenues actively build domestic climate resilience.

Carbon credits have a smaller market value than other external flows to least developed countries

Value of carbon credits compared with other external flows to least developed countries (LDCs), billions of dollars, 2023

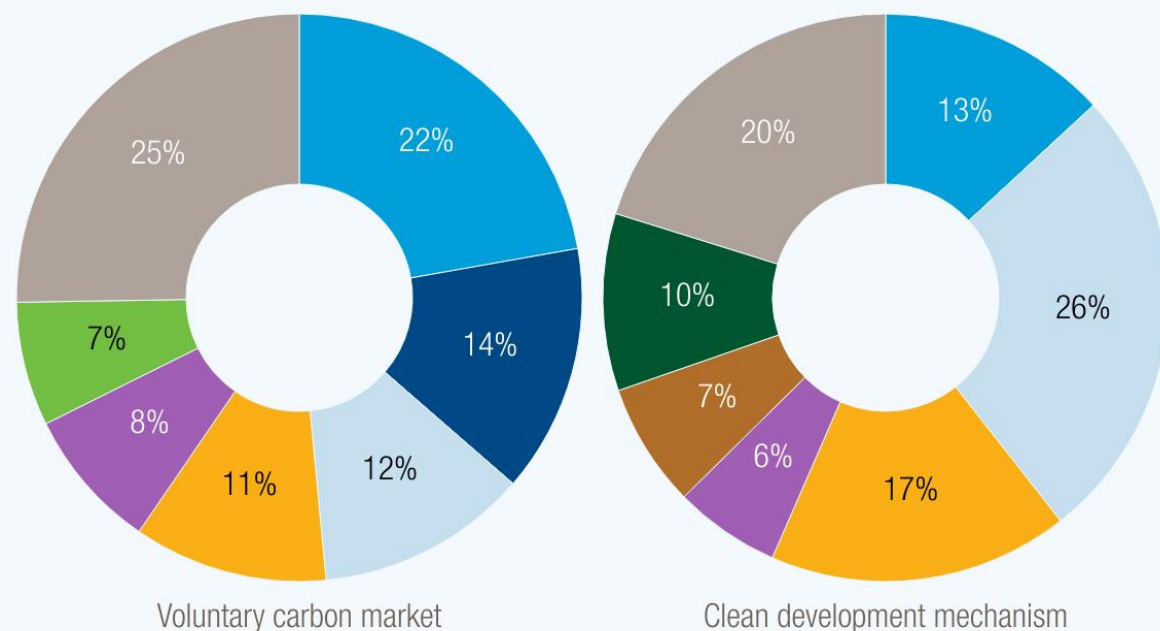


Source: UN Trade and Development (UNCTAD) calculations, based on data from the Clean Development Mechanism pipeline of the United Nations Environment Programme, Forest Trends' Ecosystem Marketplace, 2021, 2022, 2023, 2024, State of the Voluntary Carbon Markets 2021-2024, Forest Trends Association, Washington, DC, the Organisation for Economic Co-operation and Development, 2024, ODA Levels in 2023 – preliminary data: Detailed summary note, Paris, the United Nations Framework Convention on Climate Change, 2024, United Nations platform for voluntary cancellation of certified emission reductions (1 January to 31 December 2023), Bonn, World Bank, World Development Indicators, accessed 10 July 2024 and registries of the Gold Standard, Verra, Plan Vivo and Climate Forward.

Carbon market activities are highly concentrated among the least developed countries

Shares of major least developed country participants in total credits issued to these countries, as of May 2024, percentage

Legend: Cambodia (blue), Democratic Republic of the Congo (dark blue), Bangladesh (light blue), Uganda (orange), Malawi (purple), Zambia (green), Nepal (brown), Myanmar (dark green), Other least developed countries (LDCs) (grey).



Source: UN Trade and Development (UNCTAD) calculations, based on data from the Clean Development Mechanism pipeline of the United Nations Environment Programme and the registries of the Gold Standard, Verra, Plan Vivo and Climate Forward.

Note: Percentages may not total 100 due to rounding.



How carbon markets

behave: Demand, quality, policy and credibility drive value

- Compliance markets create more predictable demand than purely voluntary markets.
- Voluntary markets have faced weaker demand and credibility concerns.
- High-integrity credits with clear authorization, robust MRV and safeguards are increasingly important.
- Market access alone does not guarantee development benefits; institutions and bargaining power matter.

Where does demand come from?

- National and regional compliance systems.
- International transfers under Article 6.
- International aviation through CORSIA.
- Domestic carbon taxes or ETSs that permit limited use of international credits.
- Corporate voluntary demand remains relevant, but policy-linked demand is increasingly important.



Overselling risk: the development perspective

The question is not only “How much can we sell?”

- ▶ Overselling can arise when a country transfers more mitigation than is prudent for its own NDC pathway.
- ▶ Future domestic mitigation may become more expensive after attractive low-cost mitigation is exported.
- ▶ A national Article 6 strategy should identify mitigation strategic for domestic transformation versus mitigation that can be transferred.
- ▶ Carbon assets should be managed as part of national climate, investment and development policy.

CORSIA and international demand

- ▶ Carbon markets also connect to international aviation
- ▶ CORSIA is the global market-based measure for international aviation emissions.
- ▶ Eligible emissions units can be cancelled by aircraft operators to meet offsetting requirements.
- ▶ For African host countries, participation raises questions beyond credit sales: investment, technology transfer, local value addition and safeguards.
- ▶ Authorization and accounting decisions should align with national climate priorities.

➤ National carbon pricing

Singapore example

- ▶ Singapore's carbon tax is S\$45/tCO₂e in 2026–2027, with a stated trajectory of S\$50–80/tCO₂e by 2030. (NCCS, 2026)
- ▶ Eligible international carbon credits can cover up to 5% of taxable emissions, subject to Singapore's rules.
- ▶ This illustrates the interaction between a domestic carbon price and international carbon markets.
- ▶ For suppliers, the question is whether carbon finance can be linked to productive investment, technology and development outcomes.

Carbon pricing is becoming an economic policy

- ▶ Global carbon pricing is expanding across carbon taxes and emissions trading systems.
- ▶ A carbon price changes relative production costs between firms, sectors and countries.
- ▶ It can influence investment location, technology choices, exports and competitiveness.
- ▶ For Africa, the policy question is how to design carbon pricing that supports—not undermines—structural transformation.



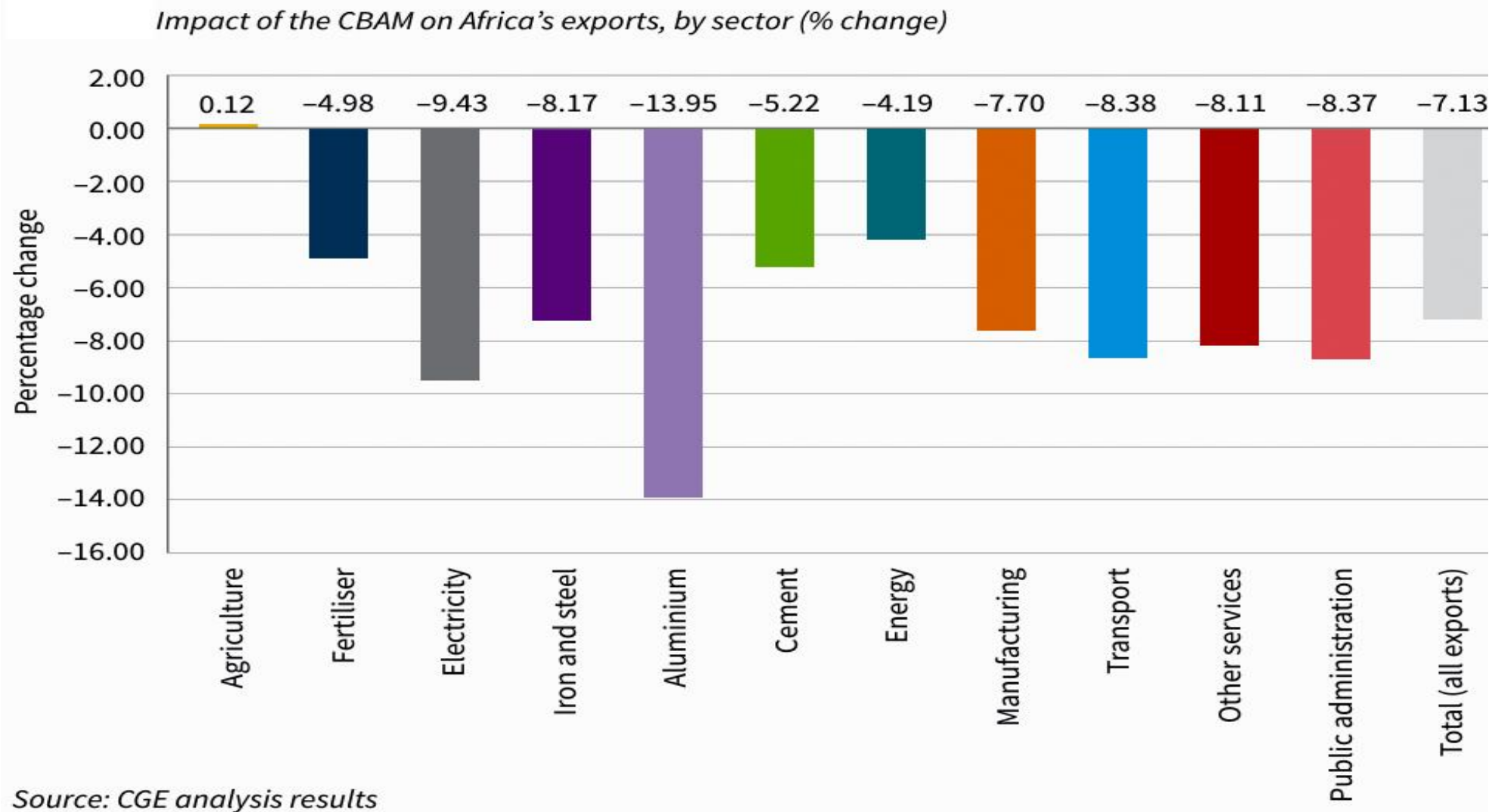
The EU CBAM: Climate policy meets trade policy

Carbon becomes a condition of market access

- ▶ The EU's CBAM definitive regime began on 1 January 2026.
- ▶ Initial sectors include cement, iron and steel, aluminum, fertilizers, electricity and hydrogen.
- ▶ Importers account for embedded emissions and surrender CBAM certificates under the EU framework.
- ▶ Where a qualifying carbon price has already been paid in the country of production, the corresponding amount can be deducted subject to EU rules and evidence.

Why CBAM matters for African economies?

- ▶ Potential impacts include higher compliance costs, weaker competitiveness and reduced export opportunities.
- ▶ Carbon-intensive production faces stronger pressure to decarbonize.
- ▶ Smaller firms can face disproportionate MRV, verification and reporting costs.
- ▶ UNCTAD analysis has highlighted risks of developing-country export and income losses from CBAM-type measures.



CBAM could cause a GDP contraction in exposed African exporters unless mitigating mechanisms are implemented

➤ Strategic African response

- ▶ Build credible systems for emissions measurement, reporting and verification.
- ▶ Accelerate access to clean energy, technology and green infrastructure.
- ▶ Explore fit-for-purpose national carbon-pricing mechanisms.
- ▶ Use domestic carbon-pricing revenues to finance decarbonization, adaptation and productive transformation.
- ▶ Coordinate regionally so African markets and firms are not responding in isolation.

▶ Three objectives can be pursued together

1. Mitigation — create a domestic price signal that encourages lower-carbon production.
2. Competitiveness — prepare firms for carbon-related requirements in export markets.
3. Climate finance — mobilize domestic revenue for the green transition.

A domestic carbon price does not automatically exempt exports from CBAM; recognition depends on EU rules and evidence of the carbon price effectively paid.

Domestic Carbon Tax Buffer



Revenue Retention

CBAM rules allow credit for carbon prices paid in the country of origin. Implementing domestic carbon pricing keeps revenue inside Africa rather than sending tariffs to the EU treasury.



Fiscal Sovereignty

Establishes national sovereign control over price trajectories, tax thresholds, and exemption thresholds tailored to local industrial development stages.



Industrial Green Transition

Creates immediate incentives for domestic heavy industries to adopt low-carbon technologies, preserving long-term global export competitiveness.



The regional opportunity: carbon pricing + AfCFTA

Move from fragmented national responses toward regional value creation

- ▶ Develop compatible approaches to carbon accounting, MRV and standards.
- ▶ Support regional value chains in low-carbon steel, aluminum, fertilizer, energy and other strategic sectors.
- ▶ Reduce the risk that climate measures become new non-tariff barriers within Africa.
- ▶ Use the AfCFTA context to support green industrialization and stronger bargaining power in global markets.

➤ Recommendations for African policymakers

- Establish a whole-of-government carbon-market and carbon-pricing strategy.
- Protect domestic mitigation priorities before authorizing international transfers.
- Build credible MRV, registries, authorization and institutional systems.
- Develop carbon pricing with competitiveness and distributional impacts in mind.
- Recycle revenues transparently into green investment and climate resilience.
- Strengthen regional cooperation and African negotiating leverage.

Thank you

