

WTO Sub-Committee on LDCs

Carbon markets: What's in it for LDCs?

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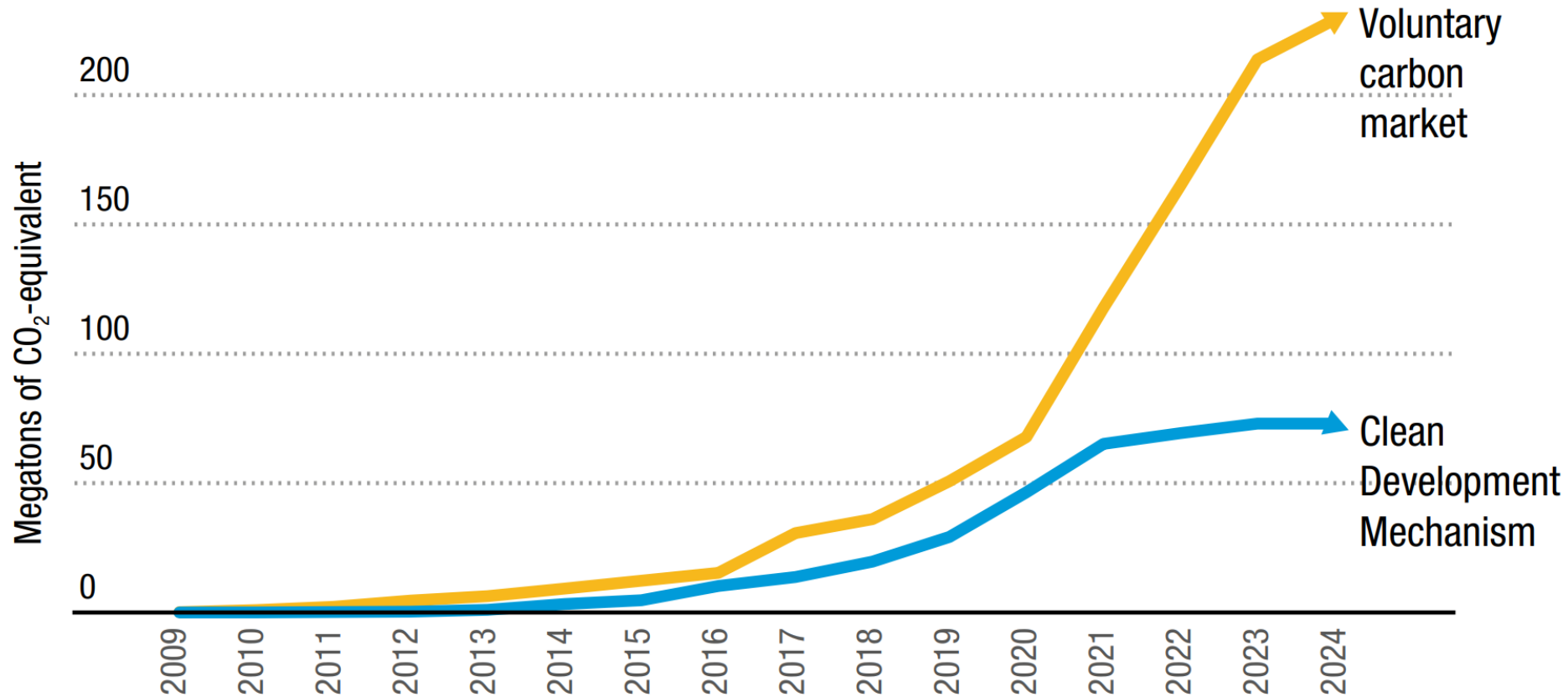
➤ Leveraging carbon markets for LDCs



- ▶ **The current landscape and recent trends**
- ▶ **Future potential for carbon markets in LDCs**
- ▶ **Policy considerations**



The bulk of carbon credits sourced in LDCs comes from the voluntary carbon market



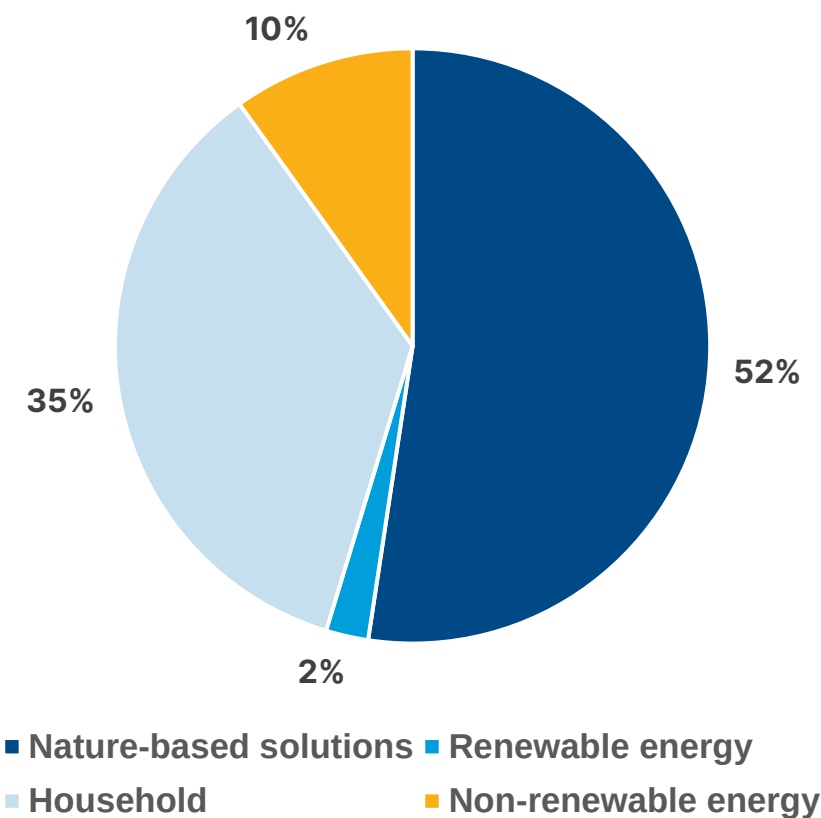
Source: UNCTAD, based on data from the UNEP CDM pipeline and the registries of the Gold Standard, Verra, Plan Vivo and Climate Forward.



Carbon market activities are highly concentrated

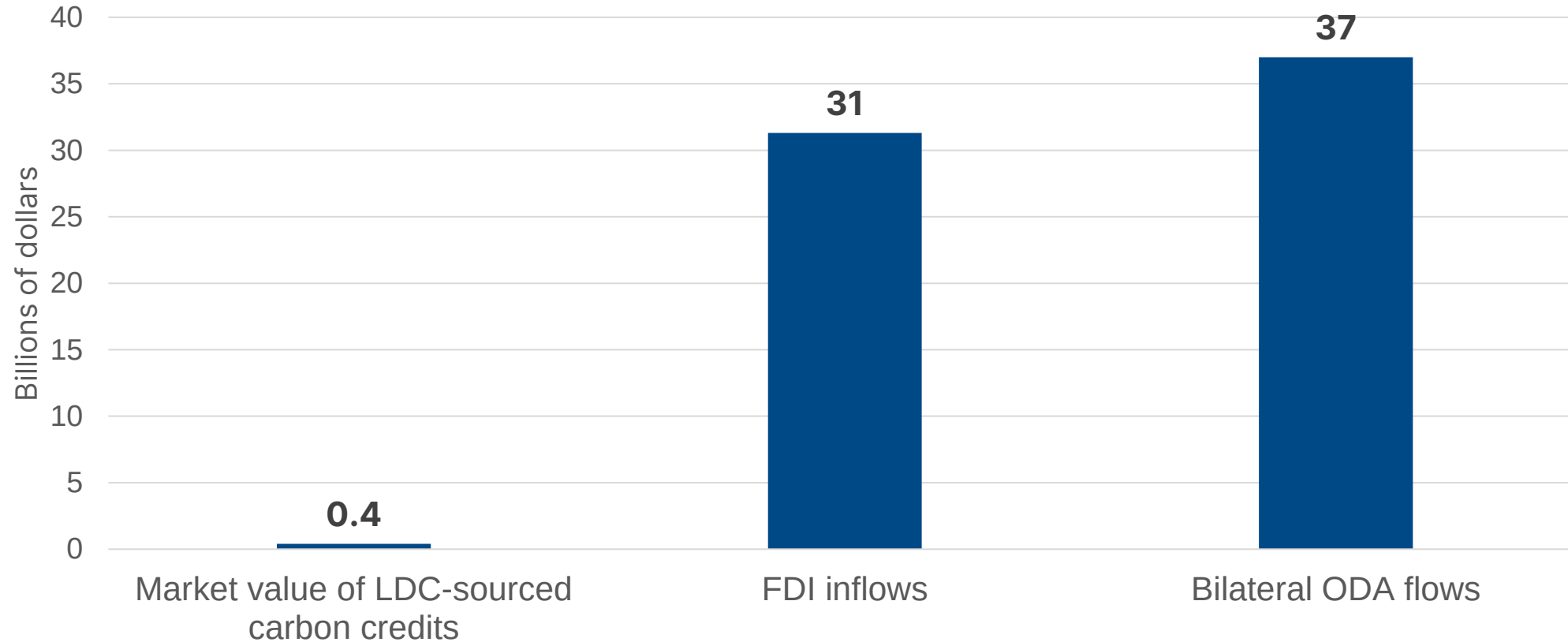
	Country	Share in LDC total (Percentage)	Cumulative share (Percentage)
Voluntary carbon market Total volume in LDCs as of May 2024: 237 MtCO ₂ e	Cambodia	22	22
	Democratic Republic of the Congo	14	36
	Bangladesh	12	49
	Uganda	11	60
	Malawi	8	68
	Zambia	7	75
Clean Development Mechanism Total volume in LDCs as of May 2024: 73 MtCO ₂ e	Bangladesh	26	26
	Uganda	17	44
	Cambodia	13	57
	Myanmar	10	66
	Nepal	7	74
	Malawi	6	80

Source: UNCTAD, based on data from the UNEP CDM pipeline and the registries of the Gold Standard, Verra, Plan Vivo and Climate Forward.





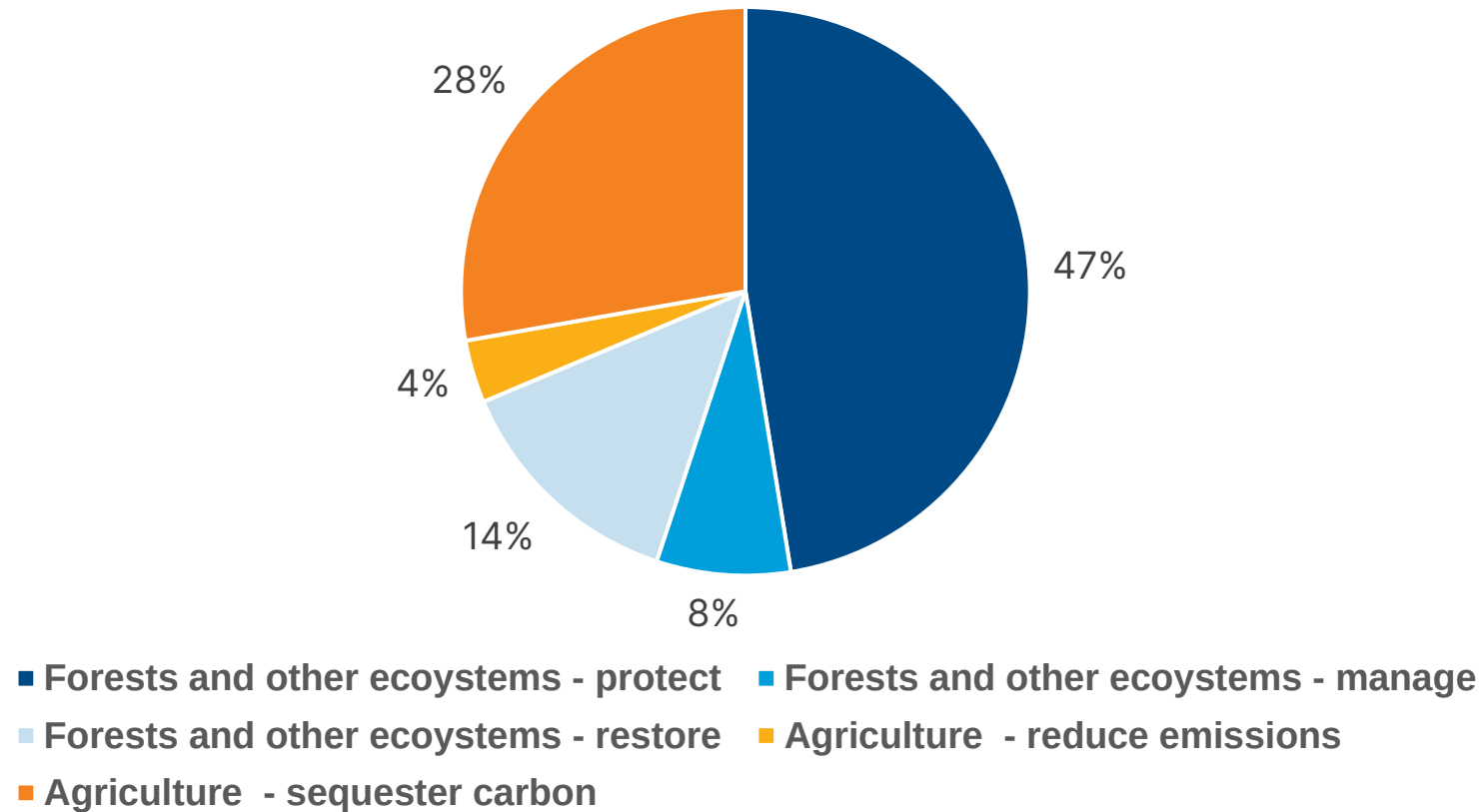
The value created by carbon markets is small as compared to other external finance flows to LDCs





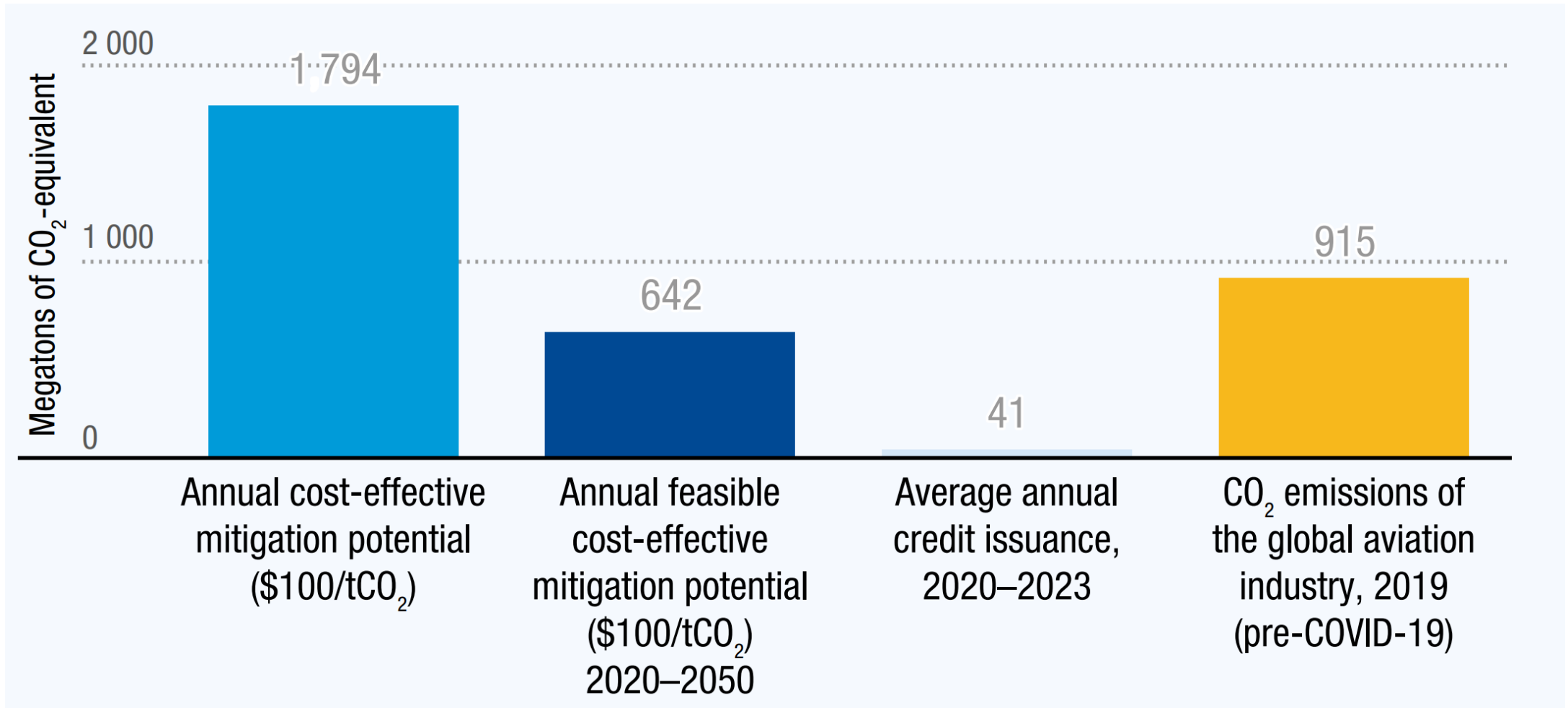
Forests contain most of the land-based mitigation potential in LDCs

Cost-effective annual mitigation potential in LDCs, 2020-2050



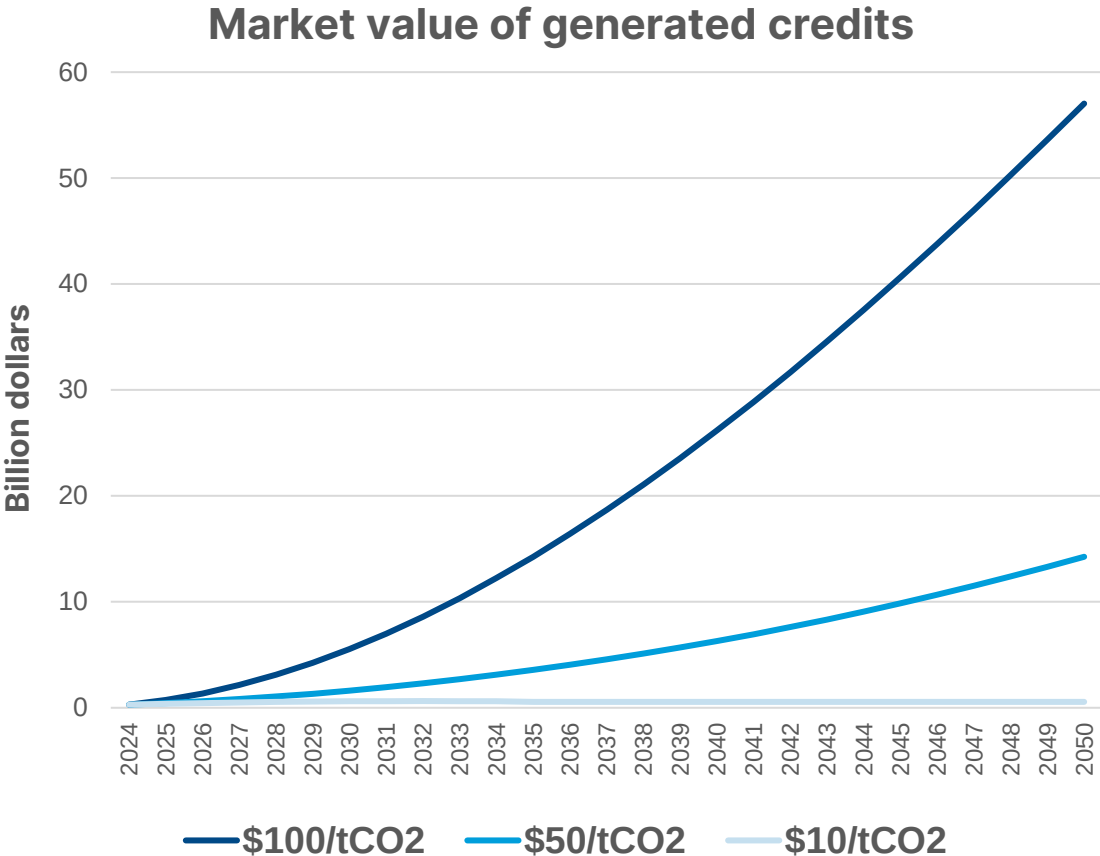
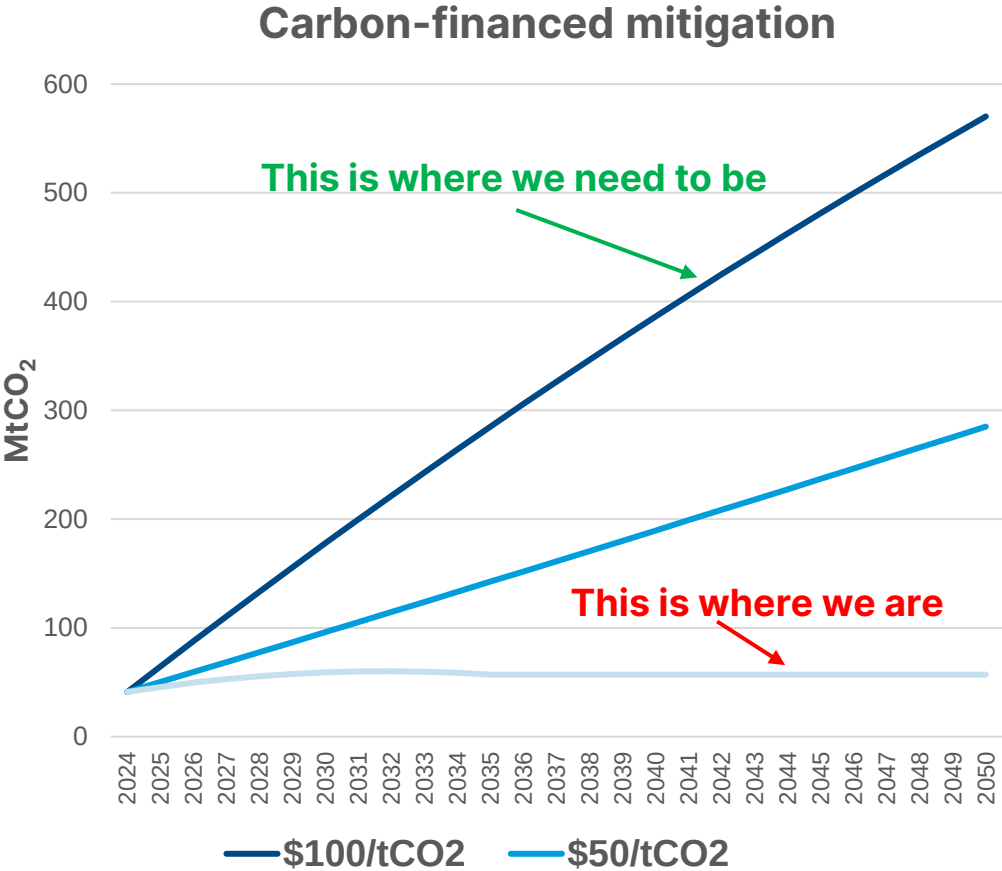


Carbon markets have only unlocked a minor share of the land-based mitigation potential in LDCs



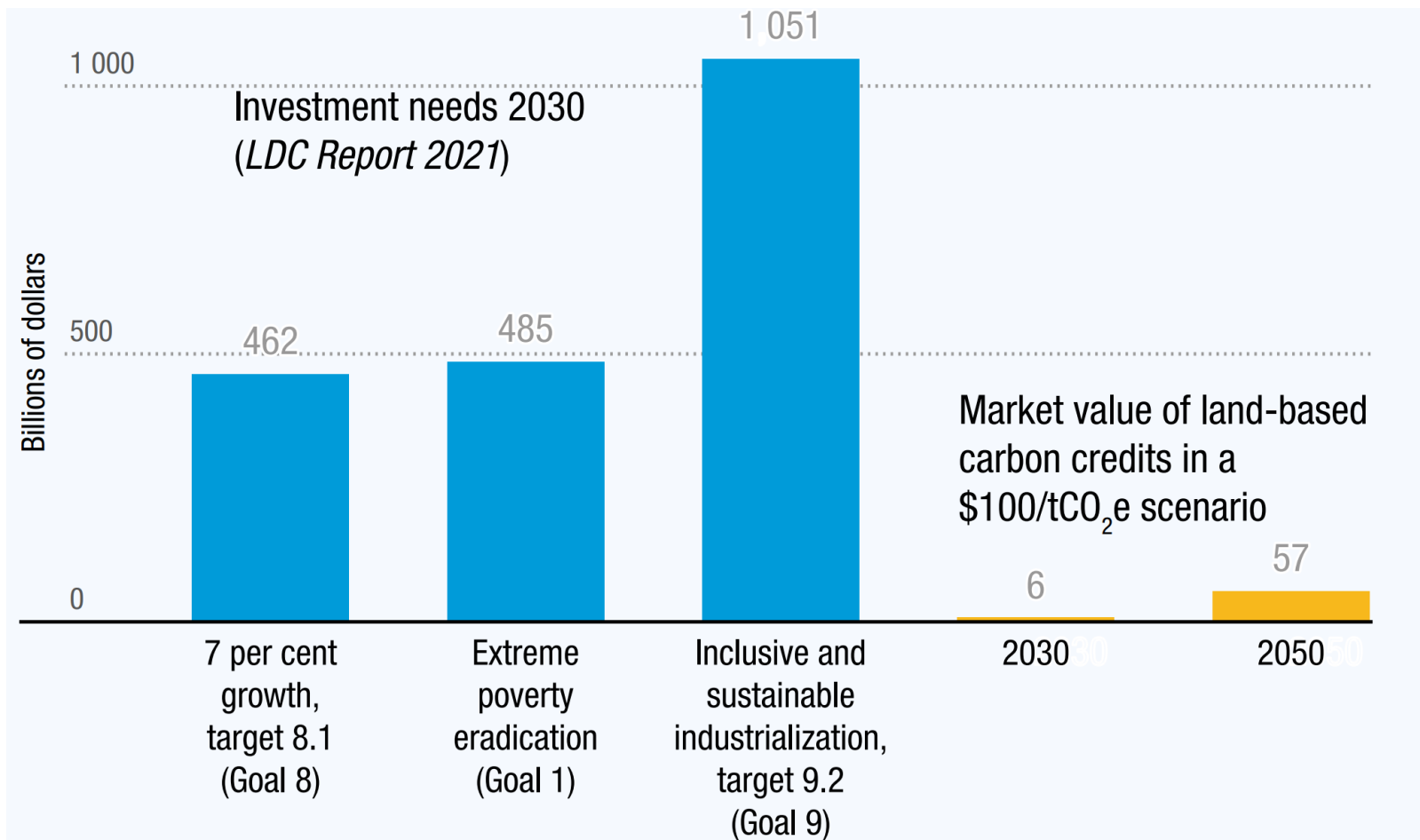


Carbon credit prices must rise to unlock land-based mitigation potential in LDCs





Carbon markets alone cannot meet LDC financing needs



Source: The simulation results shown by the yellow bars are based on a scenario where carbon credit prices for land-based mitigation increase to \$100 by 2050, with the midpoint of \$50 being reached in 2035.

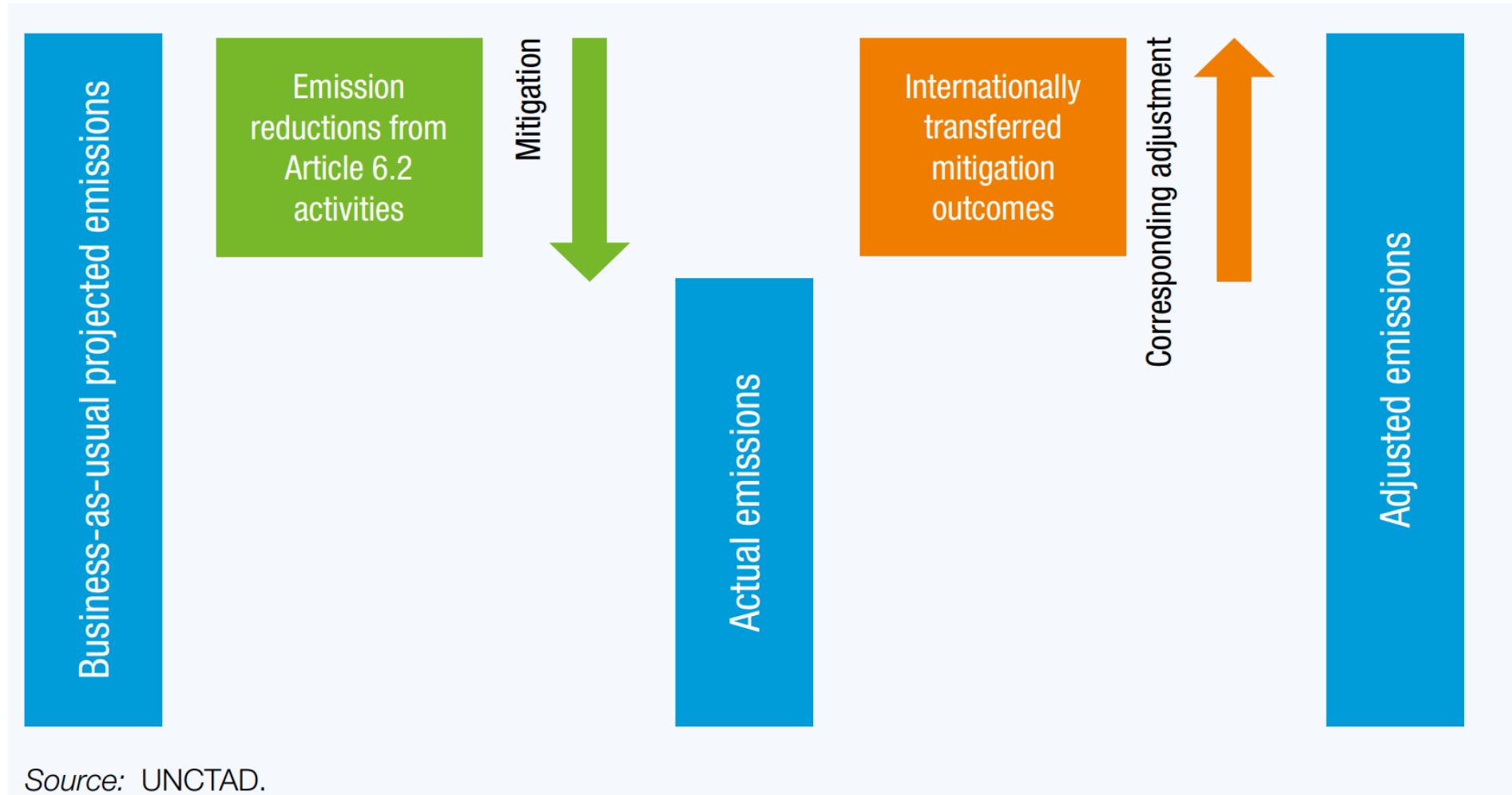
➤ Renewable energy and carbon markets in LDCs

- ▶ While carbon markets currently play only a minor role in the energy sectors of LDC, there is potential due to huge investment needs
- ▶ There is both large potential and political ambition to expand renewable energy in LDCs
- ▶ Carbon markets could contribute to the expansion of underutilized renewable energy technologies such as solar PV and wind energy

Shares of technologies in total renewable energy capacity, 2023

Technology	Installed capacity (MW)	Share of total (percentage)
Hydropower	40,912	87.14
Solar energy	4,114	8.76
Bioenergy	1,204	2.57
Wind energy	713	1.52
Geothermal energy	7	0.02
Total	46,950	

➤ Article 6: opportunities and risks for LDCs



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Coherence with NDCs

- **Mitigation activities within the unconditional scope of NDCs might not pass the additionality test under Article 6, thus excluding them from generating carbon credits.**

Time consistency

- **If the value of ITMOs increases as climate policy is tightened around the world, it might be beneficial to wait rather than to sign off on ITMO transfers at less favourable terms.**

Avoiding rechannelling

- **It is important to avoid rechannelling of climate finance flows towards Article 6.2 arrangements, which could result in further geographic concentration as well as stronger focus on mitigation.**

Key takeaways

- ▶ Establish domestic carbon market policy frameworks that define objectives, priorities and scope of engagement
- ▶ Prioritize high-quality, pro-development projects that deliver tangible co-benefits aligned with development objectives
- ▶ Strengthen capacity-building support for LDCs to navigate and benefit from carbon markets
- ▶ Ensure Article 6 operationalizes the principle of common but differentiated responsibilities

Thank you

