

Updated February 2024

## ECUADOR MECHANISM AT A GLANCE

Mechanism type	Government-led voluntary GHG programme and offsetting scheme
Start of operations	GHG programme: Since July 2021 Offsetting scheme: Since June 2023
Project types	<ul style="list-style-type: none"> <li>• Land use, land change and forestry (LULUCF)</li> <li>• Energy</li> <li>• Agriculture</li> <li>• Waste</li> <li>• Industrial processes (IPPU)</li> </ul>
Member entities	GHG programme: 270 organisations as of May 2023 <sup>1</sup>
Trading rules	Financial retribution must be made directly between the proponent (final user) and the implementer of the mitigation project. However, the secondary market is not expressly prohibited. The final user must measure and reduce its carbon footprint before using offsets.
Use of offsets	Offsets can be used by domestic or international buyers for a variety of uses. Find further information on the three mechanisms below
Penalties for non-compliance	No penalties. Voluntary scheme
Use of revenues	N/A

## Major Developments

Through Ministerial Agreement No. MAATE-2021-047, the Ministry of the Environment, Water and Ecological Transition (MAATE) issued the Ecuador Zero Carbon Program (PECC) in 2021. This programme aims to promote and encourage the implementation of measures and actions for the quantification, reduction, and compensation of greenhouse gas (GHG) emissions in the country's productive and service sectors.<sup>2</sup>

Complementary to these efforts, MAATE enacted on June 2023 the Ministerial Agreement No. MAATE-2023-053, called Ecuador Greenhouse Gas Emissions Offsetting Scheme. It defines the guidelines and technical criteria for GHG compensation in Ecuador through mitigation initiatives issuing Carbon Equivalent Units (UCEs). The scheme promotes a retributive approach so that companies that have measured and reduced their carbon footprint can offset their residual carbon footprint by acquiring UCEs.

<sup>1</sup> Source: [UNDP](#)

<sup>2</sup> Companies complying with the Ecuador Zero Carbon Program requirements can access tax incentives.



## Regulatory framework

The scope of the National offsetting Scheme is grounded on Ecuador's regulatory framework, as described in the table below:

Ecuador's Constitution	Organic Code of the Environment	Environment Code Regulation
Art. 74: Environmental services cannot be appropriated. The State will regulate their use and benefits.	Art. 85 Those who, through action or omission, conserve, maintain, or regenerate environmental services may be retributed.	Art. 728. Compensation schemes refer to measures that allow the capture or reduction of GHG that have not been able to be reduced by own efforts.
Art. 414: The State will take adequate and transversal measures to mitigate climate change.	Art. 260. The National Environmental Authority may determine and establish compensation schemes for greenhouse gas emissions in the national area. This compensation scheme is compatible with instruments ratified by the State and the national climate change policy. The National Environmental Authority will regulate greenhouse gas inventories, emissions reduction accounting, and compensation schemes.	Art 249. Environmental Services include the capture and storage of carbon dioxide.  Art. 730. Rules to apply compensation schemes: "The reduction of GHG emissions derived from environmental services may not be alienated or commercialized. Reductions in greenhouse gas emissions not derived from environmental services or resulting from environmentally clean technologies may be traded or compensated.

## Market Commentary

Companies must follow the GHG Protocol and ISO 14064 for carbon footprint quantification. To guarantee offsetting is not seen as an easy fix, national companies willing to compensate for their emissions must first have earned the reduced emissions certificate designed within the framework of PECC, a label received upon verification of GHG inventory measurement and reductions within the companies' value chain. International companies must present the equivalent certificate of information to the MAATE before using UCEs.

In terms of the operation of Ecuador's Offsetting Scheme, the logic is similar to that of crediting mechanisms in the carbon market, following standards that must receive approval from the MAATE, an entity acting as a supervisory body; being audited by Validation and Verification Bodies (VVB), which the Ecuadorian Accreditation Service should approve; and using infrastructure as the National Offsetting Registry, which is legally created and managed by the MAATE.

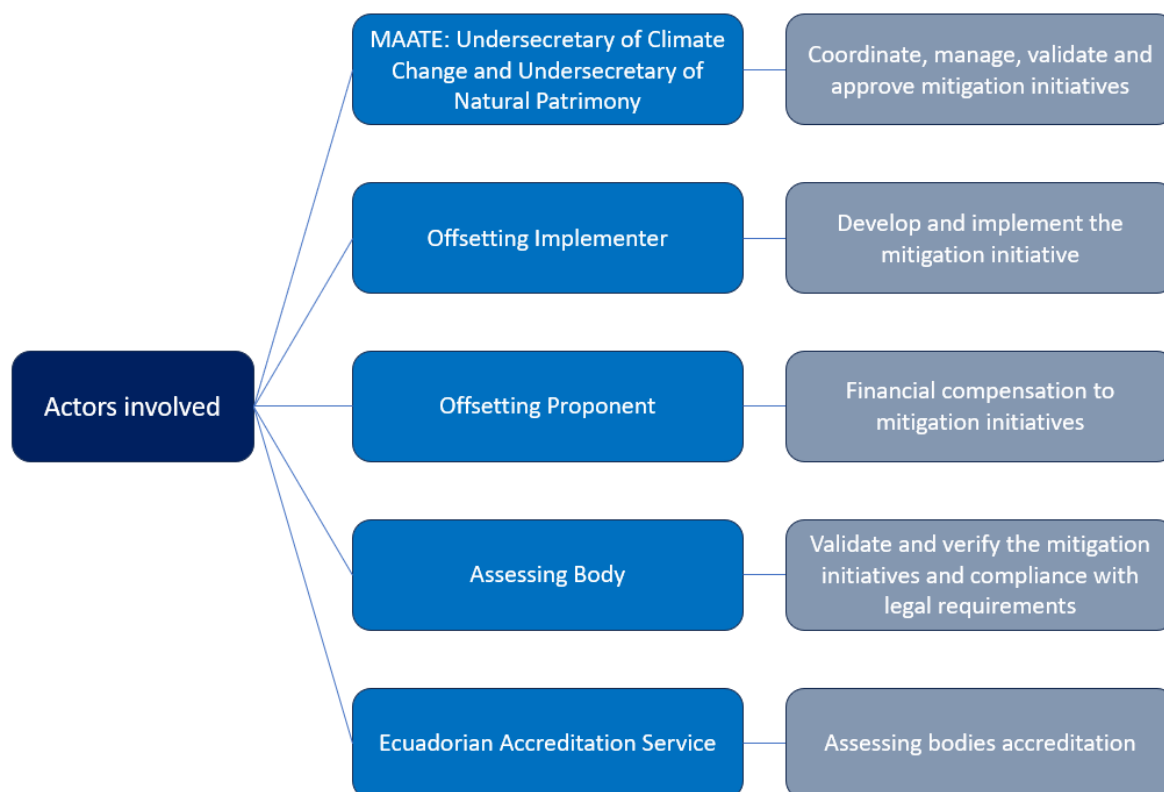
Projects must be located in Ecuador and, besides the regular carbon market principles, must comply with a benefits-sharing plan,

environmental and social safeguards, and co-benefits analysis, among others. In addition, initiatives must follow a project cycle defined by MAATE to get registered into Ecuador's offset project portfolio: Initiative's eligibility evaluation, design, validation, registration, monitoring, verification, and UCEs issuance. In terms of pricing, MAATE foresees that, although the price is not regulated, each project proponent must present a cost structure and justify the price it seeks for the UCEs to be issued to ensure information transparency. Financial retribution is made directly between the proponent (ie, the company that has reduced its carbon footprint) and the implementer of the mitigation project. The proponent can use these UCEs to make a variety of claims:

- Impact on emissions reduction and removals
- Offsetting or carbon neutrality
- Support Ecuador's NDC
- Support to SDG



While in this initial stage, these efforts can be counted towards Ecuador's NDC, in the future UCEs may be sold as ITMOs.



The Ecuadorian Offset scheme includes three mechanisms applicable to different sectors, users, and uses of the offsets. Implementation will be progressive, with mechanism #3 becoming operational only after the two others have been tested, yet there is no official timeline available at the moment. Eligibility for mechanism #3 will depend on abatement costs and Ecuador's success in meeting its NDC and is related to Article 6 of the Paris Agreement.

It is worth clarifying that reduction of GHG emissions derived from environmental services may not be alienated or commercialized. Still,

those who, through action or omission, conserve, maintain, or regenerate environmental services may be retributed. The use of language is important; however, in practice, they may mean the same thing. Reductions in greenhouse gas emissions not derived from environmental services or resulting from environmentally clean technologies do not have this difficulty in the use of language. A similar case occurs with the ownership regime, as explained below:

	Mechanism # 1	Mechanism # 2	Mechanism # 3 (Article 6)
Scope	LULUCF	Agriculture, energy, waste, industrial processes	Any sector (LULUCF, agriculture, energy, waste, industrial processes)
Ownership regime	Offset without transferring UCE's ownership to the buyer.	Offset transferring UCE's ownership to the buyer.	Offset with or without transferring UCE's ownership to the buyer.

Usable towards other countries' NDC?	No	No	Yes
Accepted uses/claims	<ul style="list-style-type: none"> <li>Offsetting / carbon neutrality</li> <li>Voluntary contribution to climate action and SDG</li> <li>Support to Ecuador's NDC</li> </ul>	<ul style="list-style-type: none"> <li>Offsetting / carbon neutrality</li> <li>Voluntary contribution to climate action and SDG</li> <li>Support to Ecuador's NDC</li> <li>SBTi/Net zero</li> </ul>	<ul style="list-style-type: none"> <li>Possibility to be counted towards the buyer country's NDC (Article 6.2), as an ITMO.</li> </ul>

## Useful Links

- [Ministerial Agreement No. MAATE-2021-047 - Ecuador Zero Carbon Program](#)
- [MAATE Press Release - Ecuador Zero Carbon Program](#)
- [Ministerial Agreement No. MAATE-2023-053 - Ecuador Greenhouse Gas Emissions Offsetting Scheme](#)

- [MAATE Press Release - Ecuador Greenhouse Gas Emissions Offsetting Scheme](#)

## References

- [Código Orgánico del Ambiente](#)
- [Reglamento al Código orgánico del Ambiente](#)

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