

INTRODUCTION

The MENA region has a significant role to play in global efforts to mitigate climate change. With both COP 27 (Egypt) and COP 28 (UAE) hosted in the region, several countries have explored implementing initiatives aimed to put a price on carbon, develop domestic and regional carbon markets and engage in international carbon market transactions. Government involvement has been matched by business interest from industrial and financial groups. The reasons vary across countries and include the achievement of nationally determined contributions (NDCs), compliance with the CORSIA scheme for the international aviation sector, economic diversification, and attempts to assert leadership in energy and climate.

This policy brief provides an overview of notable developments in key countries over the past twelve months. While some developments have been notable and should be encouraged, carbon pricing and carbon markets should be significantly scaled up as part of a broad policy package to harness their full potential and contribute to mobilise investment in emissions reductions and removals.

EGYPT

In December 2022, a Prime Ministerial Decree provided for the set-up of a carbon trading platform with the Egyptian stock exchange (EGX). By doing so, it brought trading of emission reduction certificates under the purview of the Financial Regulatory Authority (FRA), which is expected to establish a registry of projects for which carbon credits are issued.

JORDAN

In 2022, the Ministry of Environment published a draft “Policy Framework for Cooperative Approaches under Article 6 and other international carbon markets”.¹ It covers:

- issuance and transfer of emission reduction units;
- corresponding adjustments;
- infrastructure (registry); and
- reporting requirements.

¹ https://www.moenv.gov.jo/ebv4.0/root_storage/ar/eb_list_page/jordan_a6_policy_framework_draft.pdf

MOROCCO

In November 2022, Morocco signed an “agreement for the implementation of the Paris Agreement”² with Switzerland. The agreement aims at establishing a framework for the transfer of ITMOs under Article 6 of the Paris Agreement.

The Ministry of Environment is preparing for the implementation of Article 6.2 market activities, with the assistance of the Global Green Growth Institute as part of the “Designing Article 6 Policy Approaches” (DAPA) programme, funded by the government of Norway.

SAUDI ARABIA

Interest in carbon markets in the Kingdom of Saudi Arabia has increased in recent years. The most notable development has been the establishment of the Regional Voluntary Carbon Market Company (RVCMC), a joint venture between the Public Investment Fund (PIF) (80%) and Saudi Tadawul Group (20%).

In October 2022, an auction of 1.4 million Verra-registered carbon credits was held by the company. Further auctions have taken place since then, including the sale of over 2 million credits in Nairobi in June 2023. More than 15 Saudi companies, including Saudi Aramco, Saudi Electricity Company and Saudi Airlines are reported to have been auction participants. RVCMC aims to launch a full-time carbon exchange in 2024.

In 2023, Saudi think tank KAPSARC completed a study on the potential for domestic emissions reduction and removal activities in the country. The study aimed at better understanding key areas for climate change mitigation and informing the basis for potential domestic crediting, national and international carbon market trading.

UNITED ARAB EMIRATES (UAE)

The UAE has been particularly active in carbon markets as it seeks to reduce the carbon footprint of its economy and establish a leadership position in the fields of sustainability and fintech.

➤ Financial Regulatory Framework for VCM

In September 2022, Abu Dhabi Global Market (ADGM), an international financial centre and free zone in Abu Dhabi, enhanced its capital markets framework and introduced a new class of financial instruments, environmental

² <https://www.bafu.admin.ch/bafu/en/home/topics/climate/info-specialists/climate--international-affairs/staatsvertraege-umsetzung-klimauebereinkommen-von-paris-artikel6.html>

instruments, and a new regime for spot commodities markets. As a result, the provision of custody and the operation of trading venues for environmental instruments, which include voluntary carbon credits and other environmental commodities, become regulated.³ AirCarbon Exchange (ACX) has been partnering with ADGM to set up a fully regulated exchange and clearinghouse.

➤ **National Carbon Registry**

The Ministry of Climate Change & Environment (MOCCA) is in the process of developing the National Carbon Registry, and has invited the private sector to participate. The registry will support the UAE's transition towards Net Zero by 2050 and will enable innovative financing for carbon projects. It will be an integrated national system to register projects and issue carbon credits in the UAE; all transactions will be tracked in the registry.

The registry is expected to lay the foundation for a compliance market and enable trade of ITMOs under Article 6 of the Paris Agreement. The UAE Security and Commodities Authority (SCA) is said to be in consultation with MOCCA on ways to implement an emissions trading system (ETS).

➤ **UAE Carbon Alliance**

The UAE Carbon Alliance is a recently established coalition of UAE companies Air Carbon Exchange (ACX), Mubadala Investment Company, First Abu Dhabi Bank, Taqa, Masdar, and the UAE Independent Climate Change Accelerators (UICCA). Its objectives are to build knowledge and awareness in carbon markets; support its members on their sustainability journeys by aggregating demand in the UAE and potentially the broader region; and facilitate dialogues between the private sector and the government. It is chaired by Sheikha Shamma bint Sultan bin Khalifa Al Nahyan. During the Africa Climate Summit held in Nairobi in September 2023, the coalition pledged to purchase US\$ 450 million in African carbon credits by 2030.

➤ **Article 6**

In April 2023, Japan and the UAE signed a memorandum of cooperation for the establishment of the Joint Crediting Mechanism (JCM)⁴, paving the way for Article 6 transactions between the two countries.

Blue Carbon, a company established under the vision of Sheikh Ahmad Dalmook Al-Maktoum, a member of the Dubai royal family, entered into memoranda of understanding (MOU) with the governments of Tanzania, Zambia, Liberia

³ <https://www.adgm.com/media/announcements/adgm-fsra-issues-enhancements-to-its-capital-markets-framework-including-environmental-instruments>

⁴ The Joint Crediting Mechanism (JCM) is an international carbon crediting standard established by the Ministry of Environment of Japan (MOEJ) in 2013. As of October 2023, JCM financed 235 projects for estimated reductions of 2.8 million tonnes per year.

and Zimbabwe for the development of emissions reduction and removal projects under Article 6 of the Paris Agreement. The company is expected to focus on natural climate solutions, such as forest protection and restoration.

VOLUNTARY CARBON MARKET (VCM)

Projects generating carbon credits traded and retired in the VCM have been developed in the MENA region. The tables below show the total number of projects registered, credits issued and credit retired in two major international carbon crediting programmes: Verra's Voluntary Carbon Standard (VCS) – the largest independent programme by market share, and the Global Carbon Council (GCC) – the only programme in the MENA region (based in Doha, Qatar). Credits are primarily generated by activities such renewable energy and energy efficiency.

These figures are relatively low compared to other geographies. There has been optimism about the potential for rapid growth, but issuances of carbon credits have not yet increased.

| Country | Verra (VCS) | | | Global Carbon Council | | |
|-----------|-------------|-----------|-------------|-----------------------|-----------|-------------|
| | Projects | Issuances | Retirements | Projects | Issuances | Retirements |
| Algeria | 0 | 0 | 0 | 0 | 0 | 0 |
| Bahrain | 1 | 0 | 0 | 0 | 0 | 0 |
| Egypt | 6 | 592,691 | 90,999 | 14 | 0 | 0 |
| Iran | 0 | 0 | 0 | 0 | 0 | 0 |
| Iraq | 0 | 0 | 0 | 0 | 0 | 0 |
| Israel | 5 | 16,574 | 9,341 | 0 | 0 | 0 |
| Jordan | 1 | 0 | 0 | 6 | 0 | 0 |
| Kuwait | 0 | 0 | 0 | 0 | 0 | 0 |
| Lebanon | 0 | 0 | 0 | 0 | 0 | 0 |
| Libya | 0 | 0 | 0 | 0 | 0 | 0 |
| Morocco | 6 | 821,716 | 56,046 | 3 | 0 | 0 |
| Oman | 5 | 775,645 | 0 | 1 | 83,400 | 83,400 |
| Palestine | 0 | 0 | 0 | 1 | 0 | 0 |
| Qatar | 0 | 0 | 0 | 2 | 0 | 0 |
| Saudi A. | 2 | 0 | 0 | 1 | 0 | 0 |
| Syria | 1 | 0 | 0 | 0 | 0 | 0 |
| Tunisia | 1 | 0 | 0 | 0 | 0 | 0 |
| UAE | 4 | 36,436 | 5,718 | 0 | 0 | 0 |
| Yemen | 0 | 0 | 0 | 0 | 0 | 0 |

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ABOUT IETA

IETA is a non-profit business association with a membership of over 300 leading international organisations operating in compliance and voluntary carbon markets. Since its foundation in 1999, IETA has been the leading voice of business on ambitious market-based solutions to climate change. We are a trusted adviser to governments to support them in developing international policy and market frameworks to reduce greenhouse gases at lowest cost, increase climate ambition, and build a credible path to net zero emissions. See www.ieta.org for more information.

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