



DEVELOPING A NATIONAL CARBON MARKET STRATEGY FOR ETHIOPIA

Summary Report



July 2025

Addis Ababa, Ethiopia

Background

The Collaborative Instruments for Ambitious Climate Action (CiACA) project, launched during COP22 in Marrakesh, is an initiative aimed at supporting countries in developing carbon pricing approaches to help meet their Nationally Determined Contributions (NDCs) under the Paris Agreement. The project is a collaborative effort managed by the UNFCCC and its Regional Collaboration Centres (RCCs), with financial support from the Government of Germany.

CiACA has been extended in phases, with the current phase running until December 2024. Its primary objective is to assist countries in developing and implementing carbon pricing mechanisms that facilitate participation in global carbon markets, fostering international cooperation and advancing climate action.

In this context, the Regional Collaboration Centre for East and Southern Africa (RCC EAS Africa), with funding from CiACA, collaborated with the Ministry of Planning and Development (MoPD) of Ethiopia and Perspectives Climate Group to develop a National Carbon Market Strategy. This strategy aims to enhance Ethiopia's participation in international carbon markets, complementing its existing policies, such as the Climate Resilient Green Economy (CRGE) Strategy, and positioning the country to achieve its NDC and Long-Term Low Emission Development Strategies (LT-LEDS) targets.

This report introduces Ethiopia's National Carbon Market Strategy (2025 – 2035) which is included as Annex I.

Objective of the Assignment

The primary objective of this assignment was to develop a sector-wide National Carbon Market Strategy for Ethiopia. Ethiopia's National Carbon Market Strategy (2025 – 2035):

- Establishes the foundation for Ethiopia's participation in global carbon markets, particularly focusing on mechanisms under Article 6 of the Paris Agreement.
- Analyses Ethiopia's existing policies and governance structures in the context of carbon market engagement, proposing necessary adjustments to facilitate participation.
- Provides recommendations on institutional and operational arrangements, as well as capacity-building needs, to effectively participate in international carbon markets and the Article 6 framework.

This assignment is essential for Ethiopia to leverage carbon markets as a strategic financing tool and ensure alignment with its national and international climate goals.

Summary of Ethiopia's National Carbon Market Strategy (2025 – 2035)

Ethiopia is strengthening its involvement in carbon markets to support its climate and development goals, as outlined in its updated Nationally Determined Contributions (NDC) and 10-Year Development Plan. The country is focused on leveraging both compliance and voluntary carbon markets to mobilize climate finance and foster sustainable development. Central to this strategy is aligning with the Paris Agreement's Article 6 mechanisms, including the Paris Agreement Crediting Mechanism (PACM) under Article 6.4, bilateral agreements under Article 6.2, and voluntary carbon markets (VCM).

Key to the strategy is ensuring the generation of high-quality carbon credits that contribute to Ethiopia's national mitigation objectives, particularly in sectors like renewable energy, forestry, clean cooking, energy efficiency, and electric mobility. The strategy also prioritizes technical capacity development, legal framework strengthening, and stakeholder inclusivity to support the successful operation of carbon markets. This includes defining clear roles and responsibilities for government agencies, such as the MoPD, Ministry of Finance (MoF), and sectoral ministries, which will oversee the development, monitoring, and implementation of carbon market policies and activities.

The strategy emphasizes the need for institutional frameworks that align with Ethiopia's broader climate goals, including the CRGE Strategy, and ensure that carbon market activities are integrated into national climate and development policies. These frameworks will define the mandates and responsibilities of relevant bodies in overseeing carbon market activities, including project approval processes, carbon credit issuance, and ensuring that carbon projects meet national environmental integrity standards.

Key sectors identified for carbon market engagement are based on Ethiopia's most recent NDC and include renewable energy, the forest sector, clean cooking, energy efficiency, and electric mobility. These sectors present significant opportunities for mitigation and can benefit from carbon finance through both compliance and voluntary carbon markets. The Strategy encourages Ethiopia to build on its existing carbon market activities (CDM, VCM, jurisdictional REDD+) in addition to exploring new areas such as carbon removal practices and technologies.

A critical part of the strategy is to create transparent and equitable benefit-sharing mechanisms that ensure carbon revenues contribute to both local communities and national climate goals. Ethiopia also seeks to engage in international cooperation to ensure that its carbon market activities are high-integrity and meet international standards, while also ensuring alignment with the country's long-term sustainable development targets.

This strategy positions Ethiopia to play a pivotal role in the global carbon market by strengthening both private sector participation and regulatory frameworks to support the achievement of its NDC.