

## **ToR Ghana – Opportunity study - carbon pricing**

### **1- Overview and background**

In an effort to limit the impacts of climate change, several countries, through their Nationally Determined Contributions (NDCs), are taking measures in reducing global greenhouse gas (GHG) emissions sufficiently to mitigate dangerous impacts of climate change and cost-effectively deliver the transition to low carbon societies. In recent years, a growing number of Parties, including those from the developing countries, are considering carbon pricing instruments as an approach for implementing their climate action under the Paris Agreement and meet their national climate targets. Carbon pricing is a straightforward approach for addressing GHG emissions as it puts a price on carbon, creating an incentive for investments into more climate-friendly solutions. It can serve both the implementation of NDCs and long-term low-carbon development strategies. In addition, under article 6 of the Paris Agreement, international cooperation through carbon pricing can play an important role in reducing the cost of implementing mitigation actions and increasing resource mobilization by crowding in public and private capital.

### **2- National context**

Developing countries have started activities to consider and introduce carbon pricing in their development policy, among which are South Africa, Senegal, Côte d'Ivoire and Ethiopia. In order to maximize its effort in addressing climate change and support its ambition to achieve the Paris Agreement goal, the government of Ghana has expressed interest in exploring carbon pricing instruments as part of the policy options to mobilize resources to implement its NDC. In particular, Ghana is a member of the Vulnerable Twenty (V20) Group of Ministers of Finance of the Climate Vulnerable Forum. In their Ministerial Communiqués, V20 Ministers of Finance decided to “commit to support carbon pricing by working to establish pricing regimes within the next decade”.

Against this background the government of Ghana requested the UNFCCC to provide support through its Collaborative Instruments for Ambitious Climate Action (CI-ACA) initiative.

The CI-ACA initiative is a project implemented by the UNFCCC through its Regional Collaboration Centres (RCCs) with the aim to assist Parties in the development of carbon pricing approaches for implementing their Nationally Determined Contribution under the Paris Agreement and foster cooperation. Therefore, jurisdictions like Ghana, interested in developing instruments for carbon pricing/markets will require support at different levels: (i) to identify the options available and how these fit with their own circumstances and objectives; (ii) to elaborate concrete proposals to establish instruments; (iii) to adopt at the national level and instrument and (iv) to implement on the ground the instruments. The CI-ACA initiative offers support to jurisdictions, in accordance with their needs, for developing carbon pricing instruments, even for jurisdictions like Ghana which have just started considering the idea.

Recently, Ghana held its first national consultation on the issue and stakeholders in attendance have identified five priority economic sectors for the implementation of carbon pricing instruments:

- Energy sectors;
- Transport sectors;
- Agriculture and AFOLU sectors;
- Industrial processes sectors;
- Waste management sectors.

Nevertheless, a thorough study needs to be undertaken to ascertain the potential and feasibility for applying carbon pricing approaches in these aforementioned sectors or others. This conclusion was the result of a national consultation on the issue held at Amasaman, Accra, from 24<sup>th</sup> – 25<sup>th</sup> February 2020.

### **3- Objective of the study**

The overall objective is to develop carbon pricing instruments that mitigate GHG emissions in Ghana, foster sustainable development by doing so, support the implementation of successive NDCs as well as put the country on a low GHG emission pathway. This will be done by tackling key sectors in the reduction of greenhouse gas emissions, especially those aforementioned, in consideration of the legal, regulatory, institutional, social and economic frameworks in the view of efficiently implement Ghana's National Determined Contribution. The specific objectives include:

- To analyze existing carbon pricing instruments or related instruments already in place in the country;
- To identify potential opportunities for various carbon pricing in based on the country circumstances and context;
- To analyze potential options scenarios and use of carbon pricing revenues, including to mitigate potential adverse impacts;
- To determine carbon pricing linkages with the NDC and potential/opportunities to meet the aforementioned sectors NDC mitigation targets;
- To assess the existing legal and policy framework in the country with respect to carbon pricing and perform a preliminary stocktake the status-quo of MRV structure for enabling carbon pricing instruments;
- To provide an overall assessment of feasibility and readiness for carbon pricing for the country.
- To explore how carbon pricing approaches could support involvement in cooperative climate action such as foreseen under Article 6 of the Paris Agreement

### **4- Scope of the study**

The Government of Ghana in collaboration with the Regional Collaboration Centre looks to conduct an opportunity study on the application of carbon pricing approaches in addressing climate change. This study will aim to gather information on the potential feasibility and readiness for carbon pricing/market instruments in the specific context of Ghana.

The target stakeholders for this study include the UNFCCC/DNA Focal point for Ghana, officials from the Ministries of relevant ministries, legislative and executive bodies of the Government of Ghana, regional cooperation organizations, key private sector representatives, Academia, and civil society.

The scope of the study is to focus mostly on carbon pricing as system of disincentivizing GHG emissions and favouring low-carbon development. In this regard, elements such as climate finance and/or project and programme-based crediting mechanisms should not be understood as core topics of the study but rather as elements of the broader landscape to be considered.

## **5- Expected results**

The study will play an important role in assessing the potential, readiness and needs of Ghana with regard to the possible use of carbon pricing. In addition, the study will concretely identify, assess and propose amenable options for putting in place carbon pricing in the light of the domestic context as well as potentially the regional and international context. The study will therefore inform the Ghanaian government on opportunities and options for introducing carbon pricing. Furthermore, it will act as a decision-making guide for interested donors in this field to support the implementation of Carbon Pricing instruments in line with Ghana needs and priorities towards achieving NDC and Sustainable development goals.

Importantly, it should be noted that a key intention of the study is to explore the opportunity and feasibility of carbon pricing in the specific context of Ghana. Therefore, presenting key options for carbon pricing (on the basis of leading publications on the topic) will only constitute a minor part of the intend work. A study failing to explore the concrete potential application of carbon pricing will therefore be assessed as not meeting the goals.

## **6- Duration and timeline of the study**

The (team) of consultant(s) will have 16 weeks to deliver the work.

An intended outline of the study will have to be submitted 3 weeks after signing the contract with BOAD. A first draft will have to be submitted 12 weeks after signing of the contract with BOAD. Upon receiving comments, the team will have another 4 weeks to present a final draft that will be presented at the validation workshop. Final draft including comments received at the workshop should be submitted 2 weeks after. The (team of) consultant(s) is strongly encouraged to provide regular updates and share sections already drafted in order to ensure that the drafting of the study is performed in a satisfactory manner.

## **7- Methodology**

This opportunity study is expected to help assess Ghana options and opportunities in adopting a carbon pricing instruments to mobilize resources and finance its NDC, taking into

account the domestic and international context. Overall, the study is being conducted under the CI-ACA initiative. It will be prepared using a combination of analytical and stakeholders' processes. Therefore, it will be conducted in close collaboration with all relevant stakeholders.

Qualitative Research:

1. Succinct overview of existing carbon pricing instruments
2. Assess in a succinct manner success and failure cases or concrete carbon pricing efforts and lessons learned for Ghana
3. Analysis of the context of Ghana with regard to elements relevant to carbon pricing
  - 3.1. GHG emissions
  - 3.2. Social and economic factors
  - 3.3. Development in the energy sector
  - 3.4. Analysis of current and planned policies (fiscal and non-fiscal) affecting GHG emissions and/or energy consumption
  - 3.5. Overall development priorities
  - 3.6. International environment and developments (in particular in relation to GHG emissions and energy) with relevance to Ghana and commitments (NDC, V20 declaration, Coalition of Finance Ministers for Climate Action, etc.)
  - 3.7. Elements of the domestic legal framework of relevance to carbon pricing
4. Present a matrix of economic penalties and incentives by fuel/sector
5. Evaluate how a carbon pricing approaches/instrument could achieve the following: (i) support NDC implementation domestically but also in the context of collaborative mitigation action; (ii) contribute to the achievement of national policy objectives; (iii) deliver associated co-benefits.
6. Based on the points above, perform an analysis and develop recommendations on potentially promising carbon pricing approaches for Ghana

## **8- Deliverables**

A comprehensive report documenting the results of the study from the specified sectors including the methodology applied. Specific recommendations and guidance shall be provided by the consultant on a case to case basis, based on thorough analysis of the results of the study. Results should be presented for each sector under consideration as well as in aggregate for the country. The report prepared by the expert(s) shall be delivered as per agreement to the Government of Ghana/RCC Lomé/UNFCCC Secretariat team.

Service providers will be required to present first an outline of the intended report which is to be reviewed and agreed by RCC Lomé.

Once the final draft will be cleared, the service providers are expected to organize a validation workshop, to be held in Ghana, in collaboration with BOAD and finalize the draft with comments received.

## **9- Competence**

The key expert(s) should have –an academic background and professional experience with relevance to carbon pricing, carbon markets, economics (ideally environmental economics and/or energy economics), policy and legal framework and green finance/climate finance, with proven qualifications;

Profound knowledge on UNFCCC climate change negotiations, with particular focus on Kyoto Protocol, and Paris Agreement (including Article 6 & NDC Implementation);

Knowledge of existing structures in Ghana and West Africa in line with low carbon development is considered an advantage;

Experience working with government and non-state stakeholders in national and/or regional policy development and implementation of climate change activities in Africa; -

Familiarity with the major Climate change mitigation players in the target countries with proven networks within the government, private sector and civil societies in Africa is an asset;

Strong analytical and critical thinking abilities;

Fluency in English and strong drafting skills

Desired: good communication and presentation skills (able to communicate on complex matters with clear and simple messaged)