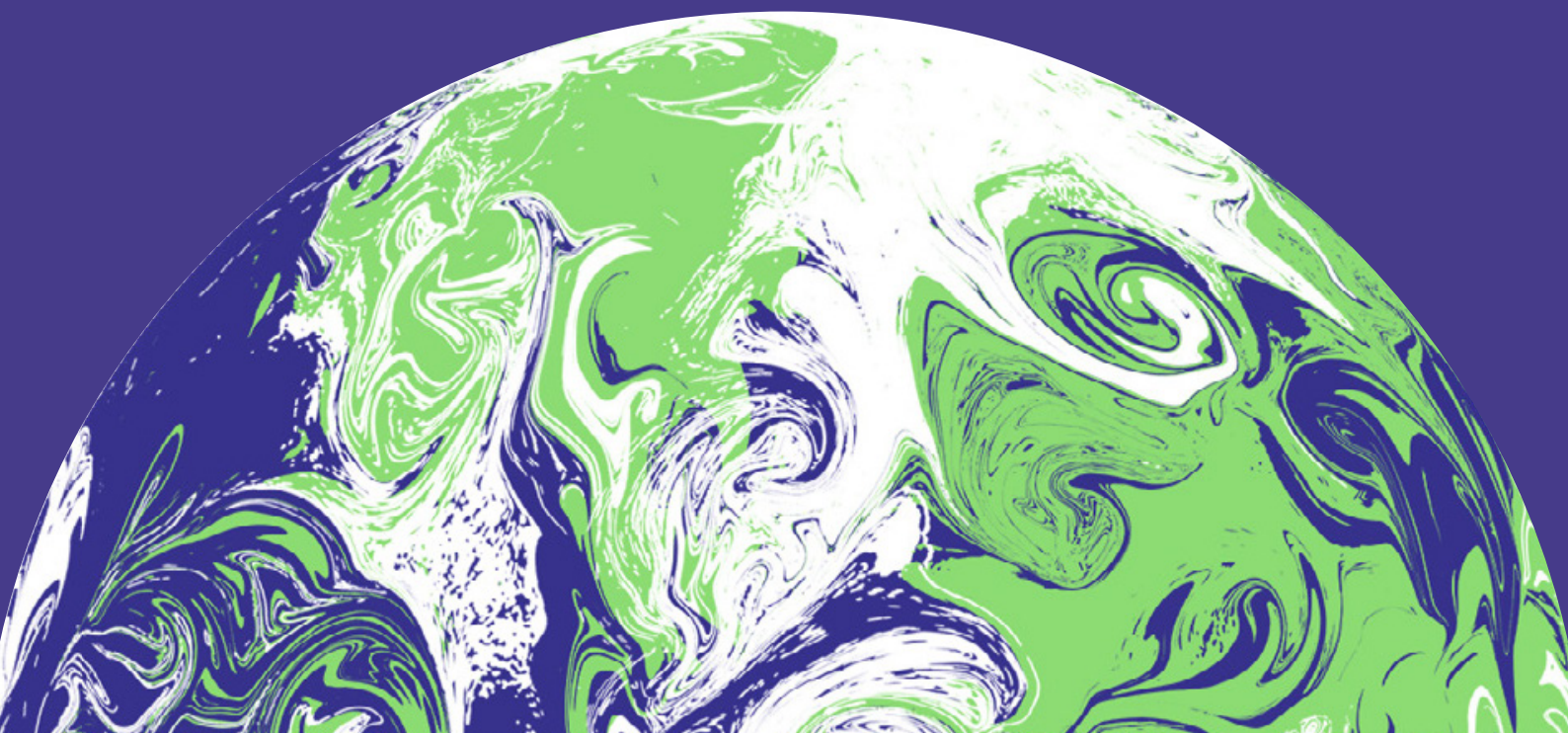


**COP26 CATALYST
FOR CLIMATE
ACTION**

Action Recommendations on
Capacity Building for

**Participation in
Carbon Markets**



**UN CLIMATE
CHANGE
CONFERENCE
UK 2021**

IN PARTNERSHIP WITH ITALY



Wilton Park

These recommendations were developed by the COP26 Catalyst Action Group on Capacity Building for Carbon Market Participation, which includes representatives from the organisations shown below. These institutions endorse the recommendations at the time of initial publication; we invite further organisations and countries to endorse the recommendations during and after COP26.



COP26 CATALYST FOR CLIMATE ACTION

Recommendations on capacity building for inclusive and ambitious global carbon market participation in support of the Paris Agreement



Recommendations

1. Raising awareness of the benefits of international carbon markets drives political will, as a precondition for effective capacity building.

Awareness raising and demonstration activities are immediate short-term actions that help turn political interest into political will for engaging in carbon markets. Technical staff could be trained to assess opportunities and risks, to then communicate benefits to national decision-makers. This helps to mobilize and mainstream Article 6 capacity building through policies and in key institutions, ensuring sustainable, country-driven interest in carbon markets participation.

2. Support national and regional actors to establish and oversee inclusive institutional frameworks for carbon market participation.

Developing countries face increasingly complex participation requirements under the Paris Agreement rulebook, even beyond Article 6. Institutional capacity will be needed to establish required governance functions and procedures related to NDC implementation, accounting, and reporting. This calls for a comprehensive and inclusive approach to capacity building, building on the “Nairobi Framework” foundation and experience. Technical assistance must be provided by multilateral and bilateral partners to developing country governments and relevant stakeholders, coupled with regional peer-to-peer learning, to ensure an overall approach that leaves no-one behind. National governments greatly benefit from enhancing internal coordination across ministries and agencies and engaging with external stakeholders from the private sector, NGOs, and academia.

3. Deliver capacity building in a pragmatic learning by doing approach.

‘Learning by doing’ is based on implementing real-world activities as part of the capacity building process. It is the most relevant approach to ensure capacity building will be country focused and responsive to evolving requirements. Countries can leverage on existing experiences from domestic carbon pricing instruments and/or Kyoto Protocol era carbon market activities. Multilateral Development Banks, bilateral agencies and leading host countries can support early pilot activities that establish best practices from which the entire international community can learn. Early pilots create a demonstration effect and nurture communities of practitioners in public and private sectors that help identify solutions to challenges, which can inform further rulemaking.

4. Improve knowledge management through broadly accessible knowledge products, combined with tailored long term technical assistance.

The efficiency of delivering capacity building to many beneficiaries can be greatly improved by developing standardized training courses, tools, and guidance documents for common challenges that relate to institutional, procedural and methodological, aspects. Tools and guidance can be disseminated, including through digital formats, and training courses provided through multilateral and bilateral institutions. Avoiding the duplication of introduction-level capacity building allows for the provision of more tailored support to host countries through embedded long-term technical assistance. This could be

delivered e.g., through helpdesks or expert staff in regional institutions that address country-specific challenges. Innovative regional capacity building platforms can foster peer-to-peer learning and achieve synergies.

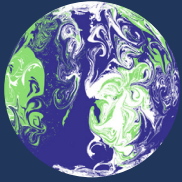
5. Ensure that capacity building for participation in international carbon markets is integrated into a comprehensive “toolbox” for climate action.

Capacity building for carbon pricing and carbon markets must be embedded in, and build upon, more comprehensive support for implementing and updating NDCs & LT-LEDS, related resource mobilization strategies, and complying with the Enhanced Transparency Framework. Cross-linkages can be utilized: strengthening the capacities of a country to compile GHG inventories and track NDC implementation enhances its capacity to comply with rules and procedures related to trading mitigation outcomes under Article 6. Similarly, Article 6 engagement can improve data availability and quality on GHG emissions and abatement opportunities, which is valuable information when updating NDCs.

6. Build local and regional carbon market expertise.

Capacity constraints through the limited number of government experts has slowed the ability to implement carbon market activities in interested countries, while the responsibilities and tasks of carbon market regulators are increasing further. Additionally, the accumulation of carbon market expertise in the Global North has increased the costs of implementation. Ensuring the long-term availability of government experts as well as developing local and regional expertise, in cooperation with research institutions, industry, finance and business associations, is crucial for the sustainability of carbon market action. Localising expertise through capacity building benefits a wider group of stakeholders and thus contributes to inclusive, gender-sensitive outcomes, including through bringing business and employment opportunities.





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