



Republic
of Rwanda

NATIONAL CARBON MARKET FRAMEWORK





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To obtain copies of this publication, please contact: Rwanda Environment Management Authority (REMA), Designated National Authority (DNA).

P.O. Box 7436 Kigali, Rwanda
Tel: +250252580101
Fax: +250252580017
E-mail: info@rema.gov.rw
X (Formerly Twitter): @REMA_Rwanda
Website: www.rema.gov.rw

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Preface

The establishment of a national carbon market framework demonstrates the country's commitment as well as facilitates voluntary cooperative approaches and other carbon market mechanisms with each other to achieve emission reduction targets set out in our NDC. This means that, under Article 6 of Paris Agreement, the Government of Rwanda (GoR) will be able to transfer carbon credits earned from the reduction of GHG emissions to meet climate targets. Under Paris Agreement, through this framework, Rwanda developed adequate domestic carbon crediting guidelines, including institutional, legal and governance structures and robust national carbon market registry to avoid double counting of GHG emissions. In addition to this, Rwanda signed and ratified consecutively the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, the Kyoto Protocol ratified in 2005 and Paris Agreement in 2015, with a Presidential Order ensuring its entry into force in November 2016.

In Rwanda's updated NDC, GoR commits to reduce greenhouse gas emissions by 38% through unconditional and conditional measures in agriculture, energy, waste, and industrial processes and product use; and will drive adaptation across eight sectors: water, agriculture, and forestry, human settlement, health, transport, mining, and cross-sectional. GoR aims to reduce 7.5 million tCO₂e in 2030 against business as usual (BAU) emissions of 12.1 million tCO₂e in 2030. 3.15 million tCO₂e will be reduced through domestically supported measures and policies, while 4.35 million tCO₂e are subject to the provision of international support.

To deliver on these goals, GoR has pledged to raise USD 11 billion (5.7 billion for mitigation and 5.3 billion for adaptation measures) for full implementation of the NDC. GoR is committed to mobilize domestic financial resources of around USD 4.1 billion while the remaining USD 6.9 billion is required from the international community. In order to achieve its conditional target, Rwanda intends to use different climate finance sources including international carbon market mechanisms and cooperative approaches under Article 6 of the Paris Agreement.

It is in this context that we have developed and established the national carbon market framework to facilitate Rwanda's participation and maximize carbon market opportunities, under article 6 of Paris Agreement (Cooperative Approaches under Art 6.2 and mechanism Art.6.4) that involve the use of internationally transferred mitigation outcomes (ITMOs) towards NDCs.



Juliet Kabera

Director General,
Rwanda Environment Management Authority (REMA)

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Evaluation Management Team:

REMA

- Juliet KABERA, Director General of REMA
- Faustin MUNYAZIKWIYE, Deputy Director General of REMA
- Eric Ruhanamirindi MUDAKIKWA
- Bernardin BAVUGE
- Herman HAKUZIMANA

UNDP

- Bernardin UZAYISABA
- Mireille UWERA

Neyen Consulting SL

- Johan Nylander
- Jorge Lujan
- Miguel Rescalvo
- Elisee GASHUGI
- Venuste NTAGANDA

Validation Team

- Dukuze Marie Dalie, REMA
- David UKWISHAKA, REMA
- Olive BYUKUSENGE, REMA
- Ernest SANGWA, REMA
- M. Laetitia BUSOKEYE, REMA
- Pearl NKUSI, REMA
- Peter RWIRANGIRA, REMA
- Benjamin KABANDANA
- Theophile DUSENGIMANA, MoE
- Laurene MANZI, Rwanda Green Fund
- Laurent NDIZIHIWE, MININFRA
- Martin ASIIMWE, MININFRA
- Cyprien Ndayisaba, RTDA
- Jean Pierre GAHAMANYI, RTDA
- Emmanuel TWAGIRAYEZU, MINAGRI
- Innocent BISANGWA, MINAGRI

- Fred SABITI, MINECOFIN
- Thierry WATRIN, MINECOFIN
- Dr. Yvan GASANGWA, RFA
- Celestin RWABUKUMBA, Rwanda Stock Exchange (RSE)
- Josephine MBABAZI, Energy Partnership Development (EPD)
- Jean Bosco RWIYAMIRIRA, EPD
- Nathalie MUTALIKANWA, RFL
- Valens KUBWIMANA, RURA
- Dr. Innocent NKURIKIYIMFURA, UR/CST
- Peter RWIBASIRA, UR/CST
- Penninah BURABYO, PSF
- Isaac RUGAMBA, BRD
- Martin MUSONERA, REG/EDCL
- Dedan ISHIMWE, RDB
- Jean de Dieu KARARA, RDB
- Sam MUHINDA, RDB
- Rousseau MALAIKA, Rwanda Finance Limited
- Jean NTAZINDA, Independent consultant/World Bank

Abbreviations and definitions

- A6.4ER** – Article 6.4 Emission Reduction
- AFOLU** - Agriculture, Forestry and Other Land-Use
- BAU** – Business as Usual
- BRT** – Bus Rapid Transport
- CDM** – Clean Development Mechanism
- CER** – Certified Emission Reduction
- CMA** – Conference of the Members of the Agreement (Paris Agreement)
- COP** – Conference of the Parties to the UNFCCC
- CPA** - component project activities
- Ci-Dev** – Carbon Initiative for Development
- DNA** – Designated National Authority (CDM)
- EV** – electric vehicle
- FONERWA** – Rwanda Green Fund
- GgCO₂e** – Gigagram of Carbon Dioxide Equivalent
- GGCRS** - Green Growth and Climate Resilience Strategy
- GHG** – Greenhouse Gas
- GS** – Gold Standard
- IPPU** – Industrial processes and product use
- IUCN** – International Union for Conservation of Nature
- ITMO** – Internationally Transferred Mitigation Outcome
- LULUCF** - Land Use, Land-Use Change and Forestry
- MCA6.4ER** – Mitigation Contribution Article 6.4 Emission Reduction
- MINECOFIN** – Ministry of Finance and Economic Planning
- MO** – Mitigation Outcome
- MOPA** - Mitigation Outcome Purchase Agreement
- MtCO₂e** - Million tons of Carbon Dioxide Equivalent
- NDC** – Nationally Determined Contribution
- NECCP** - National Environment and Climate Change Policy
- NIR** – National Inventory Report
- NMA** – Non-market Approaches

NST - National Strategy for Transformation

PoA – Program of Activities

PSF – Private Sector Federation

REMA – Rwanda Environment Management Authority

RMP – Rules, Modalities and Procedures (for the Article 6.4 Mechanism)

SBSTA – Subsidiary Body for Scientific and Technical Advice (UNFCCC)

SCF – Standardised Crediting Framework

SDG – Sustainable Development Goal

ToR – Terms of Reference

UNDP – United Nations Development Programme

UNFCCC – United Nations Framework Convention on Climate Change

VCM – Voluntary Carbon Market

VER – verified emission reduction

Introduction

1. COP 26, held in Glasgow in November 2021, resulted in the final agreement on the guidance and rules for Article 6 of the Paris Agreement. Article 6 covers voluntary cooperation among Parties in the implementation of their nationally determined contributions (NDCs) to facilitate higher ambition in mitigation and adaptation, and to promote sustainable development and environmental integrity. The agreement on the guidance and rules has set the global backdrop for the completion of the Paris Agreement Rulebook and has important implications for countries that may want to participate in cooperative approaches that involve the use of internationally transferred mitigation outcomes (ITMOs) towards NDCs.
2. At COP 27 in Egypt, in November 2022, additional guidance was agreed upon for Article 6.2, in addition to rules for Article 6.4 and the adoption of a schedule for the work program for non-market approaches (Article 6.8).¹
3. Countries are now developing the necessary institutional and regulatory frameworks for participation in Article 6 activities. National operationalization of Article 6 requires the establishment of processes and procedures for implementation that are aligned with the national development priorities and climate change strategy. These processes and procedures should facilitate the identification of Article 6 mitigation actions - projects and programs and define how the approval, authorization, monitoring, reporting, and verification (MRV) or activities are done, as well as how to operationalize the registration and tracking ITMOs.
4. A national framework for participation in Article 6 contains four main elements: policy framework, legal and regulatory framework, institutional and governance structure, and implementation processes. The development of these parts must build on and be integrated with the existing governance, policymaking, legislative, and administrative practices in Rwanda.
5. The national framework must facilitate the fulfilment of international requirements as well as reflect the national objectives and strategy for participation in Article 6. The key international requirements for participating in activities under Article 6 are related to the

¹ All three decisions can be found here: <https://unfccc.int/cop27/auv>

guidance under Article 6.2 covering the transfer of ITMOs but also include additional requirements for participation in the Article 6.4 mechanism.

Article 6 Framework: Objective and Scope

6. The purpose of developing and establishing the Article 6 framework is to facilitate Rwanda's participation in carbon markets, both within and outside Article 6 (6.2 and 6.4), and in non-market approaches under Article 6.8. The framework will help in bringing confidence to the market and reduce uncertainty for project participants, particularly for the private sector.
7. The framework establishes a governance and institutional structure that will make it possible for Rwanda to make further considerations regarding its participation in carbon markets. In addition, the framework provides an operationalization of operational/technical elements, such as determining specific procedures necessary to participate, including but not limited to, the project cycle, requirements to ensure environmental integrity, and processes for reporting.²
8. The scope of the framework is the international carbon market in the broad sense, i.e., Article 6.2, Article 6.4, independent carbon standards (the Voluntary Carbon Market - VCM), and it also covers links to ongoing initiatives such as the Standardized Crediting Framework (SCF). The framework also covers Article 6.8, which is a non-market approach.

² The World Bank (2022) Developing an Article 6 Strategy for Host Countries, World Bank Working Paper, Washington, DC.

Article 6 framework Structure

The national Article 6 framework consists of four components:

The policy framework is a set of guiding principles and decisions that provides a backdrop for the operationalization of Article 6 in Rwanda. The policy framework will guide more detailed decisions, mandates, and instructions.

Institutional framework and governance structure in this context is the organizational set-up of agencies and bodies that will implement the national framework, including the lines of authority, and the accountability and responsibility of different actors.

Legal and regulatory framework. Legal framework means the set of laws, regulations, and rules that apply in the context of the national Article 6 framework. The regulatory framework is a sub-set of the legal framework, denoting a set of regulations that is valid for the implementation of the national Article 6 framework. Article 6 processes can normally be implemented under the existing regulatory framework, building on the previously developed structures for participation in the Clean Development Mechanism other types of international collaboration for climate mitigation, and existing mandates for government bodies.

Processes for implementation. The processes for implementation are developed in writing as procedures for the specific activities for the operationalization of Art. 6 and the responsibilities for their execution. The procedures include or refer to templates and other relevant documents.

The components aim to facilitate effective, transparent, and smooth decision-making regarding mitigation activities eligible for the international carbon market, whether under Article 6 or the voluntary carbon market.

This document develops the policy, institutional and governance structure, and legal and regulatory framework components. The processes for implementation are further detailed in a Manual of Procedures as an independent document.

Policy Context

International Policy Context

9. **The Paris Agreement.** The goal of the Paris Agreement is to keep global temperatures below 2 degrees Celsius (°C) while pursuing efforts to limit global warming to 1.5 °C. The key operational instrument of the Paris Agreement is the nationally determined contribution (NDC), a set of commitments made by Parties to reducing their emissions and adapting to climate change. Countries are to regularly communicate progressive national climate action through their NDCs and they are obligated to regularly report on the progress made. This is part of an ambition cycle that is based on transparency, rather than a strong centralized compliance mechanism. The aggregate outcome of countries' efforts is considered by a global stocktake every five years in light of equity and the latest available science.
10. **Article 6.** The Paris Agreement's Article 6 recognizes that countries may want to cooperate to achieve their NDCs, striving for higher mitigation and adaptation ambition. Article 6 contains provisions for three specific pathways for international cooperation: cooperative approaches under Article 6.2, a carbon crediting mechanism overseen by the United Nations Framework Convention on Climate Change (UNFCCC) under Article 6.4, and non-market approaches under Article 6.8. The design of these pathways is to be understood considering the history of the UNFCCC, including the Kyoto Protocol, and the bottom-up architecture of the Paris Agreement. The three pathways are available for all countries, on a voluntary basis, also implying that all countries face the same participation requirements.
11. For cooperative approaches (Article 6.2) and the new mechanism (Article 6.4), the requirements are demanding. They introduce a different role for participating countries compared to the Kyoto Protocol, especially a new role for developing country governments. The transferring country (host country) becomes responsible for authorizing the transfer of mitigation outcomes that cannot be simultaneously used towards the country's NDC.
12. Under the Kyoto Protocol, developing countries participated in the international carbon market as hosts for CDM projects without having targets on their own. Now, developing countries have targets through their NDCs and can participate as countries transferring

or receiving mitigation outcomes. Countries must ensure that participation in cooperative approaches, whether through Articles 6.2 or Article 6.4, specifically does not result in difficulty in reaching their NDC targets.

13. Assessing the activity's contribution to sustainable development will remain important but will not be the only aspect. Since Rwanda is expected to report to the UNFCCC on how mitigation actions contribute to its NDCs, and how they are consistent with sustainable development and environmental integrity requirements, Rwanda will have to govern Article 6 implementation domestically, adopting not just procedural rules, but also content. For example, it will need to ensure that Article 6 activities contribute to the NDC and are in line with its national climate policies and development priorities, as well as integrated into its national MRV and accounting system.
14. At the international level, corporations are increasingly interested in the use of carbon units to offset part of their corporate GHG footprint. Different independent carbon programs establish the processes and accounting methodologies for the development of offset projects and their independent verification. The Paris Agreement and the so-called voluntary market are also closely related. Some of the independent carbon programs have established restrictions on the use of offsets depending on if these are authorized for international transfer by the host country or not - but the major independent program, VCS, has not.

Article 6.2 of the Paris Agreement

15. Article 6.2 sets out an accounting framework that enables the achievement of NDCs through the international transfer of mitigation outcomes (ITMOs). Article 6.2 does not define the type of cooperation; it provides for mechanisms and approaches defined and led by the participating countries. The international transfer of mitigation outcomes must be followed by robust accounting via corresponding adjustments, whereby the export of mitigation outcomes will be reflected in the transferring country's emissions balance through an addition. This is to avoid cases where the transferred mitigation outcomes are counted towards the achievement of both the NDC of the transferring country and the NDC of the acquiring country.
16. If transferring ITMOs, the transferring country needs to ensure that their transferred units are not needed to meet their own NDC. Additionally it is important that the reasons for participating in Article 6.2 are understood. Such reasons could include receiving co-

funding for priority projects with high-cost technologies that the country could not finance domestically, kick-starting projects that can be scaled up to promote transformational change, creating direct revenues, increasing private sector participation in the achievement of climate objectives, and supporting progress towards achievement of the sustainable development goals (SDGs). For a transferring country, having a robust governance and regulatory framework for ensuring environmental integrity, and promoting transparency is a good approach for attracting the interest of acquiring countries. Acquiring countries demand environmental integrity and transparency from transferring countries to ensure the credibility of the purchased ITMOs. This is seen in the bilateral agreements made for cooperative approaches so far.

17. The key international requirements for participating in activities under Article 6.2 that result in the transfer of ITMOs are that a country must:³

- Have arrangements in place for authorizing the use of ITMOs towards the achievement of NDCs.
- Have arrangements in place for tracking ITMOs.
- Have provided the most recent national inventory report.
- Ensure that its participation contributes to the implementation of its NDC and long-term low-emission development strategy, if it has submitted one, and the long-term goals of the Paris Agreement.

The details of each of these requirements are further developed in the descriptions of key processes below.

The Article 6.4 Mechanism

18. Article 6.4 establishes a mechanism to contribute to the mitigation of GHG emissions and to support sustainable development. This mechanism offers a centralised UNFCCC process for the activity cycle, including for developing and approving methodologies as well as validation and verification of mitigation outcomes. When mitigation outcomes from this mechanism (Article 6.4 emission reductions - A6.4ERs) are transferred internationally, they will be subject to the guidance under Article 6.2. Thus, the participation, reporting, and requirements for countries are the same as for a bilaterally agreed approach to the generation of mitigation outcomes.

³ Decision 2/CMA.3 Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

However, the institutional and regulatory capacity required for managing the activity cycle is limited for a host country – as a result, this mechanism can be an attractive pathway under Article 6.

19. The rules, modalities, and procedures agreed upon at COP26 include provisions for the development and approval of methodologies, validation, registration, monitoring, verification and certification, issuance, crediting periods, voluntary cancellation, and other processes, as well as the establishment of a UNFCCC authority (the Supervisory Body) that will oversee the functioning of the mechanism. The decision at COP26 put the mechanism in operation - the Supervisory Body could be established and start the work on the details of the modalities and procedures. The Supervisory Body had its first meeting at the end of July 2022.⁴
20. Article 6.4 offers a baseline and crediting mechanism for private and public sector entities to carry out emission reduction and removal projects and earn carbon credits.⁵ The new mechanism is brought forward by some as a key approach for facilitating the private sector's participation⁶, producing credits that can be purchased by individuals, companies, and organisations, as well as governments. Article 6.4 is seen as the option of choice for countries with limitations related to the willingness and/or capacity for public-sector involvement. To a much larger extent, the responsibilities for operationalizing Article 6.4 will be placed centrally within the UNFCCC, reducing the burden of implementation on the host country.
21. The mechanism is intended to generate A6.4ERs, and it will likely adopt several elements of the Clean Development Mechanism (CDM) if Parties (signatories to the UNFCCC) and international regulators are willing to do so, pending further negotiations of the Parties in the context of the 6.4 Supervisory Body. Specifically, the Article 6.4 mechanism is expected to include an activity cycle - steps that a mitigation activity has to undergo until the issuance of the corresponding emission reduction certificates - similar to the CDM, while having a more ambitious methodology design and baseline setting approach.⁷

⁴ <https://unfccc.int/process-and-meetings/bodies/constituted-bodies/article-64-supervisory-body>

⁵ Reference level against which emissions reductions are calculated

⁶ See for instance Füssler J., A. Wunderlich, N. Kreibich, and W. Obergassel (2019) Incentives for Private Sector Participation in the Article 6.4 Mechanism. Discussion Paper. German Environment Agency

⁷ See for instance Lo Re, L., et al. (2019), "Designing the Article 6.4 mechanism: Assessing selected baseline approaches and their implications", OECD/IEA Climate Change Expert Group Papers, No. 2019/05, OECD Publishing, Paris, <https://doi.org/10.1787/59feca56-en>.

22. The Article 6.4 mechanism could be attractive for Parties and private entities with experience operating in the CDM. CDM activities will be eligible for transition to Article 6.4 given that the request to transition is made before the end of 2023 and given approval to re-register as Article 6.4 activities by the host country.
23. Article 6.4 contains specific rules aimed at raising ambition, through a provision stating that the mechanism “shall aim.... to deliver an overall mitigation in global emissions” (Article 6.4, d). The concept of Overall Mitigation in Global Emissions was introduced to ensure that carbon crediting under the mechanism goes beyond pure offsetting, i.e., that some of the emission reductions are counted solely to the benefit of the atmosphere.⁸ In decision 3/CMA.3 (paragraph 59), it was agreed that 2% of the mitigation outcomes that are produced by the Article 6.4 mechanism are to be cancelled at issuance. Additionally, the COP26 decision also introduced a share of proceeds (SoP) for adaptation, where 5% of proceeds coming from the Article 6.4 mechanism issuances will be taken to support the Adaptation Fund.
24. Since the Article 6.4 emission reductions (A6.4ERs) are subject to Article 6.2 guidance when internationally transferred (and need to be authorized as ITMOs), Article 6.4 can be understood as one type of cooperative approach, with some additional components relating to the submission of statements and information to the Supervisory Body. The rules, modalities and procedures for Article 6.4 require that the host country, prior to participation in the mechanism, “has designated a national authority for the mechanism and has communicated that designation to the secretariat”. A host country shall:⁹

“Approve the activity including a description on how the activity fosters sustainable development, provide an explanation of how the activity relates to the implementation of its NDC and how the expected emission reductions or removals contribute to the host Party’s NDC and the purposes referred to in Article 6, paragraph 1”

“Provide to the Supervisory Body authorization of public or private entities to participate in the activity as activity participants under the mechanism; and

⁸ ADB (2018) Decoding Article 6 of the Paris Agreement.

⁹ Decision 3/CMA.3. Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement. Annex. Paragraph 40

“Provide a statement to the Supervisory Body specifying whether it authorizes A6.4ERs issued for the activity for use towards achievement of NDCs and/or for other international mitigation purposes”

25. This means that participation in Article 6.4 activities requires a specific function within the unit that is responsible for Article 6 to act as Designated National Authority and make the approvals, authorizations, and statements required. The Designated National Authority will also be responsible for submitting information to the Supervisory Body and the Secretariat.
26. During COP27, it was decided that Article 6.4 can result in “mitigation contribution A6.4ERs”. These are A6.4ERs not specified as authorized for use towards achievement of NDCs or for “other international mitigation purposes”. These can be used for result-based finance or in domestic schemes, among other purposes, and do not require corresponding adjustments. In addition to needing to provide statements for NDC use or other international mitigation purposes, statements may also be needed for mitigation contribution A6.4ERs.

Article 6.8 Non-Market Approaches

27. Article 6.8 establishes a framework for non-market approaches (NMAs). This part of Article 6 is different from Article 6.2 and Article 6.4 in that the mandate from the COP is a work program to be defined instead of guidance, rules, modalities, or procedures. Article 6.8 establishes a series of steps and principles meant to establish and guide the implementation of a framework for non-market approaches. At COP26, the Glasgow Committee for Non-Market Approaches was established, which is set to implement the framework and work program that is envisioned under Article 6.8.¹⁰
28. NMAs are defined as voluntary cooperative actions that are not reliant on market-based approaches and that do not include transactions or quid-pro-quo operations¹¹, while still delivering real and quantifiable mitigation and adaptation ambition. In practice, NMAs are likely to vary in what they may include, but this may become clearer over time as Parties continue to enter into NMAs and develop new approaches. While being uniquely different, the similarity of Article 6.8 with Article 6.2 and Article 6.4 is that Article 6.8 is also aiming at assisting in the implementation of the NDCs.

¹⁰ Decision 4/CMA.3

¹¹ https://unfccc.int/sites/default/files/resource/cma3_auv_12c_PA_6.8.pdf

29. NMAs will be relevant for the Article 6 framework mainly in relation to reporting. There is no specific reference to Article 13 (the Enhanced Transparency Framework) in any of the decision texts on Article 6.8. Nonetheless, the areas relevant to Article 6.8 are mitigation, adaptation, finance, technology development and transfer, and capacity-building, and there already are rules for how to report on these areas in the Biennial Transparency Report (BTR). The UNFCCC Secretariat is creating a specific platform aiming at sharing information on NMAs. A task within the scope of the Article 6 framework is to handle requests for registering an activity as an NMA and submit information for the NMA platform, hosted by the UNFCCC Secretariat.

Independent carbon programs

30. The voluntary carbon market (VCM) is a widely used term for a set of fragmented markets where private individuals, corporations, and other actors issue, buy and sell carbon credits to offset their GHG emissions. The VCM operates outside of regulated or mandatory carbon pricing instruments.¹²
31. The VCM has emerged in response to the wish of private actors to finance activities that remove greenhouse gas (GHG) emissions from the atmosphere or reduce GHG emissions associated with industry, transportation, energy, buildings, agriculture, deforestation, or any other aspect of human life. Buyers - companies, governments, nongovernmental organizations, and other public and private stakeholders - use VCM carbon credits to directly offset their GHG emissions against a voluntary emission reduction target, or to contribute to broader corporate or public climate goals to reduce GHG emissions overall by buying credits without offsetting. Buyers typically have either a carbon neutrality target or a net-zero target.
32. Independent carbon crediting standards are not regulated under the Paris Agreement but there are interlinkages. Carbon credits have historically been used in the private sector for voluntary offsetting of emissions. However, some of the standards are now also approved under compliance mechanisms, such as the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), or domestic carbon pricing programs such as in South Africa, Colombia, and California.

¹² In a compliance market, participation is mandatory, and it is created and regulated by national (such as China's emissions trading scheme), regional (such as the EU ETS), or international carbon reduction regimes (such as the Kyoto Protocol).

33. Under the Kyoto Protocol, these standards operated separately from the CDM and the international carbon market under the Kyoto Protocol compliance scheme. The demand for carbon credits in regulated jurisdictions (mainly Europe) or by corporations, was broadly geared towards projects implemented in countries with no emission reduction targets under the Kyoto Protocol. However, with the structure of the Paris Agreement requiring all countries to contribute to the Paris Agreement objectives and propose their contribution through emissions reduction targets in their NDCs, the relationship between independent standards and the international carbon market under the UNFCCC has become more complex due to the risk of double counting or double claiming.
34. One current debate is whether a corresponding adjustment should be applied to units that have been exported for use by a company or other institution to claim towards its carbon neutrality or net-zero target. The debate concerns the need for NDC accounting, i.e., a corresponding adjustment from the transferring country. Without corresponding adjustment, the corporation claims the carbon credit for offsetting while the emission reduction will be counted towards the transferring country NDC (which is a form of double claiming). This double claim (by both the corporation and the transferring country) is seen by some market actors as incompatible with a claim by the corporation to have offset emissions.
35. Some independent standards have proposed an approach where independent carbon crediting program units may be tagged either as 'adjusted' or 'not adjusted' in the transferring country, which will then determine its possible use. Others have proposed an approach where a company with voluntary targets may choose to either purchase carbon credits backed by corresponding adjustments when making an "offset claim", or to make a "contribution claim" when purchasing carbon credits not backed by corresponding adjustments i.e., when supporting the transferring country's NDC by financing mitigation outcomes, but not claiming the emission reductions for its own voluntary target.

Standardized Crediting Framework

36. The Standardized Crediting Framework (SCF) is a streamlined, country-owned emissions reduction crediting framework that i) improves the transparency of national crediting decision-making; ii) reduces transaction cost; iii) shortens the time it takes to generate emissions reductions; iv) paves the way for transactions under Article 6 of the Paris Agreement.
37. The SCF Pilot in Rwanda will focus on high-efficiency fuelwood and charcoal cookstoves used to replace low-efficiency cookstoves. Programs that use efficient cookstoves with renewable biomass, such as pellets and briquettes, are also eligible to participate.

Reducing Emissions from Deforestation and Forest Degradation REDD+

38. Rwanda's REDD+ Readiness Proposal (R-PP) was finalized in 2014, but no national program has been implemented.

¹² In a compliance market, participation is mandatory, and it is created and regulated by national (such as China's emissions trading scheme), regional (such as the EU ETS), or international carbon reduction regimes (such as the Kyoto Protocol).

National Policy Context

Climate Change Policies in Rwanda

39. The development of Rwanda’s national environment, climate change, and sustainable development policies and strategies is based on the adoption of numerous laws and regulations from the early 2000s. This has enabled the creation of important institutions and secured their mandates to facilitate the path towards Rwanda’s low-carbon development. Rwanda’s Vision 2050 articulates the bold long-term ambition of “the Rwanda we want” to be an upper-middle-income country by 2035, and a high-income country by 2050. The vision is anchored around human development, competitiveness and integration, agriculture for wealth creation, urbanization and agglomeration, and accountable and capable state institutions. Under the country’s Vision 2050, Rwanda has a bold vision to become a carbon-neutral and climate-resilient economy by the middle of the century.¹³
40. In 2011, Rwanda adopted the Green Growth and Climate Resilience Strategy (GGCRS), which aims at guiding the process of mainstreaming climate resilience and low-carbon development in key sectors of the economy.¹⁴ The GGCRS has recently been revised to align with Vision 2050 to ensure it defines a development pathway for Rwanda that is climate resilient and harnesses green economic innovation. These aspirations will continue to be embedded in Rwanda’s Revised GGCRS through the Shared Vision for Rwanda to be a developed, climate-resilient, and low-carbon economy by 2050.¹⁵ Agriculture and energy, the two sectors with the highest emissions, are set to be transformed sustainably to minimize their environmental impact. Rwanda sees its development driven by low-carbon domestic energy sources and practices, allowing the country to grow while reducing the contribution to climate change.
41. Embedded in the GGCRS, Rwanda developed and started to implement the National Strategy for Transformation (NST) as an implementation tool for Vision 2050. The first phase of the National Strategy for Transformation (NST1) is a 7-year government

¹³ Republic of Rwanda, 2020. Vision 2050, Republic of Rwanda.

https://www.minecofin.gov.rw/fileadmin/user_upload/Minecofin/Publications/REPORTS/National_Development_Planning_and_Research/Vision_2050/English-Vision_2050_Abridged_version_WEB_Final.pdf

¹⁴ Republic of Rwanda, 2011. Green Growth and Climate Resilience. National Strategy for Climate Change and low carbon development.

¹⁵ Republic of Rwanda, 2021. Revised Green Growth and Climate Resilience Strategy (GGCRS).

program (2018-2024), a high-level planning policy that aims to facilitate the economic, social, and governance transformation at both local government and sectoral levels. The strategy highlights climate change as a priority cross-cutting area and focuses on strengthening cross-sectoral approaches as a mechanism to address climate change with a focus on agriculture, urbanization, and infrastructure and land use management. The environment and climate change are important drivers of national development and are identified as two of the cross-cutting issues that play an important role in achieving inclusive development, aligned with the Sustainable Development Goals (SDG).¹⁶ The measures defined in the 2011 GGCRS and the NST1 formed the basis for the development of Rwanda's updated NDC.

42. The development of the GGCRS and the NDC led to the revision of the National Environment policy to include Climate Change aspects in 2019. The National Environment and Climate Change Policy (NECCP) seeks to provide strategic direction on environmental management and climate change adaptation and mitigation in Rwanda, as well as the linkages with the country's socioeconomic development. Having been developed through a consultation process with many stakeholders from different sectors, the policy acknowledges that any objective can only be achieved if institutional arrangements are made, and roles and responsibilities are clearly allocated. The policy's seven goals are:

1. Greening economic transformation,
2. Enhancing functional natural ecosystems and biosecurity management,
3. Strengthening weather and early warning services,
4. Promoting adaptation, mitigation and response to climate change,
5. Improving the environment well-being for Rwandans,
6. Strengthening environmental and climate policies,
7. Encouraging green foreign and domestic direct investment and other capital inflows.

¹⁶ Republic of Rwanda, 2017: National Strategy for Transformation (NST1).

43. To implement these goals, 22 policy statements and 127 policy actions were identified. For achieving the goals, funding through carbon markets is highlighted as one of the additional funding sources, among others, to address the need to complement scarce public resources.¹⁷ The implementation of the NECCP was part of a larger process of policy and legislative amendments relevant to the implementation of the Climate Change Strategy following the ratification of the Paris Agreement.
44. In view of the growing responsibility of ratifying countries towards the Paris Agreement and the required national communication documents, the new Rwanda Law on Environment was adopted in 2018. The latter law originates from the first-generation Organic Law No. 04/2005 of determining the modalities of protection, conservation and promotion of the environment in Rwanda, enabling the management of the environment. Article 24 of the new law defines the reporting requirements on GHG emissions. The authority in charge of climate change in collaboration with administrative entities and national and international non-governmental organizations must develop, regularly update, publish and make available the following:
- National inventories of anthropogenic emissions by sources and removals by sinks of all greenhouse gases using comparable methodologies provided by the convention on climate change;
 - National programs containing measures to mitigate climate change by addressing anthropogenic emissions by sources and removals by sinks of all greenhouse gases;
 - National climate change vulnerability assessment and programs containing measures for adaptation to impacts of climate change in different sectors likely to be affected.
45. The article 24 of the law on the environment provides for an order of the Minister that determines the procedure for the preparation of the national report on climate change and the responsibilities of organs that are involved.¹⁸ The later article resulted in the

¹⁷ Ministry of Environment, 2019. Rwanda Environment and Climate Change Policy:

<http://www.fonerwa.org/sites/default/files/2021-06/Rwanda%20National%20Environment%20and%20Climate%20Change%20Policy%202019.pdf>

¹⁸ Government of Rwanda, 2018: Law N°48/2018 on the environment <https://waterportal.rwb.rw/sites/default/files/2018-10/Water%20law%20gazetted%2C2018.pdf>

Ministerial Order No 005/2021 of 08/04/2021 for Determining the Procedures for Preparation of National Report on Climate Change. Article 24 of this ministerial order highlights that the national report on climate change is developed on the frequency determined by the convention on climate change.¹⁹

Nationally Determined Contribution

46. In accordance with the Paris Agreement, Rwanda submitted its Intended Nationally Determined Contribution in 2015 which then became its first NDC in 2016. In May 2020, Rwanda submitted its updated NDC to the UNFCCC, with higher ambitions and additional information on mitigation and adaptation actions. The document presents a total cost of 11 billion USD, of which 5.7 million USD is allocated for mitigation while 5.3 million USD is allocated to adaptation measures. Rwanda has committed to fund 40% of this amount by 2030, which is referred to as unconditional measures, and seeks to finance the rest from private and foreign sources as conditional measures.²⁰
47. The unconditional contribution²¹ implies an emission reduction of 16% relative to business-as-usual (BAU) scenario in the year 2030; equivalent to an estimated mitigation level of 1.9 million tCO₂e in that year. The conditional contribution: an additional reduction of 22% relative to BAU in the year 2030; equivalent to an estimated mitigation level of 2.7 million tCO₂e in that year.
48. An unconditional target for any sector indicates that there are reductions to be achieved primarily by Rwanda pursuing domestic measures, and thus not a priority for carbon crediting under Article 6. A conditional target for any sector indicates that carbon crediting with a corresponding adjustment is possible as part of the effort to mobilize finance for achieving the conditional target. Any reduction beyond the 1.9 mtCO₂e reduced, compared to the BAU baseline in 2030, should be eligible for carbon crediting that includes international transfers under Article 6.

¹⁹ Republic of Rwanda, 2021. Official Gazette n° 13 of 12/04/2021. Ministerial Order relating to the national report on climate change No 005/2021 of 08/04/2021

²⁰ Republic of Rwanda, 2020. Updated Nationally Determined Contribution. <https://www.environment.gov.rw/index.php?eID=dumpFile&t=f&f=10524&token=cc71295b8709864675e03e7bedcc8dd7e14b09ed>

²¹ Republic of Rwanda (2020) Updated Nationally Determined Contribution

49. The NDC lists measures for the unconditional and conditional targets respectively. Measures being listed as unconditional measures means that they should not be eligible for carbon crediting with corresponding adjustments, unless there is reasonable certainty that the unconditional NDC target will not be achieved. Conditional measures, on the other hand, are suitable for the international carbon market with corresponding adjustments, and present an opportunity under cooperative approaches (Article 6.2) or the mechanism under Article 6.4. Unconditional and conditional measures can also benefit from VCM activities without corresponding adjustments.

Sectoral actions identified for unconditional NDC and international transfer

50. Rwanda has listed several unconditional and conditional measures in its NDC which are set out in the table below. These lists provide a first basis for the identification of sectors suitable for ITMOs. An unconditional target for any sector indicates that there are reductions to be achieved primarily through Rwanda's own efforts, using its own resources. A conditional target for any sector indicates that activities listed here are only achievable with some form of international support. Carbon crediting may be appropriate as part of the effort to mobilize finance for achieving the conditional target but also for supporting achieving the unconditional targets when appropriate. In the table below, "VCM" indicates the possibilities of using either an approach with corresponding adjustment or with no corresponding adjustments for conditional measures. Table 1 below shows that the list of unconditional measures is quite substantive, but that there is potential in the conditional measures.²²

²² Table 1 is based on the preliminary analysis in Carbon stocks and potential of Rwanda from key selected sectors

Table 1– Unconditional, conditional NDC measures, measures not mentioned in the NDC and possible carbon market paths for these measures

| Energy | | | | | |
|--------------------------------------|--|---------------------------------|--|--|----------------------------------|
| Electricity generation | | | | | |
| Unconditional | Possible Carbon Market Mechanism | Conditional | Possible Carbon Market Mechanism | Non-NDC measures | Possible Carbon Market Mechanism |
| Grid-connected hydropower generation | Large-scale hydropower not eligible on VCM | Solar mini-grids | Article 6.2, Article 6.4, VCM | Wind power | Article 6.2, Article 6.4, VCM |
| Solar street lighting | VCM without CA* | | | Geothermal power | Article 6.2, Article 6.4, VCM |
| | | | | Utility-scale solar power | Article 6.2, Article 6.4, VCM |
| | | | | Biomass to energy (e.g., rice husk) | Article 6.2, Article 6.4, VCM |
| Industry | | | | | |
| Energy efficiency in agro-processing | Not common activity on VCM** | | | | |
| Climate compatible mining | Not common activity on VCM | | | | |
| Efficient brick kilns | Not common activity on VCM | | | | |
| Energy efficient cement production | Not common activity on VCM | | | | |
| Transport | | | | | |
| Vehicle emissions standards | | Public transport infrastructure | Article 6.2, Article 6.4, Not common activity on VCM | | |
| | | Electric vehicles | Article 6.2, Article 6.4, VCM | | Article 6.2, Article 6.4, VCM |
| Buildings and Agriculture | | | | | |
| Efficient lighting in buildings | VCM without CA | Solar water heater program | Article 6.2, Article 6.4, VCM | Energy efficiency projects reducing firewood use for boiling water | Article 6.2, Article 6.4, VCM |

| | | | | | |
|--|----------------------------|---|-------------------------------|---------------------------------|-------------------------------|
| Efficient cook stoves | VCM without CA | Off-grid and rooftop solar electrification | Article 6.2, Article 6.4, VCM | Green materials in construction | Article 6.2, Article 6.4, VCM |
| Solar pumping for irrigation | VCM without CA | Promotion of on-farm biogas for energy | Article 6.2, Article 6.4, VCM | | |
| Industrial Processes and Product Use (IPPU) | | | | | |
| Clinker and cement production | | | | | |
| Increased pozzolana use in cement | Not common activity on VCM | | | | |
| Fluorinated gases | | | | | |
| Fluorinated gases substitution | Not common activity on VCM | | | | |
| AFOLU (Agriculture) | | | | | |
| Crops and managed soils | | | | | |
| Soil and water conservation (crop rotation) | VCM without CA | Soil and water conservation (terracing) | Article 6.2, Article 6.4, VCM | | |
| | | Soil and water conservation (multicropping) | Article 6.2, Article 6.4, VCM | | |
| | | Conservation tillage | Article 6.2, Article 6.4, VCM | | |
| Livestock | | | | | |
| Improved livestock husbandry | VCM without CA | Improved livestock species and population: | Article 6.2, Article 6.4, VCM | | |
| Improved manure management | VCM without CA | | | | |
| | | | | | |
| Crops and managed soils | | | | | |
| Composting | VCM without CA | Improved fertilizers | Article 6.2, Article 6.4, VCM | | |
| Waste | | | | | |
| Solid waste | | | | | |
| | | Landfill gas utilization | Article 6.2, Article 6.4, VCM | Reduce, Reuse and Recycle | |
| | | Waste-to-energy plants | Article 6.2, Article 6.4, VCM | | |
| | | Aerobic composting | Article 6.2, Article 6.4, VCM | | |
| Wastewater treatment and reuse | | | | | |
| | | Waste-water treatment plants | Article 6.2, Article 6.4, VCM | | |

VCM = Voluntary Carbon Market

CA = Corresponding adjustments

* **VCM without CA** here indicates that the preferred option could be to use VCM without corresponding adjustments since the measures are unconditional. This does not rule out the possibility of using other options if appropriate.

****Activities “not common in VCM”** means that these are not the typical activities corporates and other organizations are investing in for voluntary offsetting and achieving net zero targets. Most VCM activities are about nature-based solutions, mainly forestry and land use.

UNFCCC Commitments and Reporting Status

51. Rwanda ratified the United Nations Framework Convention on Climate Change (UNFCCC) in 1998 and the country has been committed to addressing the challenge of climate change since then. Rwanda submitted its Initial National Communication to the UNFCCC in 2005, the National Adaptation Program of Action (NAPA) in 2006, and the Second and Third National Communications in 2012 and 2018, respectively. In addition, the country ratified the Paris Agreement and submitted the intended NDC in 2015 which become its first NDC in 2016 when the Paris Agreement entered into force. In 2020, the country submitted an updated NDC demonstrating increased ambition, with a more detailed and robust assessment of mitigation and adaptation measures in Rwanda.²³
- (1) Rwanda submitted its first Biennial Update Report in 2021.²⁴

Existing Institutional Arrangements

52. The Rwanda Environment Management Authority (REMA) has been designated as the focal point for Article 6.4 and it was the Designated National Authority for CDM. Table 2 summarizes existing institutional arrangements and Table 3 identifies the CDM Designated National Authority Steering Committee.

²³ World Bank Group, 2022. Rwanda Country Climate and Development main Report: <https://openknowledge.worldbank.org/handle/10986/38067?show=full>

²⁴ <https://unfccc.int/documents/414936>

Table 2 Existing Institutional Arrangements Relating to Carbon Markets

| Institution | Current role |
|---|--|
| Ministry of Environment | <p>Development and dissemination of environmental and climate protection policies, guidelines, strategies, and initiatives as well as legal instruments.</p> <p>General policy oversight, advice on the formulation and implementation of planning, budgeting, reporting and resource mobilization activities in line with related NST-1 priorities.</p> <p>Supervision of various institutions including REMA and FONERWA.</p> |
| Rwanda Environment Management Authority (REMA) | <p>Advisory role to the government on all environmental and climate change-related issues.</p> <p>Carrying out research, studies, and other relevant activities in the field of environment and climate change and to publish the findings.</p> <p>REMA functions as Designated National Authority to the Clean Development Mechanism (CDM) and UNFCCC focal point.</p> <p>Focal point and Designated National Authority for the Paris Agreement Article 6.4 mechanism.</p> <p>Overall coordination of GCF activities in Rwanda by providing strategic oversight with the support of the National Coordination Team.</p> |
| Ministry of Finance and Economic Planning (MINECOFIN) | <p>Tracking NDC MRV-related finance.</p> <p>Overall coordination of monitoring and evaluation activities from planning, data collection, and reporting at all levels.</p> <p>Preparation of the National Strategy for Transformation consolidated annual report using the reports from different sectors and ensuring that NDC MRV is part of the annual reporting.</p> <p>Monitoring the macro key performance indicators through the Government Command Centre, the highest monitoring platform at the national level, and ensuring integration of Rwanda's NDC MRV.</p> |

VCM = Voluntary Carbon Market

CA = Corresponding adjustments

| | |
|---------------------------------|---|
| Rwanda Green Fund (FONERWA), | <p>Mobilization and management of resources used in financing activities aiming at protecting and preserving the environment and natural resources and for the fight against climate change.</p> <p>Mobilization of domestic and international resources for NDC conditional and unconditional targets.</p> |
| Rwanda Development Bank | <p>Capacity building technical support and technology transfer.</p> <p>Climate Finance provider, however, is not yet engaged in carbon finance mechanisms.</p> |
| Rwanda Development Board (RDB) | <p>Promotion of economic development by enabling private-sector growth.</p> |
| Rwanda Energy Group | <p>Government-owned company – responsible for the generation, transmission, and distribution of electricity in Rwanda.</p> |
| Private Sector Federation (PSF) | <p>Strengthening the private sector through human capacity building, sourcing sustainable funding, developing member associations, and providing dispute arbitration.</p> <p>Representing the interest of private sector stakeholders in carbon market-related matters.</p> <p>Key stakeholder of the Designated National Authority steering committee.</p> <p>Working closely with industries and companies, including the members interested in Article 6 of the Paris Agreement.</p> |

Table 3 CDM Designated National Authority Steering Committee

| |
|--|
| Ministry of Environment (MoE) |
| Ministry of Finance and Economic Planning (MINECOFIN) |
| Ministry of Infrastructure (MININFRA) |
| Ministry of Justice (MINIJUST) |
| Ministry of Trade and Industry (MINICOM) |
| Ministry of Agriculture and Animal Resources (MINAGRI) |
| Rwanda Environment Management Authority (REMA) |
| Private Sector Federation (PSF) |
| University of Rwanda (UR) |
| Institute / College of Science and Technology (KIST) |
| Authority in charge of Scientific and Technological Research |
| Authority in charge of Agriculture Research |
| Rwanda Development Board (RDB) |
| Authority in charge of lands |
| Rwanda Agricultural Development Authority (RADA) |
| Rwanda Environment Non-Governmental Organizations Forum (RENGOF) |

Note: Most of these institutions have currently changed their names, merged with other institutions, or no longer exist.

Institutional arrangements under the Standardized Crediting Framework

53. The development of the national Article 6 framework needs to consider the developments related to the implementation of the Standardized Crediting Framework (SCF). The SCF can be understood as one specific cooperative approach.

54. The proposed SCF institutional structure includes a SCF Governing Board, that
- Approves recommendations from the technical committee.
 - Certifies emission reductions.
 - Decides on international transfers of mitigation outcomes.
 - Decides on the future development of SCF.
55. The SCF Governing Board consists of
- Ministry of Environment, Deputy General Climate Change (chair).
 - REMA, DG (co-chair).
 - Ministry of Infrastructure, Division Manager, Energy.
 - FONERWA, Fund Manager.
 - Rwanda Energy Group, Chief Operations Manager.
 - International Union for Conservation of Nature (IUCN), Regional Country Coordinator.

- Under the SCF there is also a Technical Committee consisting of 15 members, including
56. government, private sector, academia, and civil society, drawn from the CDM Technical Committee (Rwanda's existing multi-stakeholder committee to review CDM projects) plus additional members. This committee:
- Evaluates the role of SCF in NDC implementation.
 - Recommends the approval of SCF program documents and templates (methodologies, monitoring, verification, eligible auditors, etc.).
 - Recommends the rules/guidelines for the application of SCF.

The SCF also has an administrative function run by REMA, that

57. • Lists projects and undertakes completeness checks (during listing and certification)
- Approves and lists eligible auditors.
 - Maintains a registry of emission reduction certificates.
 - Convenes meetings of the Technical Committee and the Governing Board.

- The assessment is that a main issue with applying the SCF Framework as a national
58. Article 6 framework is that SCF can result in one or several cooperative approaches involving transactions with SCF donors whereas Rwanda could become involved in several other cooperative approaches. The existing SCF structure is therefore not directly applicable as the national Article 6 framework and the authorization of international transfer of those mitigation outcomes should lie with a body outside the SCF structure itself.

Policy Framework and Guiding Principles

59. Rwanda’s policy framework establishes the guiding principles and strategic decisions for participation in carbon markets.
60. At the strategic level, the NDC of Rwanda²⁵ establishes the overall objective to participate “Rwanda intends to meet its conditional contribution through the use of climate finance and international market mechanisms where appropriate, building upon the experience of the Clean Development Mechanism (CDM) and other existing market mechanisms. These include the potential involvement in international cooperative approaches under Article 6 of the Paris Agreement”.
61. Rwanda’s Policy for participating in carbon markets embraces the guidelines and provisions of the Paris Agreement and the guidance under Article 6:
- Voluntary cooperation with other Parties shall be authorized as well as the participating entities and the transfer of the units resulting from Article 6.2 and 6.4 activities.
 - Voluntary cooperation with other Parties should allow for higher ambition in mitigation and adaptation actions (Article 6.1).
 - Voluntary cooperation should promote sustainable development (Article 6.1).
 - Voluntary cooperation should promote environmental integrity (Article 6.1).
 - Parties that engage in voluntary cooperation involving the use of ITMOs towards NDCs should ensure environmental integrity and transparency, including in governance (Article 6.2) and shall apply robust accounting to ensure the avoidance of double counting (Article 6.2).
 - Voluntary participation in the mechanism under Article 6.4 should contribute to the reduction of emission levels in Rwanda, which will benefit from mitigation activities resulting in emission reductions that can also be used by another Party to fulfill its nationally determined contribution (Article 6.4c).
 - Voluntary participation in the mechanism under Article 6.4 should deliver an overall mitigation in global emissions (Article 6d).

²⁵ Republic of Rwanda (2020) Updated Nationally Determined Contribution

62. Rwanda has established additional policy considerations based on the following guiding principles for its participation in carbon markets and non-market approaches under Article 6:

- Article 6.2 activities shall be approved by the Government of Rwanda and Article 6.4 projects, as stated in decision 3/CMA.3²⁶, shall be also approved when the government deems participation in these approaches and mechanisms in the national interest. The requirements for activity approval are defined in the procedure *“Approval and no objection decisions related to carbon market and non-market activities to be developed in Rwanda.”*
- Rwanda as sovereign has sole discretion over whether or when to participate in Article 6 approaches or mechanisms.
- Activities proposed for official recognition as non-market approaches shall obtain a letter of no objection by the Government of Rwanda. The requirements are defined in the procedure *“Approval and no objection decisions related to carbon market and non-market activities to be developed in Rwanda.”*
- Offset projects developed in Rwanda (voluntary market), independently of the use of the mitigation outcomes, shall obtain a letter of no objection from the Government of Rwanda. The process is defined in the procedure *“Approval and no objection decisions related to carbon market and non-market activities to be developed in Rwanda.”*
- Project developers investing in VCM projects with corresponding adjusted units shall obtain project approval and authorization for the transfer of ITMOs as per the procedure *Approval and no objection decisions related to carbon market and non-market activities to be developed in Rwanda.*

²⁶ Decision 3/CMA.3. Rules, modalities and procedures for the mechanism established by Article 6, paragraph 4, of the Paris Agreement. Annex. Paragraph 40

- Forestry sector projects are to obey to Law n°47bis/2013 of 28/06/2013 determining the management and utilization of forests in Rwanda, article 63 “article 63 on sale of forestry services “the sale of forestry services such as the carbon market and others shall be made in accordance with an agreement between the person seeking such a service and the Authority. The conditions of sale of such services and requirements to be met by beneficiaries of such services shall be determined by the Authority”.
 - Cooperative approaches agreements under Article 6.2 should allow for the contribution to the overall mitigation of global emissions and contribute to a domestic adaptation fund in similar terms than for Article 6.4
 - The authorization of international transfer for other international mitigation purposes (OIMP) implies the contribution of the project to the overall mitigation of global emissions and contribute to a domestic adaptation fund in similar terms than for Article 6.4
 - The approval of Article 6 activities and issuing a letter of no objection for voluntary market projects implies the contribution to the administration of carbon markets provision in Rwanda through a share of proceeds.
63. These guiding principles are the core of Rwanda’s Policy Framework for participation and are further developed together with other operational considerations in the processes for implementation, specifically:

Table 4 Operationalization of Guiding Principles and Policy Decisions

| Carbon market participation policy principle | Operational implementation | Reference document |
|--|--|---|
| Rwanda intends to meet its conditional contribution through the use of climate finance and international market mechanisms where appropriate and in the national interest, building upon the experience of the Clean Development Mechanism (CDM) and other existing market mechanisms. | Process for identification of eligible mitigation activities. | NDC (as of May 2020) |
| Voluntary cooperation with other Parties shall be authorized as well as the participating entities and the transfer of the units resulting from Article 6.2 and 6.4 activities. | Process for authorization of cooperative approaches Process for authorization of use of ITMOs transfers. | Paris Agreement Article 6.3, Decision 2/CMA.3, Decision 3/CMA.3 |
| Voluntary cooperation with other Parties should allow for higher ambition in mitigation and adaptation actions. | Process for authorization of cooperative approaches. | Article 6.1 Paris Agreement |
| Voluntary cooperation should promote sustainable development. | Process for identification of eligible mitigation activities. | Article 6.1 Paris Agreement |
| Voluntary cooperation should promote environmental integrity | Process for the verification and issuance of ITMOs. Process for managing the infrastructure for ITMOs tracking Process for applying corresponding adjustments Process for integrating Article 6.2 reporting and accounting in the national system for the UNFCCC reporting. | Article 6.1 Paris Agreement |

| | | |
|--|--|--|
| <p>Parties that engage in voluntary cooperation involving the use of ITMOs towards NDCs should ensure environmental integrity and transparency, including in governance and shall apply robust accounting to ensure the avoidance of double counting.</p> | <p>Process for the verification and issuance of ITMOs Process for managing the infrastructure for ITMOs tracking Process for application of corresponding adjustments Process for integrating Article 6.2 reporting and accounting in the national system for the UNFCCC reporting. Process for non-compliance of different actors in the activity generation cycle.</p> | <p>Article 6.2 Paris Agreement. Decision 2/CMA.3</p> |
| <p>Voluntary participation in the mechanism under Article 6.4 should contribute to the reduction of emission levels in Rwanda, which will benefit from mitigation activities resulting in emission reductions that can also be used by another Party to fulfil its nationally determined contribution.</p> | <p>Process for identification of eligible mitigation activities Process for applying corresponding adjustments.</p> | <p>Article 6.4 (c) Paris Agreement</p> |
| <p>Voluntary participation in the mechanism under Article 6.4 should deliver an overall mitigation in global emissions.</p> | <p>The process is managed by the Supervisory Body of the Article 6.4 Mechanism.</p> | <p>Article 6.4 (d)</p> |
| <p>Article 6.2 activities shall be approved by the Government of Rwanda. Article 6.4 projects shall be also approved.</p> | <p>Process for approval and no objection decisions related to carbon market and non-market activities to be developed in Rwanda.</p> | <p>Decision 3/CMA.3</p> |
| <p>Activities proposed for official recognition as non-market approaches shall be approved by the Government of Rwanda.</p> | <p>Process for approval and no objection decisions related to carbon market and non-market activities to be developed in Rwanda.</p> | <p>Not mandated by Article 6 guidance or rules</p> |

| | | |
|--|--|--|
| <p>Offset projects developed in Rwanda (voluntary market), independently of the use of the mitigation outcomes, shall obtain a letter of no objection from the Government of Rwanda.</p> | <p>Process for approval and no objection decisions related to carbon market and non-market activities to be developed in Rwanda.</p> | <p>Not mandated by Article 6 guidance or rules</p> |
| <p>The use of mitigation outcomes from projects developed in Rwanda for international offsetting requires obtaining an authorization for international transfer for other international mitigation purposes (OIMP) when such is required by the buyer, Rwanda in its capacity as seller, or the independent carbon standard used. In case of mitigation outcomes not authorized for international transfer, the claim shall be limited to contribution to domestic mitigation in Rwanda.</p> | <p>Process for authorization of use of ITMOs.</p> | <p>Decision 2/CMA.3</p> |
| <p>Forestry sector projects are to obey to Law n°47bis/2013 of 28/06/2013 determining the management and utilization of forests in Rwanda, article 63 "article 63 on sale of forestry services "the sale of forestry services such as the carbon market and others shall be made in accordance with an agreement between the person seeking such a service and the Authority. The conditions of sale of such services and requirements to be met by beneficiaries of such services shall be determined by the forestry authority".</p> | | <p>Not mandated by Article 6 guidance or rules</p> |
| <p>Cooperative approaches agreements under Article 6.2 should allow for the contribution to overall mitigation in global emissions and contribute for a domestic adaptation fund in similar terms than for Article 6.4.</p> | <p>The level of contribution and the technical implementation is to be decided at a later date.</p> | <p>Decision 2/CMA.3</p> |

| | | |
|---|---|---|
| <p>The authorization of international transfer for other international mitigation purposes (OIMP) implies the contribution of the project to overall mitigation in global emissions and contribute to a domestic adaptation fund in similar terms as for Article 6.4.</p> | <p>The level of contribution and the technical implementation is to be decided at a later date.</p> | <p>Decision 2/CMA.3</p> |
| <p>The approval of Article 6 activities and issuing a letter of no objection for voluntary market projects implies the contribution to the administration of carbon markets provision in Rwanda through a share of proceeds.</p> | <p>The level of share of proceeds and the technical implementation is to be decided later.</p> | <p>Not mandated by Article 6 guidance or rules.</p> |

Institutional Framework and Governance Structure

- 64. Rwanda has established an institutional framework to ensure the robustness of the international transfer process under Article 6. This institutional framework also identifies responsibilities and additional requirements as a host country participating in Article 6.4 activities, related to information that shall be submitted to the Supervisory Body of the Article 6.4 mechanism.²⁷ The institutional arrangements also identify responsibilities for decisions related to participation in carbon markets in general and non-market approaches under Article 6.8.
- 65. The institutional framework is articulated around an Extended Governing Board and Article 6 Unit as shown in the figure below

Extended Governing Board (Oversight Body)

The extender governing board, also referred to as the oversight body, is responsible for a longer-term oversight, to support the process of adopting the necessary legislation and institutional mandates and to oversee that the implementation processes work as intended. Article 6.2 requires coordination among multiple ministries. This body is responsible for this coordination and is comprised of representatives from more than one ministry.

²⁷ Decision - /CMA.4 Guidance on the mechanism established by Article 6, paragraph 4, of the Paris Agreement

Members

66. The Extended Governing Board memberships build on the existing structures: the Steering Committee for the CDM Designated National Authority, and the SCF Governing Board. It includes additional members of the SCF Governing Board. The Ministry of Environment and the Rwanda Environment Management Authority (REMA, leading SCF Governing Board) are members of both. These organizations are part of the Article 6 Extended Governing Board. Some organizations are members of the CDM Designated National Authority Steering Committee but have no role in the SCF:

- Ministry of Finance and Economic Planning (MINECOFIN)
- Private Sector Federation (PSF)
- Rwanda Forestry Authority (RFA)
- National Land Authority (NLA)
- Rwanda Development Board (RDB)

67. The Ministry of Environment is the coordinating ministry of the Board.

68. There are strong reasons for the MINECOFIN and the PSF to be part of the Article 6 Extended Governing Board. The role of the RFA may be subject to whether Rwanda will engage in forestry projects under Article 6. However, since activities involving independent carbon programs will fall under the scope of the Oversight Body, there are strong reasons also for including RFA. (The RDB should also be included in the A6OB).

69. Three organizations, the Ministry of Infrastructure, FONERWA, the Rwanda Energy Group, and IUCN are members of the SCF Governing Board, but not the CDM Designated National Authority Steering Committee. These are important organizations to include in the Extended Governing Board. Finally, some organizations have no membership of either the CDM Designated National Authority Steering Committee or SCF Governing Board, including several ministries that are relevant to carbon markets:

- Ministry of Agriculture and Animal Resources
- Ministry of Foreign Affairs and International Cooperation
- Ministry of Infrastructure
- Ministry of Trade and Industry

Given that participation in Article 6 activities may impact measures that are under the responsibility of these ministries, they should be part of the Extended Governing Board. To have broad inter-ministerial participation is common international practice for Article 6.

70. Other potential members to consider for the future include:

- Rwanda Development Bank
- BNR – National Bank of Rwanda
- NISR – National Institute of Statistics
- RSB – Rwanda Standards Board

71. The full list of members in the Extended Governing Board proposed is as follows:

Ministries

- i. Ministry of Environment
- ii. Ministry of Finance and Economic Planning
- iii. Ministry of Foreign Affairs and International Cooperation
- iv. Ministry of Infrastructure
- v. Ministry of Agriculture and Animal Resources
- vi. Ministry of Trade and Industry

Agencies

- i. Rwanda Environment Management Authority (REMA)
- ii. Rwanda Forestry Authority (RFA)
- iii. National Land Authority (NLA)
- iv. Rwanda Development Board (RDB)
- v. FONERWA
- vi. Rwanda Energy Group (REG)

Non-government organizations

- i. Private Sector Federation (PSF)

72. The preliminary number of members are 13 representing ministries as well as government agencies and the private sector.

Responsibilities

- Advise on Article 6 participation strategy at the highest level of the government.
- Monitor the implementation of the Article 6 framework.
- Coordinate with other climate and sectoral initiatives.
- Ensure the sustainability of Article 6 institutional arrangements.

Carbon market office

73. **Description:** The day-to-day operation of Article 6 activities and related processes is handled by a different entity than the Oversight body previously described. The carbon market office or department to be created in the organisational structure of the Designated National Authority (DNA) of the Article 6.4 mechanism and approaches. It is a new function for the department in charge of climate change in the DNA (REMA). This may attract the recruitment of new staff to handle the function, and at a later date, the establishment of a separate department, depending on the workload and in accordance with relevant procedures. The main tasks of the Unit will be to:

- Define and implement the Article 6 Framework.
- Operation of Art. 6.2 activities and related processes.
- Manage the administration of share of proceeds.
- Provide technical support, ensuring Article 6 activities developers can develop and operate projects.
- Manage or supervise transparency and accounting requirements: recording, reporting, the emissions balance, and corresponding adjustments.

74. This unit should also coordinate with the UNFCCC reporting units and those responsible for the enhanced transparency framework (ETF) implementation if not under its responsibilities and authority.

75. **Responsibilities:** The carbon market office/Unit would be responsible for defining and implementing the processes described below in the section Framework Implementation Procedures.

76. Competency. The carbon market office/Unit needs to comprise of staff with the capacity and knowledge to perform the tasks in the processes described in the section Framework Implementation Procedures below.

Government and non-government institutions and their role in Rwanda's Article 6 engagement

77. The two key bodies in the institutional arrangement are the Extended Governing Body and the Article 6 Unit. In addition, engagement in Article 6 requires the participation of several government and non-government institutions. Their role and responsibilities are presented in Table 5 below.

Table 5 Institutions involved in Rwanda's Article 6 engagements

| No | Institution | Role and Responsibilities |
|----|--|---|
| 1 | Ministry of Environment | <ul style="list-style-type: none"> • Coordinate and provide policy direction on Article 6 and work with REMA as the host of carbon market responsibilities. • Advise on Article 6 participation strategy at the highest level of the government. • Setting approval criteria for NDC. • Monitor the implementation of the Article 6 framework. • Coordinate with other climate and sectoral initiatives • Ensure sustainability of Article 6 institutional arrangements. • Member of the Extended Governing Board. |
| 2 | MINECOFIN | <ul style="list-style-type: none"> • Member of the negotiating team for bilateral agreements for cooperative approaches under Article 6. • Member of the Extended Governing Board • Tracking NDC MRV related to finance. • Overall coordination of M&E activities from planning, data collection, and reporting at all levels. • Signing all financing Agreements. |
| 3 | Ministry of Foreign Affairs and International Cooperation (MINAFFET) | <ul style="list-style-type: none"> • Member of the negotiating team for bilateral agreements for cooperative approaches under Article 6. • Members of the Extended Governing Board. |

| | | |
|---|--|--|
| 4 | Ministry of Infrastructure (MININFRA) | <ul style="list-style-type: none"> • Member of the Extended Governing Board (on invitation). • Ensure consistency of the Article 6 framework with assigned NDC indicators. |
| 6 | Ministry of Trade and Industry | <ul style="list-style-type: none"> • Member of the Extended Governing Board (on invitation). • Ensure consistency of the Article 6 framework with assigned NDC indicators. |
| 7 | Ministry of Agriculture and Animal Resources | <ul style="list-style-type: none"> • Member of the Extended Governing Board (on invitation). • Ensure consistency of the Article 6 framework with assigned NDC indicators. |
| 8 | REMA | <ul style="list-style-type: none"> • Designated National Authority (DNA) to the Article 6 mechanisms and approaches. • Shall serve as the secretariat for Article 6 (all approaches) and provide administrative and technical services to Article 6 structures. • Shall operationalize the technical requirements (identification of eligible mitigation activities, Registration, Validation, Approval or pre-authorization, Monitoring and verification and issuance, ITMO authorization, Approval / authorization of cooperative approaches, approval and no objection decisions related to carbon market and non-market activities to be developed in Rwanda, Process for Managing the Infrastructure for Tracking, Process for Applying Corresponding Adjustments, Processes for integrating Article 6.2 reporting and accounting in the national system for the UNFCCC reporting and Provisions for non-compliance of different actors in the activity generation cycle. • Communicate which methodological approaches are deemed appropriate. |

| | | |
|---|---------|---|
| | | <ul style="list-style-type: none"> • Approving crediting period and renewal of crediting periods. • Approval and authorization of public or private entities to be activity participants. • Reviewing and registering activities (registry). • Authorizing ITMOs including A6.4ERs and their uses. • Executing transfer of ITMOs. • Ensuring the application of Article 6.2 guidance, including reporting requirements, when A6.4ERs are authorized for international transfer. • Ensuring compliance with national sustainable development priorities. • Ensuring the application of corresponding adjustments. • Preparing, communicating and maintaining NDC. • Setting approval criteria for NDC. • Authorizing independent third-party reviewers to perform validation and verification. • Reporting of BTRs, Initial report, annual information, and regular information (also applicable for A6.4 units authorized for international transfer). • Member and secretary of the Extended Governing Board. |
| 9 | FONERWA | <ul style="list-style-type: none"> • Collecting shares of proceeds. • Selling mitigation outcomes generated outside the scope of the NDC. • Mobilisation and management of resources used in financing activities aiming at protecting and preserving the environment and natural resources and for the fight against climate change. • Mobilization of domestic and international resources for NDC conditional and unconditional targets. • Member of the negotiating team for bilateral agreements on Article 6 frameworks. • Member of the Extended Governing Board. |

| | | |
|----|---------------------------------|--|
| 10 | Rwanda Development Board | <ul style="list-style-type: none"> • Member of the negotiating team for bilateral agreements for cooperative approaches under Article 6. • Provide guidance and orientation of investors in the carbon market ecosystem. • Enabling private sector growth in carbon markets under Article 6 of the Paris Agreement. • Member of the Extended Governing Board. • Mobilization of potential investors in carbon market-related projects. |
| 11 | Financial institutions | <ul style="list-style-type: none"> • To provide climate finance/green loans in carbon finance mechanisms/green finance instruments towards climate change mitigation and adaptation projects. |
| 12 | Rwanda Forestry Authority (RFA) | Member of the Extended Governing Board. |
| 13 | National Land Authority (NLA) | Member of the Extended Governing Board. |
| 14 | Rwanda Energy Group | <ul style="list-style-type: none"> • Member of the Extended Governing Board (on invitation). • Developing and implementing projects related to the generation, transmission, and distribution of electricity in the framework of Article 6 of the Paris Agreement. |
| 15 | Private Sector Federation (PSF) | <ul style="list-style-type: none"> • To represent the interest of private sector stakeholders on carbon market-related matters. • To work closely with industries and companies, including the one interested in Article 6 of the Paris Agreement. • To strengthen the private sector through human capacity building, sourcing sustainable funding, and developing member associations in carbon market frameworks. • Member of the Extended Governing Board. |

Legal and regulatory framework

78. Climate change laws are adopted by the Parliament (Article 64 of the constitution of Rwanda).
79. Policies and strategies are approved by the Cabinet (117 constitution). The updated NDC for Rwanda was approved by the cabinet on 18th May 2020.
80. International cooperation is globally within the mandate of the Ministry of Foreign Affairs and International Affairs. Among other matters, it is responsible for establishing and maintaining bilateral and multilateral relations (Prime Minister's order No 065/03 of 12/08/2020 on the mission and responsibilities of the Ministry of Foreign Affairs and international cooperation). Ministries custodian of specific sectors shall be involved at all stages and own the agreements under their respective portfolios.
81. Article 95 of the Constitution of the Republic of Rwanda recognizes the importance of international cooperation and ranks ratified international treaties and agreements in third position under national laws, immediately after the constitution and organic laws. The section of the Constitution on fundamental principles that governs environmental conservation in Rwanda, under the law on the environment, recognizes the principle of cooperation (article 7 of the law on the environment). The article promotes international cooperation.
82. Rwanda has duly ratified the Paris Agreement, in accordance with the provisions of article 167 of the Constitution. Ratified agreements being part of national laws, the Paris Agreement is entirely and automatically applicable in Rwanda. Therefore, mechanisms under it, including carbon markets, are legally supported.
83. The Ministry of Environment has the mandate to develop and disseminate environmental and climate change policies, strategies, and programs (Prime Minister's Order No 108/03 of 15/8/2020 on the mission and responsibilities of the Ministry of Environment). It is in this framework that it develops the NDC in close collaboration with the Designated National Authority /Focal Point UNFCC – REMA- which, as per the same ministerial order, it has the supervisory mandate.

84. The Ministry of Environment manages the cooperation in environmental and climate change matters, in line with the implementation and delivery of its mandate (Prime Minister order No 108/03 of 15/8/2020 on the ministry mission and responsibilities, and Presidential order No 033/01 of 6/5/2022 governing REMA).
85. The Designated National Authority's mandate/responsibilities derive mainly from (1) the convention/ agreement by which it serves as Designated National Authority; and (2) national regulations/manuals. Once the institution is appointed as NDA based on its usual portfolio, it automatically has the powers to perform as required.
86. Stakeholder engagement and consultation are key for the development of any policy, law, strategy, etc. The Cabinet manual provides for a cabinet paper to be prepared for any document that is to be considered by the Cabinet. A description of the key institutions that have been consulted is one of the key elements of this paper. For environmental and climate change matters that are cross-cutting by nature, the full participation of all actors is required.
87. The laws in place now enable the implementation of Article 6. However, for more clarity and the avoidance of potentially scattered provisions on carbon markets across sectoral laws, the revision of the law on the environment is recommended to accommodate a section on climate financing. Under the section, (i) the state should have the responsibility related to establishing relevant frameworks to enable access to climate financing provided for international conventions and agreements; (ii) having provision(s) on carbon markets, with some details being deferred to a ministerial order to allow and ease the domestication of any new developments at a global level.

Framework Implementation Procedures

88. Rwanda has established the following implementation procedures to operationalize the carbon market policy framework and guiding principles outlined above. These aim at ensuring that any carbon market transaction preserves environmental integrity and is aligned with Rwanda's decisions for NDC implementation.
89. The operationalization processes detail the authorization process for Article 6 participation (authorization of cooperative approaches, participants, projects under Article 6.4, and ITMOs transfers), approval, and the letter of no objection for carbon projects. In addition, the processes for determining what mitigation activities will be eligible for ITMO generation and transfer, an approach for managing the activity cycle, including monitoring, verification and reporting, and an approach for accounting, i.e., performing corresponding adjustments. Specific procedures include:
- Identification of eligible mitigation activities.
 - Authorization of cooperative approaches.
 - Approval and no objection decisions related to carbon market and non-market activities to be developed in Rwanda.
 - Verification and issuance of ITMOs.
 - Authorization of use of ITMOs.
 - Managing the Infrastructure for Tracking.
 - Applying Corresponding Adjustments.
 - Integrating Article 6.2 reporting and accounting in the national system for the UNFCCC reporting.
 - Provisions for non-compliance of different actors in the activity generation cycle.
90. The Article 6 Unit is responsible for the development and implementation of the procedures and, for reviewing them over time to integrate best practices.

Annex I: Terms of Reference of the oversight body for Article 6

Objective: The oversight body for Article 6 is established to ensure that Rwanda effectively can participate in international carbon markets while achieving its NDC and long-term climate targets and fulfilling its requirements towards the Paris Agreement provisions. The Body shall provide advice, guidelines and suggest changes to the regulatory frameworks for the participation in international cooperation under the Paris Agreement as appropriate.

Rules of Procedure: The following Ministries and Government Agencies shall be members of the Extended Governing Board:

- Ministry of Environment
- Ministry of Finance and Economic Planning (MINECOFIN)
- Ministry of Foreign Affairs and International Cooperation
- Ministry of Infrastructure
- Ministry of Agriculture and Animal Resources
- Ministry of Trade and Industry
- Rwanda Environment Management Authority (REMA)
- Rwanda Forestry Authority (RFA)
- National Land Authority (NLA)
- Rwanda Development Board (RDB)
- Rwanda Energy Group
- Private Sector Federation (PSF)

The Body shall meet once per quarter or upon request by the secretariat.

Decisions are taken by a qualified majority.

The Rwanda Environment Management Authority (REMA) shall provide a secretariat function for the Oversight Body.

General tasks

- Regularly monitor all elements of the national Article 6 framework and report on the activities under the Article 6 framework to the Government on a regular basis.
- Commission analyses and studies by external resources when required.
- Conduct stakeholder consultations when required.
- Ensure consistency of the Article 6 framework with existing national priorities and legislation.

Approval and Authorization

- Provide a recommendation on requests for approvals and authorization of the use of ITMOs based on an assessment of how the transfer of ITMOs may impact the achievement of the NDC for the respective sector.
- Provide a recommendation on requests for approvals based on an assessment of how the mitigation activity impacts national development priorities.

Oversee and ensure compliance with the Enhanced Transparency Framework

- Review information on Article 6 collated by REMA for submission to the UNFCCC as part of Initial Report, Biennial Transparency Reports, and Annual Reports.

Oversee and advise on bilateral agreements for Article 6

- Define guidelines for Rwanda's entering into bilateral cooperative agreements.
- Define criteria and terms of reference for entering into Mitigation Outcome Purchase Agreements (MOPAs) with other countries.
- Define the role of Rwanda in the Mitigation Outcome Purchase Agreement (MOPA) when a transfer is authorized to public and private entities outside Government.

Approve and oversee the carbon crediting standards to be used for the transfer of mitigation outcomes

- Approve requirements on the mitigation actions under a domestic and/or bilateral mechanism related to sectors, technologies, and processes based on priorities, plans, and existing legislation, including the NDC implementation plan.
- Approve eligible activity types.
- Approve guidelines for the development of baseline and monitoring methodologies.
- Propose an approach to verification.
- Approve a national, or adopt an international standard and adapt to national circumstances as necessary for monitoring, reporting, and verification of mitigation outcomes.
- Define a mandate for an accreditation body.
- Designate an accreditation body.
- Evaluate the Article 6 Framework.
- Review and evaluate the Article 6 Framework every two years, or in response to Government requests and propose changes as appropriate.



Rwanda Environment Management Authority (REMA)

P.O. Box 7436 Kigali, Rwanda

Tel +250252580101

Fax +250252580017

E-mail: info@rema.gov.rw

Twitter: [@REMA_Rwanda](https://twitter.com/REMA_Rwanda)

Website: www.rema.gov.rw



Republic
of Rwanda

