

**14 February 2025**

3:00 p.m. – 5:00 p.m. (EAT)

Virtual, Addis Ababa - Ethiopia

Leveraging Carbon Markets for Development

Background

African countries and particularly least developed countries (LDCs) are among the smallest emitters of greenhouse gases (GHGs) globally, yet they have committed significantly to the global effort to combat climate change. Through the ambitious targets outlined in their nationally determined contributions (NDCs), these nations actively pursue adaptation, mitigation and sustainable development. While LDCs face numerous challenges in addressing climate change, carbon markets present an opportunity to mobilize some of the necessary financial resources and support for these efforts.

Carbon markets have the potential to offer LDCs a means to integrate climate action into their broader economic strategies, provided that markets work properly and that LDCs engage with them through a pro-active stance. By participating in carbon trading on their own terms, these countries can balance their environmental goals with economic growth, potentially driving green structural transformation. However, carbon markets have not unlocked substantial financial resources for LDCs compared to other external finance flows such as remittances, official development assistance, and foreign direct investment. In order for LDCs to fully benefit from carbon markets, several institutional and technical capacities must be established. In addition, they must navigate the risks and challenges associated with carbon market participation.

The Least Developed Countries Report 2024: Leveraging carbon markets for development

United Nations Trade and Development (UNCTAD)'s LDC Report 2024 explores how carbon markets can bridge gaps between economic growth and climate action in LDCs, and their potential to mobilize capital for sustainable development.

LDCs are active in existing carbon markets and are among the early movers in emerging carbon trading arrangements under Article 6 of the Paris Agreement. This includes both the cooperative approaches under Article 6.2 and the centralized crediting mechanism under Article 6.4.

Carbon market activities are highly concentrated within a few LDCs. As of May 2024, the six largest LDC host countries—Bangladesh, Cambodia, the Democratic Republic





of the Congo, Malawi, Uganda, and Zambia—accounted for 75% of all carbon credits issued in the voluntary carbon market from LDC-hosted projects.

LDCs face several challenges to participating in carbon markets. These include the lack of necessary infrastructure, technology, and institutional capacity to effectively participate in carbon markets and secure sustainable development co-benefits, as well as weak domestic regulatory institutions for carbon markets. Nonetheless, there exist opportunities that LDCs can leverage for their development, such as the existence of significant unused potential for land-based GHG mitigation, primarily through forest protection and agricultural practices; and developing renewable energy generation and distribution in LDCs.

In order to leverage carbon carbon markets, LDCs should strive to maximize alignment between carbon markets and development goals through adopting a proactive and strategic stance to carbon market participation; and carefully balancing opportunities and trade-offs of participating in carbon markets.

International development partners can support LDCs by:

- Strengthening trust in and integrity of carbon markets
- Operationalizing the principle of Common but Differentiated Responsibilities in article 6 of the Paris Agreement
- Distinguishing carbon finance from climate finance
- Enhancing the capacity-building assistance necessary for effective participation in carbon markets

Objective

The Africa Union Commission (AUC) and UNCTAD are co-organizing this side event to bring together different stakeholders to discuss the implications of carbon markets on LDCs and African countries and how they can leverage carbon markets for their sustainable development.

The objective of the event is to provide policymakers, and development practitioners with insights into the current state and future potential of carbon markets in LDCs. It aims to discuss best practices, case studies, and policy recommendations that can help LDCs effectively engage in international carbon trading while addressing challenges and ensuring alignment with their broader development goals.

Target participants

The event will target participants from LDCs with an interest in carbon markets and environmental policy on the continent more broadly. Target participants include policymakers including ministers, ambassadors and international organizations, development partners, academia, industry leaders, and youth.

Modalities

The event will be held virtually.



Documentation

[The Least Developed Countries Report 2024](#) is the background document of the event.

Working Languages

The working languages of the event are English and French, with simultaneous interpretation.

Contacts

Ms. Judith Ameso
Economic Affairs Officer
Regional Office for Africa
UNCTAD
ameso@un.org

Ms. Rumbidzai Treddah Manhando
African Union Commission
ManhandoR@africa-union.org