

Terms of Reference

Pakistan-Implementation of Framework for Voluntary Carbon Markets

A. Background

1. The voluntary carbon market (VCM) is where private individuals, corporations and other actors issue, buy and sell carbon credits outside of regulated or mandatory carbon pricing instruments. Voluntary carbon markets allow carbon emitters to offset their unavoidable emissions by purchasing carbon credits emitted by projects targeted at removing or reducing GHG from the atmosphere. Each credit – which corresponds to one metric ton of reduced, avoided or removed CO₂ or equivalent GHG (MtCO₂e)– can be used by a company, organization, or an individual to compensate for the emission of one ton of CO₂ or equivalent gases. When a credit is used for this purpose, it becomes an offset. It is moved to a register for retired credits, or retirements, and it is no longer tradable.

2. Article 6 of the Paris Agreement provide governments with the flexibility to cooperate with other countries in the implementation of their NDCs “to allow for higher ambition in their mitigation and adaptation actions” (Article 6.1 Paris Agreement). After six years of negotiations, COP26 in Glasgow produced a strong Paris Agreement rulebook for international cooperation through carbon markets. Voluntary Carbon Market activities, therefore, need to comply with the Paris Agreement Article 6 rules that were finalized in November 2021. A mechanism was also produced, under Article 6.4, for corresponding adjustments, that is the transfer of GHG emissions reductions or removals from one country to another. Nations are also encouraged to develop their own registry of corresponding adjustments to avoid double counting retired credits. Pakistan needs to develop national GHG inventories to record VCM activities and their subsequent impact.

3. Robust emissions reduction actions and carbon sequestration through afforestation are central to Pakistan’s NDCs. It sets a cumulative conditional target of an overall 50% reduction of its projected emissions between 2015 and 2030, with a 15% reduction using the country’s own resources, and an additional 35% subject to international financial support. As Pakistan is among the top tiers of countries affected by climate change so the priority actions stress renewable energy technology and carbon trading through voluntary carbon markets. Voluntary carbon market is an encouraging opportunity that would allow Pakistan to meet its Nationally Determined Contributions (NDCs) targets of reducing emissions by up to 50% below Business as Usual (BAU) by 2030 through tapping into voluntary emissions trading schemes. Indigenous designs for local voluntary carbon markets needs public-private collaboration with taking to account all the relevant stakeholders. Pakistan, therefore, needs to address its political climate to scale VCM in Pakistan:

- Lack for data on carbon credit potential makes it difficult to evaluate the benefits
- Outdated census and environmental reports limit a governments technical ability to engage with International Carbon Standards

- Political uncertainty within Pakistan translates to an unattractive market

B. Objective of the Assignment

4. The main objectives of the assignment are:

- To establish a conducive governing regime to provide regulatory and political certainty to VCM transactions
- Provide provisions for accounting the credits in the NDC
- Establishing a digital trade infrastructure to deliver greater transparency, efficiency and risk mitigation for buyers and sellers
- Capacitating the relevant stakeholders on VCM standards and structure of carbon credits
- Accrediting government programs to participate in VCM

5. The following actions are proposed to achieve the objectives of VCM framework for Pakistan.

- a. VCM Governance platform
 - i. Stakeholder mapping and organogram
 - ii. Developing TORs for the platform
 - iii. Roles and responsibilities for monitoring and reporting progress by the governance platform
 - iv. Possible financial mechanism to support platform activities

- b. Streamline the process for setting a Regulatory regime for Government to provide regulatory and political certainty to VCM transactions
 - i. Conduct need assessment for creating a regulatory regime that allows for forging an alliance with an internationally recognized standard-setting body to govern the various registration, validation, monitoring, verification, methodology assessment and approval processes.
 - ii. Identify the institutes responsible for provisions/guidelines/standards, schedule of delivery, costs and supporting agencies

- c. Establishing MRV and GHG Registry systems aligned to international standards
 - i. Conducting a case study analysis for MRV and registry developed by different countries especially from developing country can be referred to create similar system in Pakistan.
 - ii. Establishment of an MRV/GHG registry team of experts from different sectors (recruitment, training and establishment of entity/team)
 - iii. Development of MRV/registry requirements, including monitoring guidelines and procedures, and including if required a legal foundation for the MRV and registry
 - iv. Development of Institutional framework and administration
 - v. Establishment of a digital MRV and GHG registry

- vi. Verification of GHG registry by an approved verification body
- d. Plan for stakeholders outreach and training underpinned by need-assessment
 - i. Conduct an assessment to identify the level of awareness of different stakeholders on VCM in different NDC sectors
 - ii. Identify gaps that need to be fulfilled through capacity building on range of subjects from definition of VCM and role of VCM for climate action (adaptation and mitigation) to the understanding of roles of different entities (governance platform, regulators, facilitators, buyers, sellers, intermediaries, verifiers, etc.), and understanding of systems, programs and legislation to support processes for authorization, transfers, accounting and reporting
 - iii. Develop activity plan to hold the awareness raising of different stakeholders and responsible agency based on i and ii
- e. Accreditation of Government Programmes and Credit Accounting in the NDC
 - i. Define the process for projects by government to get certified against the VCS programs utilizing existing cooperation like VERRA
 - ii. Define the process for Credit Accounting in the NDC based on the Paris Rule book

C. Target Group

6. The deliverables are targeted to build public sector capacity and prepare them to offer a transparent, verifiable, and environmentally robust VCM for private sector to participate in. Therefore, the activities are targeted for both public and private sector including:

- o Government
- o NGOs/CBOs/Community(ies)
- o Industry/Cooperate sector
- o Civil Society

D. Reporting Requirements and Time Schedule for Deliverables

| Deliverable | Actions required | Timeline |
|---|---|--|
| 1.1 VCM Governance Platform functional | 1.1a Stakeholder mapping and organogram | Six months after signing of the contract |
| | 1.1b Developing TORs for the platform including <ul style="list-style-type: none"> i. identification of possible financial mechanism to support platform activities ii. Roles and responsibilities for monitoring and reporting progress by the governance platform | |

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| 1.2 Need Assessment report on regulatory regime for VCM | 1.2a Conduct need assessment for creating a regulatory regime that allows for forging an alliance with an internationally recognized standard-setting body to govern the various registration, validation, monitoring, verification, methodology assessment and approval processes. | Eight months after signing of the contract |
| | 1.2b Identify the institutes responsible for provisions/guidelines/standards, schedule of delivery, costs and supporting agencies | |
| 1.3 MRV and GHG Registry established aligned to international standards | 1.3a Conducting a case study analysis for MRV and registry developed by different countries especially from developing country can be referred to create similar system in Pakistan. | 2 years after signing of the contract |
| | 1.3b Establishment of an MRV/GHG registry team of experts (recruitment, training and establishment of entity/team) | |
| | 1.3c Development of MRV/registry requirements, including monitoring guidelines and procedures, and including if required a legal foundation for the MRV and registry | |
| | 1.3d Development of Institutional framework and administration | |
| | 1.3e Establishment of a digital MRV and GHG registry | |
| | 1.3f Verification of GHG registry by an approved verification body | |
| 1.4 Plan for stakeholders outreach and training underpinned by need-assessment | 1.4a Conduct an assessment to identify the level of awareness of different stakeholders on VCM | 1 year after signing of the contract |
| | 1.4b Identify gaps that need to be fulfilled through capacity building on range of subjects from definition of VCM and role of VCM for climate action (adaptation and mitigation) to the understanding of roles of different entities (governance platform, regulators, facilitators, buyers, sellers, intermediaries, verifiers, etc.), and understanding of systems, programs and legislation to support processes for authorization, transfers, accounting and reporting | |
| | 1.4c Develop activity plan to hold the awareness raising of different stakeholders and responsible agency based on a and b | |

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| 1.5 Process for Accreditation of Government Programmes and Credit Accounting in the NDC | 1.5a Define the process for projects by government to get certified against the VCS programs utilizing existing cooperation like VERRA 1.5b Define the process for Credit Accounting in the NDC based on the Paris Rule book | 1.2 years after signing of the contract |
| Total Duration of the Assignment | | Two (02) years <i>Note: The activities will commence in parallel</i> |

| Action | Timeline |
|---|-----------------|
| | |
| VCM Governance platform | |
| Streamline the process for setting a Regulatory regime for Government to provide regulatory and political certainty to VCM transactions | |
| Establishing MRV and GHG Registry systems aligned to international standards | |
| Plan for Stakeholders outreach and training | |
| Accreditation of Government Programmes and Credit Accounting in the NDC | |

7. The offeror will be reporting to the Director, Ministry of Climate Change, Dr. Saima Shafique and technical focal point, World Bank, Mr Ahsan Tahseen and will submit all the deliverables as mentioned under Section ‘D’. The payment of the deliverable will be linked with its endorsement from the Ministry of Climate Change.

E. Resources and Competencies

8. The Consortium should have demonstrated experience in the effective design, implementation, and operation of low emissions development policies and instruments,

including policy-relevant advisory work on low carbon development strategies, sector mitigation plans, and/or GHG emissions reduction goal-setting. In the consortiums, all associated firms/institutions should demonstrate relevant individual experience in the assignment.

9. The Consortium will be responsible for engaging a team of experts to deliver the outputs with proven, relevant experience and knowledge of working in developing countries and prior experience in Pakistan

F.1 Key Experts

10. The consortium must include following four (04) experts:

Key Expert 1: Climate Change Planning and Policy Specialist

The scope of work and specific tasks will include but not be limited to the following:

- Conduct inception meeting for the assignment and preparing an inception report (comprehensive/detailed project work-plans that include all project activities and roles and responsibilities of the stakeholders and setting-out corresponding milestones)
- Take lead in task 1.1 on establishing VCM governance platform
- Support in conducting need assessment for creating a regulatory regime and finalize need Assessment report on regulatory regime for VCM
- Conduct a case study analysis for MRV and registry developed by different countries especially from developing country can be referred to create similar system in Pakistan.
- Support in establishment of an MRV/GHG registry team of experts (recruitment, training and establishment of entity/team)
- Support in development of MRV/registry requirements, including monitoring guidelines and procedures, and including if required a legal foundation for the MRV and registry
- Lead the development of Institutional framework and administration
- Support the establishment of a digital MRV and GHG registry
- Support the verification of GHG registry by an approved verification body
- Support defining process for accreditation of government programmes and credit accounting in the NDC

Qualification and Experience

The Planning and Policy Specialist shall have:

- Academic qualification in environment, environmental economics, or a closely related field
- Experience of working with government and non-government stakeholders in national and/or regional policy development and implementation of similar activities in South Asia
- Familiarity with government systems and regulatory environment
- Familiarity with and contributions to high-level policy dialogues and advisory functions involving high-level government counterparts and other stakeholders
- Familiarity with political economy and low-carbon development strategy, including climate change and related policies (e.g., energy, industry, transport, forestry, and environment), regulatory and institutional environment, and previous carbon market experience

- Sound knowledge of international climate policies and negotiations, including the background, state, and prospects of the UNFCCC negotiation process, including Pakistan's priorities and interests within that multilateral process
- Strong analytical and critical thinking abilities
- Fluency in English and strong drafting skills

Key Expert 2: Carbon Market Specialist

The scope of work and specific tasks will include but not be limited to the following:

- Assist in establishing a VCM Governance platform
- Take lead in streamlining the process for setting a Regulatory regime for Government to provide regulatory and political certainty to VCM transactions
- Take lead in establishing MRV and GHG Registry systems aligned to international standards including
 - Conducting a case study analysis for MRV and registry developed by different countries especially from developing country can be referred to create similar system in Pakistan.
 - Establishment of an MRV/GHG registry team of experts (recruitment, training and establishment of entity/team)
 - Development of MRV/registry requirements, including monitoring guidelines and procedures, and including if required a legal foundation for the MRV and registry
 - Development of Institutional framework and administration
 - Establishment of a digital MRV and GHG registry
 - Verification of GHG registry by an approved verification body
- Support in finalization of a plan for stakeholders outreach and training underpinned by need-assessment
- Support in devising process for accreditation of Government Programmes and Credit Accounting in the NDC

Qualification and Experience

The Carbon Market Specialist shall have:

- A postgraduate degree in trade, economics, environmental economics, environmental management and policy, energy, climate change policy, or in other relevant field
- Extensive knowledge of CPIs (carbon tax, emissions trading schemes, and carbon crediting mechanisms), legislation, government institutional, and administrative systems
- Experience in the operations of the Kyoto carbon markets (CDM, JI), the Emissions Trading System (ETS) and other similar carbon market instruments
- Demonstrated familiarity with the 'Rulebook' for the implementation of the Paris Agreement, in particular Article 6
- Understanding of challenges and requirements related to and experience in the development and implementation of Monitoring/Measurement, Reporting, and Verification (MRV), and GHG data management systems, including registries

- Successfully worked on similar research projects like carrying out technical assistance and capacity building programs related to climate change mitigation activities, including institutional and fiduciary arrangements
- Strong analytical and critical thinking abilities
- Fluency in English and strong drafting skills

Key Expert 3: Climate Change Specialist

The scope of work and specific tasks will include but not be limited to the following:

- Assist in establishing a VCM Governance platform
- Assist in streamlining the process for setting a Regulatory regime for Government to provide regulatory and political certainty to VCM transactions
- Assist in establishing MRV and GHG Registry systems aligned to international standards including
 - Conducting a case study analysis for MRV and registry developed by different countries especially from developing country can be referred to create similar system in Pakistan.
 - Establishment of an MRV/GHG registry team of experts (recruitment, training and establishment of entity/team)
 - Development of MRV/registry requirements, including monitoring guidelines and procedures, and including if required a legal foundation for the MRV and registry
 - Development of Institutional framework and administration
 - Establishment of a digital MRV and GHG registry
 - Verification of GHG registry by an approved verification body
- Support in finalization of a plan for stakeholders outreach and training underpinned by need-assessment
- Take lead in devising process for accreditation of Government Programmes and Credit Accounting in the NDC

Qualification and Experience

The Climate change Specialist shall have:

- A postgraduate degree in environment, environmental management, energy, energy policy, climate change policy, or in other relevant field
- Proven experience and knowledge of the Pakistan's institutional framework and policies of Climate Change
- Thorough knowledge and understanding of the global debate on climate change and experience in multilateral environmental debates and dialogues and processes
- Extensive knowledge of CPIs (carbon tax, emissions trading schemes, and carbon crediting mechanisms), legislation, government institutional, and administrative systems in mitigation sectors like energy, industry and land-use change
- Demonstrated familiarity with the 'Rulebook' for the implementation of the Paris Agreement, in particular Article 6
- Understanding of challenges and requirements related to and experience in the development and implementation of Monitoring/Measurement, Reporting, and Verification (MRV), and GHG data management systems, including registries

- Successfully worked on similar research projects like carrying out technical assistance and capacity building programs related to climate change mitigation activities, including institutional and fiduciary arrangements
- Strong analytical and critical thinking abilities
- Fluency in English and strong drafting skills

Key Expert 4: Communication and Outreach Specialist

The scope of work and specific tasks will include but not be limited to the following:

- a. Develop and deliver plan for stakeholders outreach and training underpinned by need-assessment
 - a. Conduct an assessment to identify the level of awareness of different stakeholders on VCM
 - b. Identify gaps that need to be fulfilled through capacity building on range of subjects from definition of VCM and role of VCM for climate action (adaptation and mitigation) to the understanding of roles of different entities (governance platform, regulators, facilitators, buyers, sellers, intermediaries, verifiers, etc.), and understanding of systems, programs and legislation to support processes for authorization, transfers, accounting and reporting
 - c. Develop activity plan to hold the awareness raising of different stakeholders and responsible agency based on a and b

Qualification and Experience

The Communication Specialist shall have:

- Academic qualification in social sciences, or a closely related field
- Minimum 3 years of Proven expertise in developing communication or capacity building strategies aimed at stakeholder management
- Successfully worked on similar research projects like capacity building programs related to climate change mitigation activities, including institutional and fiduciary arrangements
- Sound knowledge of international climate policies and negotiations, including the background, state, and prospects of the UNFCCC negotiation process, including Pakistan’s priorities and interests within that multilateral process;
- Strong analytical and critical thinking abilities
- Fluency in English and strong drafting skills

The person month input of key expert and support staff is given below.

| S # | Title | Positions | Origin | Person Months |
|------------|---|------------------|---------------|----------------------|
| | Key Expert Staff | | | |
| 1 | Climate change Planning and Policy Specialist | 1 | National | 6 |
| 2 | Carbon Market Specialist | 1 | International | 24 |
| 3 | Climate Change Specialist | 1 | National | 24 |

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|----------------------------------|---------------------------------------|----------|----------|-----------|
| 4 | Communication and Outreach Specialist | 1 | National | 24 |
| Sub – Total Key Experts | | 4 | | 78 |
| | Support Staff | | | |
| 4 | Project Manager | 1 | National | 24 |
| 5 | Administration support | 1 | National | 24 |
| 6 | Research Analysts | 2 | National | 24 |
| Sub – Total Support Staff | | 2 | | 72 |

