Ghana’s approach in setting pricing strategy and how opportunity cost-based pricing approach can mitigate overselling risks

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Ghana's NDC-Article 6 policy context

- Ghana submitted its Updated NDC in November 2021.
- Historical trend: 2019 emissions of ~60 $MtCO_2e$ represent an 86% rise in 10 years.
- Projections: emissions projected at 100 $MtCO_2e$ by 2030 along BAU.
- NDC commitment: 64 $MtCO_2e$ by 2030 along mitigation pathway
- Article 6 is a strategy to meet the NDC commitment and raise the ambition.

Breakdown of Ghana NDCs

- 34 NDC commitment (64 $MtCO_2e$)
- 9 unconditional measures (25 $MtCO_2e$)
- 25 conditional measures (39.4 $MtCO_2e$)
- 24 $MtCO_2e$ of the conditional measures is available for carbon market transactions.

- Breakdown per sector
  - Transport sector (3 unconditional, 2 conditional measures)
  - Energy (5 unconditional, 15 conditional measures)
  - Forestry (3 unconditional, 2 conditional)
  - Waste (1 unconditional, 2 conditional)
  - RAC HFC (1 conditional)

Assessing of pricing strategy options in Ghana

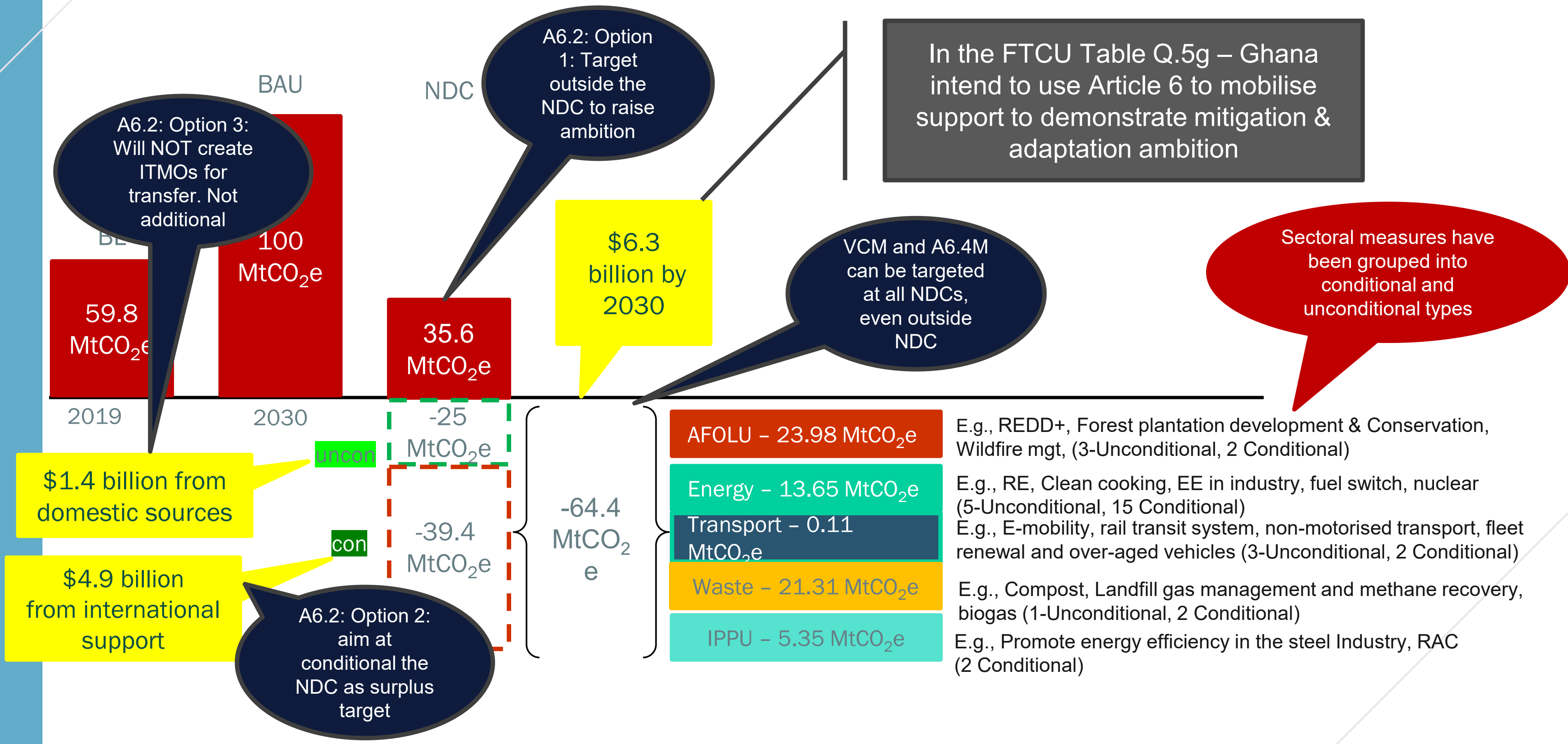
Pricing strategies (explicit pricing to internalize the social cost of GHG emissions)

- Emission Trading Scheme (ETS)
- Carbon Taxation (CT)
- Carbon Crediting Mechanism (CCM)

Findings

- Lack of clear legal mandate for price-based measures in Ghana
- Upstream carbon tax feasible for electricity industry and transport sectors but may suffer political implementation risk
- Global emission contribution low
- ETS will overburden the high emitters
- No go for ETS and CT as the economy cannot hold them.
- CCM was recommended

Measures to achieve the NDC targets



Ghana’s pricing strategy to mitigate overselling risks

- Pathway to achieving NDC (conditional measures are eligible as they are more expensive to achieve>>>>> additional

- Activities outside the NDC and not captured by the GHG inventory are not eligible for authorisation >>>>> not additional to NDC baselines and may authorising will lead to additional BAU emissions

- Activities covered in the latest GHG inventory are eligible to create authorised credits >>>>> mitigation outcomes will lead to ambition of NDC

Ghana’s pricing strategy to mitigate overselling risks (2)

- Aligning baselines of mitigation activities or projects to the NDC baselines and ensuring conservativeness

- Limiting NDC crediting period (2022-2030) >>>>> adjusting baseline of NDC to capture to reflect projects that go beyond 2030

- Not all issued ITMOs will be transferred to acquiring parties >>>>> 1 out of 99 units of each ITMOs issued shall be retained in the National Buffer Account

- A fund setup as a result of Article 6.2 engagements for raising additional investments into NDC >>>>> achieving and raising ambitions of the NDCs
  - Corresponding Adjustment Fee (CAF) >>>>>
  - Mitigation Ambition Fund
  - $3/ITMO (Grant based small scale activity
  - $5/ITMO value for small-scale projects, large scale project (forestry and non-forestry)

Ghana’s pricing strategy to mitigate overselling risks (3)

- A fund setup as a result of Article 6.2 engagements for raising additional investments into NDC >>>>> achieving and raising ambitions of the NDCs

- Corresponding Adjustment Fee (CAF) >>>>> covers the opportunity and marginal cost in creating the ITMO

- CAF >>>>> mainly raising ambition of the NDC >>>>> Mitigation Ambition Fund (MAF)
  - $3/ITMO for Grant based small scale activity
  - $5/ITMO value for small-scale and large-scale projects

- Benefit sharing arrangement legislation for the MAF (on-going) >>>>> Financing towards raising ambition of NDC and adaptation, sector, new start-ups, services of the CMO

Thank you for your attention

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