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$_2$e represent an 86% rise in 10 years.
- **Projections**: emissions projected at 100 MtCO$_2$e by 2030 along BAU.
- **NDC commitment**: 64 MtCO$_2$e 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 MtCO₂e)
- 9 unconditional measures (25 MtCO₂e)
- 25 conditional measures (39.4 MtCO₂e)
- 24 MtCO₂e 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

A6.2: Option 1: Target outside the NDC to raise ambition
- $6.3 billion by 2030

A6.2: Option 2: aim at conditional the NDC as surplus target
- $1.4 billion from domestic sources
- $4.9 billion from international support

A6.2: Option 3: Will NOT create ITMOs for transfer. Not additional

In the FTCU Table Q.5g – Ghana intend to use Article 6 to mobilise support to demonstrate mitigation & adaptation ambition

Sectoral measures have been grouped into conditional and unconditional types

- AFOLU – 23.98 MtCO₂e
  E.g., REDD+, Forest plantation development & Conservation, Wildfire mgt, (3-Unconditional, 2 Conditional)
- Energy – 13.65 MtCO₂e
  E.g., RE, Clean cooking, EE in industry, fuel switch, nuclear (5-Unconditional, 15 Conditional)
- Transport – 0.11 MtCO₂e
  E.g., E-mobility, rail transit system, non-motorised transport, fleet renewal and over-aged vehicles (3-Unconditional, 2 Conditional)
- Waste – 21.31 MtCO₂e
  E.g., Compost, Landfill gas management and methane recovery, biogas (1-Unconditional, 2 Conditional)
- IPPU – 5.35 MtCO₂e
  E.g., Promote energy efficiency in the steel Industry, RAC (2 Conditional)
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
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Thank you for your attention