

Opportunity Issue Based (OIBC4) on Fostering Climate Action, Resilience and Food System Joint mission to Mozambique on Climate Change and Carbon Markets

**Mission was undertaken by UNECA, FAO, UNDP, UNEP, UNRCO Mozambique
10 – 14 June 2024**

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Below are key findings on the mission and recommendations. Additional information is outlined in the following pages.

Key findings

1. The prima facie case for developing and rushing the decree seems to be a consequence of the government not having been in the know of many projects already ongoing in the country. As of today, the government has found 64 projects of which it has full details only of one. Also, the process of developing the national decree on carbon markets started in May 2023 following discussions with ACMI, which seems to be a major stakeholder in pushing for the decree.
2. No decree is better than a bad decree. It is critically important that the government gets it right with the proposed decree. Various stakeholders, particularly the civil society are very concerned about the process and limited consultations. The proposed one month or so of public consultations to start in July and submission to the Council of Ministers in August is seen as too rushed. There are elections in October. This seems to be the Government's key justification for concluding the decree by the end of August 2024.
3. There is limited awareness and capacities on carbon markets among various stakeholders including government, development partners, the CSOs, the communities and the UNCT which needs to be addressed to ensure a good decree and the country's participation in carbon markets of high integrity. Given the limited capacity, the government requested support from the development partners for the development of the decree to which the development partners responded positively. The capacity of government structures is unintentionally being weakened by development partners through a proliferation of programme implementation units (PIU) embedded in various ministries and run by staff who are not part of the ministries. Development partners also have a proliferation of technical advisors to the various ministries they support. These approaches suppress capacity development within the respective ministries.
4. Accordingly, the Embassy of Sweden in Mozambique recruited a consulting firm - Climate Focus - to provide technical guidance on the development of the decree, to actually draft the decree and has supported the structuring of the stakeholder consultations with the Belgian Development Agency and Gaia, a Mozambican consulting company. This is seen as concerning by some stakeholders to engage a private sector entity outside of the country to lead such an important process.

5. The consulting firm is working with a Taskforce established by the Government and led by the Ministry of Economy and Finance and the Ministry of Land and Environment. The taskforce & the consulting firm have created eight working groups, including REDD+; CSOs; Offgrid and Ongrid Energy; Developments Partners and Donors; youth; Carbon Buyers and Financiers; Agriculture and Agro-forestry. These working groups have submitted their initial inputs on various aspects of the draft decree. The general feeling is that despite of these various working groups the focus of carbon markets is very much focused on land-based options which is justified by the Government because of its long-term experience with REDD+.
6. OIBC4 provided detailed feedback on the decree outline. The Taskforce and the consulting firm expressed their appreciation for the inputs. The consultants have asked to have a follow-up discussion with the team online.
7. The proposed decree is not aligned with the timing of the development of the NDC 3.0 revision which is being supported by GIZ. Moreover, the decree is being implemented ahead of the operationalization of the rulebook of Article 6 of the Paris Agreement.
8. There is also concern by the private sector (mainly foreign) that the government is taking too long to authorize carbon projects and that there is insufficient coordination between Ministries as the same land can be authorised for carbon credits forest restoration and mining exploration – creating conflicts between implementing private companies.

Key recommendations

1. The RC may wish to meet urgently with the Ministry of Land and Environment and the Ministry of Economy and Finance to advocate for the importance of linking the NDC to the Government's 5-year Development Plan and for this Carbon Market Decree to be focused on development outcomes rather than raising finance. In addition, the RC may propose areas that the OIBC could support – see point 2
2. The OIBC might consider supporting various aspects of carbon markets including:
 - a. Guidance on benefit sharing and tax regimes in carbon markets – and potentially contribute to the future roundtable discussion on this topic
 - b. Guidance on carbon market standards that ensure due process has taken place with communities
 - c. Guidance on establishing and maintaining an MRV system that aligns with the Enhanced Transparency Framework, especially support on setting baseline and emissions trajectories for the different sectors for the NDC
 - d. Guidance on conditional and non-conditional commitments in NDCs
 - e. Guidance on global and regional registries that follow international best practices
 - f. Guidance on methodologies to calculate Emissions Reductions and Removals for different sectors/activities such as agroforestry, access to clean energy, energy efficiency, clean cooking; biofuels, electric mobility, and green industrialization amongst others
 - g. Guidance on methodology to price carbon credits
 - h. Guidance on how to develop a taxonomy
3. OIBC4 may wish to convene various countries to share experiences to ensure carbon markets are of high integrity and meet the objectives of Article 6 of the Paris Agreement. This could be a follow up on the outcomes of the Sixtieth Session of the Subsidiary Body meeting in Bonn (SB60)

- a. The OIBC might also consider facilitating exchange missions between countries to facilitate peer learning and sharing of experiences
4. OIBC4 might wish to support the Long-Term Low-Emission Development Strategies (LT-LEDS) – potentially through the Climate Promise 2025 – which will help define the vision for the NDC and have a major contribution to the quality of the carbon market;
5. UNRCO can, as a trusted partner with no vested interest, help steer the remaining part of the decree development to ensure that the process is inclusive – ensuring the inclusion of additional groups in the consultation (academia, local communities, media and CSOs) - and focused on climate ambition and in line with international standards;

UNRCO may wish to consider as a matter of urgency to (i) convene various awareness raising workshops for different stakeholders in Mozambique on carbon markets, and (ii) work CSOs to conduct community awareness sessions on carbon markets, community rights, and benefit-sharing;
6. OIBC4 can support the integration of climate change commitments in national budgeting, and assessing the risks associated with the country's engagement in carbon markets.

Additional recommendations

- OIBC4 may wish to respond positively to the requests made by some UNCT entities and work with UNRCO to support UNCT entities with capacity building and regular updates on emerging global issues on climate change as in general and more specifically on instruments to be domesticated on carbon markets, including, for example, new tools and methodologies, carbon markets concerns, and key milestones on Article 6 of the Paris Agreement.
- OIBC4 and UNRCO may consider how to provide the agencies with technical support in dealing with challenges of implementing climate interventions in the North of the country and need for guidelines on implementing climate actions in conflict areas
- OIBC4 may explore opportunities for sustainable development outcomes from sustainable rice production as well as the long coastal areas of Mozambique, including opportunities for the development of a blue economy value chain leveraging initiatives such as the Great Blue Wall.
- OIBC4 may leverage its membership to provide support to the country in areas of early warning systems for disaster risk reduction and anticipatory action and the uptake of crop suitability mapping to address food security and resilience building.
- OIBC4 can also support the country with integrating climate change in national budgeting, assessing and understanding of the risks associated with country's engagement in carbon markets, assessing emissions and BURs among others.

Summary of the findings

Day 0 – 9 June 2024

Informal preparatory meeting with UNRCO

The team and UNRCO colleagues met to align the objective and the tentative programme and to prepare for the upcoming meetings.

- The team reviewed the agenda and identified further stakeholders to meet as part of the mission

Day 1: 10 June 2024

Meeting with Resident Coordinator

- The Resident Coordinator Dr Catherine Sozi briefed the team on the purpose of the mission which is mainly a meet and fact finding to better understand the support that the UN system can provide to Mozambique in general areas of Climate Change and Environment. She provided background to Mozambique's decision to develop a Carbon Market DECREE. The Resident Coordinator informed the meeting that she had met with the Minister of Land and Environment of Mozambique (MTA) following COP28 and discussed key areas of support to Mozambique including early warning, climate finance, carbon markets and blue economy, among others. The Minister emphasized the huge risk posed by climate change and the need to adapt and be resilience. The Resident Coordinator highlighted the capacity need of the country in this context and pointed out the importance of providing a coordinated UN offer of support to the country.
- With regards to capacity needs, the Resident Coordinator informed the meeting that the World Bank is mapping institutional support needs to the government particularly in relation to climate, land and environment and directed the team to meet with the World Bank to discuss and see how the UN can support the country in addressing the capacity needs. It emerged from the discussions that donors have embedded technical advisors to various ministries (especially in MTA) in view of institutional capacity gaps. This is not sustainable for realising the long-term development planning and implementation. In this regard, there is therefore an urgent need for the UN as a trusted partner to support the country in addressing its long-term human and institutional capacity needs.
- The RC stressed that the space on carbon markets is very crowded with so many actors with diverse interests and calls for the UN and other multilateral development banks to be the voice of reason in providing guidance that is aligned with international standards and attainment of Sustainable Development Goals with integrity.
- The RC advised the team to assess as part of mission the capacity needs of UN Country Team to provide support to the government in relation to Carbon Markets in particular, climate change and environment.
- She advised the team to be in a listening mode as they engage different stakeholders to obtain a good understanding in the state of play and identify where the UN can best add value in advising the government.

Meeting with Director of Climate Change (Ministry of Land and Environment), Mrs Jadwiga Massinga

- The meeting was initially set to meet with Minister of Land and Environment. However, the minister was not available due to prior commitments. The mission met with the Director of Climate Change. The Director was accompanied by the Climate Finance Advisor from the Belgium Development Agency who is embedded in the Ministry of Economy and Finance, Adviser to the Minister of Finance and Development, the NDC Partnership Adviser who is embedded in the Ministry of Environment.
- The team briefed the Director on the purpose of the mission and requested the Director to inform the team on the background of the development of Carbon Markets DECREE, where the government is, where it would like to be and the kind of support the government envisages from the UN system. The Director informed that towards the end of 2023 and following discussions with the African Carbon Markets Initiative (ACMI), the government decided to undertake a Carbon Markets Activation Plan to include national carbon market valuation arising from interest from the private sector, civil society and development partners. One of the drivers were the carbon market transactions which were already taking place without oversight of any regulation and thus a lack of transparency in the Voluntary Carbon Markets. As a result, the government set up an interministerial task force that held various meetings to understand Article 6 of the Paris Agreement and the challenges of Voluntary Carbon Markets. Sweden (a consortium company) provided resources to engage a team of technical advisers to support the work of the taskforce. These Advisers are also the ones drafting the proposed DECREE which will be both for the Voluntary Carbon Markets and the national Article 6 mechanisms.
- The Taskforce is engaging with various sectors and conducting broad stakeholder engagements. The last broad stakeholder engagement was held in May 2024 during which 8 submissions were made from various working groups.
- The team highlighted the importance of aligning the any carbon Market actions with the NDC process including the need to put in place the legal and regulatory framework, institutional and governance framework, national carbon markets strategy, procedures and processes to ensure alignment to international standards and UNFCCC processes.
- The Director mentioned that the Environment & Climate Change Policy was being reviewed as well as there was consideration to update the Climate Change Strategy. But the Director acknowledged there couldn't be any carbon market without a proper database on Climate Action, hence, she also emphasized the importance of the government to update the national system for monitoring and evaluation of Climate Action and mentioned that the NDC is currently being revised and that they aim to be more realistic than the previous one and hopefully with a better accounting of their emissions they are able to state which activities will be non-conditional and which ones will be conditional to international finance.
- The team also queried why there was a rush to pass the proposed DECREE given that the UNFCCC have not yet finalised operationalisation of the rule book of Article 6 of the Paris Agreement. The Team also asked why the proposed carbon market regime while being sector-agnostic, is more focused on nature-based solutions on preserving existing carbon stocks. The Director explained that the Decree still aimed to be sector-

agnostic, the reason why maybe more focus is on nature/land-based solutions was because it was the main source of emissions for Mozambique.

In the ensuing discussion, it emerged that:

- The government wants to ensure that there is alignment of the proposed carbon market regulation with the NDCs ensuring that there is consistency with methodology for baseline setting and impact on corresponding adjustments.
- The UN should provide technical guidelines to ensure that NDC emission reduction targets are aligned with the carbon credit potential.
 - A key concern was baseline setting, as Mozambique doesn't have an up to date emissions inventory. COP26 requires baselines to be set in the NDCs, this needs to be consistent with the VCM. Therefore, there was a request for the UN to provide guidance to the Government on emissions trajectories to be incorporated in the NDC
- The government is aware of possible challenges arising from the implementation of the DECREE ahead of the operationalization of the rule book of Article 6 of the Paris Agreement but is confident that ministerial guidelines can address specificity relating to any misalignment between the DECREE and the rule book of Article 6. Additionally, they foresee these additional guidelines to be more administrative and thus could be implemented under the DECREE as the DECREE itself is quite broad.
- The urgency for regulatory framework is motivated by the need for transparency and accountability to tackle the poor tracking of the current voluntary carbon credit projects that are estimated to be worth up to 2M credits. Hence the urgent need for national registry and a robust monitoring platform to ensure integrity on carbon markets.
 - The Team mentioned the UN initiatives to set up global and regional registry that followed international best practices. The Government was very interested to learn how they could access the templates/guidance. Even if Mozambique utilised a regional or global registry it would still have to have a national register
 - The OIBC can support to ensure these are aligned with the UNFCCC requirements
- The Decree will have a clause which would allow it to be reviewed such that it can adapt to the changes in the carbon market
- The Climate Finance Advisor highlighted that there is a great focus on supply side integrity of carbon credits. Yet there is also a need to encourage high integrity demand as well and the UN, can help advocate to drive demand side integrity including entry of African carbon credit into the European Emission Trading System and leveraging of other carbon adjustment mechanism.
- The UN Climate Promise 2025 has been adopted as the UN support to countries on updating NDC3.0.
- Mozambique already has a REDD+ DECREE which is relatively broad as it includes other land-based changes. The REDD+ DECREE will continue in parallel with the proposed carbon market DECREE and linkages will be made between the two. The UN can support the country with awareness on carbon markets and Environmental Education on carbon market such that the private sector/project developers don't just see the economic benefit but also value the environment benefit.

- The government will also need support on how best to regulate benefits sharing and tax regimes in carbon markets.
- The government would welcome a platform for peer learning and sharing of experiences with other countries on Voluntary Carbon Markets. Exchange missions could be considered with Ghana, Namibia, Kenya and maybe Zambia.

Next steps

- The government intends to finalise the first draft of the degree by end of June 2024
- Public consultations on the draft by 31 July 2024
- Revision and submission to the Council of Ministers in August 2024
 - It was mentioned that if there was still certain topics which were not finalized such as benefit sharing or taxation, the submission to the Council of Ministers will be delayed until the Inter-Ministerial Carbon Market Taskforce is satisfied with what is in the draft Decree
- In addition to these dates, there will be specific roundtable discussions on benefit sharing and taxation. These will be targeted to specific individuals in Mozambique who have contributed substantially to the consultation process and international experts
- **16-17th of July: Regional Coalition of Ministers of Finance for Climate Action, meeting in Kampala.** One of the topics of discussion is NDC, so advocate to invite the Ministers of Environment. UNDP Climate Promise involved.
- Launch of the Climate 25 initiative in Mozambique – date to be confirmed

Day 2: 11 June 2024

UNCT Meeting

Preamble

The mission met with The UNCT chaired by Edo Stork UNDP Resident Representative (RR) on behalf of Resident Coordinator. Agencies represented include UNDP, ILO, UN Women, UNIDO, OCHA, UNFPA, UNV, UNECA, UNEP, FAO, WHO.

The UNDP RR provided background of OIBC4 and the purpose of the mission. He mentioned that the Mozambique government had approached the UNCT for support on Carbon Markets and in turn they had requested OIBC4 through the RCP to provide technical support.

The OIBC4 delegation provided a background on how OIBC4 got involved in the supporting Mozambique in carbon markets ahead of COP 27. Following the increasing interest on Carbon Markets in the region, RCs continued to receive the requests from governments on Carbon Markets to which OIBC4 provided a Primer ahead of COP28. OIBC4 organised a side event on Carbon markets Dialogue on the margins of ARFSD that took place in April 2024 which was attended by all RCs in Africa. During this meeting, the RC of Mozambique met with Dr Rose Mwebaza, a Convener of OIBC4 and requested that OIBC4 organises a joint mission to Mozambique on carbon markets and climate change.

UNDP RR also highlighted that a key outcome of the Mozambique UN Sustainable Development Cooperation Framework is climate resilience and sustainable use of natural resources – Strategic Priority 3 (SP3).

The following issues were discussed.

- Some of the UN agencies engaged in different working groups. FAO chaired the working group on Agriculture and Agro Forestry . They involved three provinces of Nampula, Manica, Maputo. Most relevant issues were on taxation of carbon markets, limited institutional capacities, ambiguity of ownership of the emission reduction, lack credibility of emissions data from agriculture and land use. FAO also noted that no DECREE will stop deforestation and stated that it is important to focus on viable solutions including agro forestry. FAO agreed with the team that Carbon Credits should be related to Sustainable Development Outcomes. FAO emphasized the fact that the private and banking sectors have shown interest to participate in the Carbon Market in Mozambique and hence there is urgent need for comprehensive Carbon Market Regulatory Framework. FAO also mentioned the importance the OIBC mission to meet with UN working group for SP3 but also with UN working group for SP2 (economic diversification and sustainable livelihoods).
- UNIDO also participated in the working groups and raised concerns on blurred aspects of the proposed DECREE including institutional capacities, links to Article 6 Paris Agreement, alignment with NDCs, transparency, meeting own NDC commitments and various structural issues that the country faces.
- The UNDP RR noted that Mozambique was one of the first countries to receive from Forest Carbon Partnership Fund of close to 7M USD but has only received the first instalment of the results-based payment. However, due to increasing deforestation, the payments have stopped and there are also concerns on the lack of transparency. He also pointed out that Carbon Markets initiative could also be considered in the context of Integrated National Financing Framework (INFF) especially given that Mozambique is spending almost 73% on salaries and recurring expenditure, 20% on debt repayment leaving only 7% for investment/trying new things. This results in Mozambique being caught up in a vicious cycle of not having enough fiscal space to make investments, then suffering from extreme weather events such as cyclones and the conflict in the north of the country which sets them further back. There is the need to move forward with this INFF so we can create more fiscal space for the Government. He stressed that it would take time for this to be implemented, and that they need advice from the OIBC for quick wins, opportunities Mozambique could be missing, UN can connect to this and access these innovative funds. UNDP RR also raised the timeline poses a challenge, as end of August is exactly when the political campaign for the national election will start, therefore it will be interesting to see how this will transition to the new Government. The UNDP RR also noted that Mozambique is one of the 7 African countries prioritised by Italy's presidency of the G7 to receive substantial support in clean energy – the format of the assistance is still to be defined.
- The representative of WHO highlighted the nexus between climate change and health including the impact of the high dependence on the biomass for energy in health. He mentioned that it is important to put in place incentives to address deforestation and increase access to clean energy and alternative livelihoods. It is also important to invest in reforestation to mitigate the impacts of climate change, e.g. floods which have impacts down the line on the health system.
- The representative of UN women emphasized that Carbon Credit intervention must prioritise women empowerment. She also asked the team to include women groups in their consultations.
- The team stressed the importance of the UNCT following up on the conversation of carbon and Article 6. They reiterated that carbon market is not a silver bullet but it can provide to

countries who put the basic regulations in place, new financing and most importantly finance that doesn't depend on heavy and bureaucratic Government structures. It can be implemented in a decentralized way. The Government doesn't need to have a monopoly and channel the funds through a structure that needs to be created. It can be decentralized through a number of methods, but it can be a source of financing in the next 12-18 months

- stressed the importance of developing the regulation in the right way, for Mozambique to not enter the list of carbon market scandals. It also raised the question on the impact of the LNG investment (the largest in Africa) and how the Government will deal with these emissions

Meeting with World Bank Officials

The team met with Berina, Uwimbabazi, Programme Leader for Sustainable Development for Mozambique and Indian Ocean Countries and her team. Ms Uwimbabazi stressed out that Mozambique requires urgent support in various aspects. She noted that there is so much going on in the country in the context of Carbon Markets but the country is not ready for undertaking Carbon Market transactions because of limited human and institutional capacity, lack of proper governance structures and regulatory frameworks for Carbon Markets.

- The bank is also concerned that the proposed DECREE is being rushed and would encourage stepping back to assess what the challenges and opportunities are, what has worked and what wasn't and how to address the institutional and capacity needs.
- She noted that now is an opportune time to provide coordinated support to the country given that existing frameworks such as climate strategy, national development plan and the government plan all expire in 2025. Therefore, this OIBC4 mission is timely.
- The World Bank team noted that Mozambique is in the category of countries with weak institutions, low human capacity and low engagement – especially at the local level. The government is also facing Human Resource challenges including a freeze on recruitment, low attraction national talents to the public sector. Countries has been studied a lot - no need more reports or diagnostics – what Mozambique needs is to build and strengthen capacity bottom-up
- The World Bank is carrying out an Institution Mapping – looking at human resources and regulatory framework
- There is a lot of support being provided especially to the Ministry of Land and Environment (MTA) but it is fragmented. The situation is made worse by the fact that various development partners have embedded consultants and advisors and establishing programme implementation units headed by contractors and funded by development partners. This leads to a vicious cycle of weakening human and institutional capacity as when the partner's finance ends, the PIU closes and the capacity is lost. Hence, the WB is looking at the HR process to attract and retain staff. Skills are there but outside public sector. No appetite from the donors to look at the root cause – Human Resources. Because of the freeze of recruitment - people end up recruiting advisors. And the pay scale issue is not been addressed.
 - The team recommended that if there is no capacity in the government then there was need to outsource at least until the medium term, when it is improved. For example, some UN agencies that are members of OIBC4 are exploring start-ups who can provide MRV services at an affordable rate or the registry. This could be another outsourcing activity, using non-sophisticated templates that exist already which can be improved later.
 - If communities don't have capacity, only allow standards that ensure due process have taken place with communities. Buyers don't want to lose for making compensation,

and therefore, they would only buy credits that have reassurance that they have been produced with integrity. Mozambique needs to create an ecosystem that prevents abuse only allowing specific standards of high integrity which would essentially be outsourced with community consultation and safeguarding. Project developers are aware they have to use a standard so they can sell it to buyers and understand that a consultation process needs to be done

- WB stated the need for sector specific guideline on how communities will be mobilized and governed in relation to potential investors – especially on how financial flow will reach the community. The Decree consultation process needs to draw on NGOs who have tried in different communities – as what would work in the South of Mozambique won't work for the Centre or North.
- Mozambique has acceded to international treaties, however there is a challenge in domesticating them due to lack of capacity. Further there is a challenge of coherence and alignment of the national frameworks to international norms and standards – they sometime conflict or overlap which makes it difficult to implement.
- In the ensuing discussions, it was clear that the proposed DECREE was going to proceed with or without influence from World Bank and UN System. However, there will be opportunities to support any retrofitting work that may be needed after the DECREE has been passed. There is a good opportunity for the World Bank and the UN System to support the revision of the Environment and Climate Change Policy and subsequent Law. The process has been slow, in the procurement phase to identify the right partners to do the work. Hopefully by mid next year a Policy (first stage before a Law) can be approved by Cabinet
- The World Bank (WB) also highlighted the challenges that Mozambique is facing in the Forest Carbon Partnership Facility (FCPF). Mozambique was one of the first to get the FCPF grant for the period 2020-2021, but since then nothing has happened. Mozambique hasn't earned any credits in the last two years, and the WB predicts they won't get any in the next two years. Therefore, the WB is restructuring this programme, so that the government will lose part of these funds. The WB will utilise some of these funds to better structure the process to help communities and the Government. Currently, the structures put in place down at the community level is very weak - and credits cannot flow to the beneficiaries at the right level. Additionally, there is issue with the MRV system, which was moved from MTA (Land and Environment) to Ministry of Agriculture and Rural Development (MADER), but MADER doesn't have the mandate nor the capacity.
- There will be need to revamp MRV system as part of national framework for Carbon Markets. This puts into question the credibility of such Carbon Schemes.
- Country needs some guideline for the carbon market, but because it is pushed so fast, it is unclear how it will be anchored in the weak structure institutionally and legally. Consultation have been widespread but moving very fast, therefore, it is unclear if the consultations are comprehensive enough and if the communities are ready for this.
- The team also pointed out that even though the existing REDD+ regulation went through extensive consultations, the involvement of communities was very weak and there is limited understanding by communities of what is involved. The team is also concerned that there are possibilities of communities being left on their own to negotiate Carbon Credits with investor land-based Carbon schemes. They also pointed out the limited understanding within government departments of Carbon Market Schemes. Therefore, the World bank and UN system can work together to support the country with guidelines, training, awareness raising on Carbon Markets. However, this can only be viable after the elections. The UN and World Bank can work together in conducting training programmes for the public sector including

young professionals for sustainability. The World Bank is happy to resource such joint initiatives to support the country's technical assistance on Carbon Markets.

- The World Bank will continue to support the MRV with the review process and support the Policy on Environment and Climate Change.

Meeting with GIZ Officials

The team met with Florian Paffenholz, Project Director, Energy and Climate, GIZ and Ms Shaida Seni, Lead Consultant for the NDC facilitation in Mozambique.

- GIZ highlighted their main areas of intervention in Mozambique including energy access with a focus on clean cooking and solar home systems; Get Invest that supports the private sector on finance, including carbon finance; and Get-Transformed that focuses on creating a regulatory environment that supports development such as supporting Mozambique's Energy Transition Strategy. The GIZ Climate Change Programme started last year with the project preparation component that is supporting the preparation of Mozambique's Third Generation NDCs.
- GIZ noted that Mozambique submission of the NDC 3.0 will be most likely late and come mid-2025 due to the elections. The elections will take place in October 2024 and the new government installed in January 2025. It will be important to ensure that the NDC revision remains high on the agenda on the new government in 2025. The NDC needs to be validated by Parliament so highly political. The NDC revision process has two work-streams: Political & Governance workstream and a Technical workstream.
 - For the Governance – need to create a Governance structure so it can be adopted during the process
 - For the technical – need to develop a roadmap with milestones that need to be achieved
- Multiple donors are involved with various entry points and interests but so far, no specific donor commitments on how they will support the NDC since the roadmap has not yet been finalised.
- GIZ will share the roadmap with donors and the UNRCO together with indications of where UN system support could be required in the support to NDC. Probably there will be gaps in sectoral emissions data collection. GIZ flexible in what studies it can support but doesn't want to take over the roadmap - it is for MTA to present the roadmap and go into discussion with partners on who does what. MTA needs to take ownership of this process
- The meeting also highlighted that to clarify on the status of whether the NDC revision process would include National greenhouse gas inventory.
- BUR is in the process, inventory being updated but the status on emissions inventory is unclear with the University and many other stakeholders such as FNDS (National Sustainable Development Fund – who has the specialised MRV unit) involved. GIZ is supporting MTA with data collection for REDD plus annex to their BURs for emissions until 2020. Then they will work on the BTR.
- GIZ also highlighted the opportunity to link the NDC revision with the upcoming new government 5-year plan and the upcoming national development plan. This might allow the Government to be more ambitious by having non-conditional commitments as it will be embedded within the Government's planning and budget mechanisms.

- The NDC revision process will be informed by the need for economy wide NDC. GIZ would like to have a high-ambition targets in the NDC and include all sectors especially the ones not included in the first NDC (blue economy, forestry and land-use change)
- A review of the achievements of the first NDC is ongoing through the Inter-Institutional Group on Climate Change (GIIMC). The GIIMC will also be strengthened, raise the level of seniority of its members and support better coordination between the MTA and the Ministry of Economy and Finance
 - GIZ also engaged with the Technical Scientific Commission to action the NDC such that there is another group discussing it which is not government, so it continues during the election
- There is an MRV system established but not updated. GIZ identified there is a lot of information but not all in the same place
- The team raised the question as to whether there is any consideration so far of supporting Mozambique with LT-LEDs to inform the NDCs revision. GIZ agreed that it was important as it sets the vision of the NDC so very helpful if it can be developed. Unfortunately, there wasn't any firm commitment from any donor – requested UNDP if they will be able to support.

13 June 2024

Meeting with UNCT Strategic Priority 2 on (Economic Diversification and Sustainable Livelihoods) and 3 on (Climate Resilience and Sustainable use of Natural Resources) of the UN Sustainable Cooperation Development Framework (UNSDCF)

Various discussions were heard on challenges and opportunities in implementing the UNSDCF and possible areas of support from OIBC4 identified. Key issues discussed included.

- WFP highlighted the Challenges of implementing climate interventions in the North of the country and need for guidelines on implementing climate actions in conflict areas. WFP also highlighted the need to support clean cooking interventions to address food insecurity and deforestation, as well as need to harness the opportunity of carbon markets in central parts of Mozambique. They also indicated the opportunities from the long coastal areas of Mozambique for Blue Economy related credits. In this context, the team reminded SPs of the Great Blue Wall and opportunities for Carbon Credits in Mozambique. The team also highlighted the importance of OIBC4 supporting the country in areas of early warning systems and crop suitability mapping to address food security.
- OIBC4 agencies involve with the Crop Suitability Mapping which WFP Mozambique interested to learn more about
- UN Women is not involved in issues related to the carbon markets in general and development the DECREE.
- FAO highlighted the importance for projects to benefit small scale farmers in the context of agro forestry that can use specific benefits to small holder farmers including carbon credit core benefit. It was also noted that the agriculture and agroforestry activities are not included in the current REDD+ decree but it is expected to be included in the draft Carbon Markets Decree. There is also the need to facilitate training for local institutions on Agro forestry projects with potential for participation in carbon markets so there is no dependency on FAO's involvement.
- FAO identified other environment and climate action support including early warning systems, assessing loss and damage in agriculture due to drought, resilience building, food security and the need for OIBC4 to support country teams on Global climate issues.

FAO also identified carbon credit opportunities in agricultural production such as sustainable rice production which OIBC4 can also provide support.

- Another area was related to clean cooking using energy efficient cooking stoves that can help small scale farmers minimise deforestation
- IOM highlighted the ongoing work on energy access and conflict prevention and the need to engage private sector to invest in energy access interventions that result in carbon credits, including investments in clean cooking stove for displaced communities. IOM highlighted the opportunity for migration to be a choice and an adaptation strategy
- UNDP outlined support to the ministry of Land and Environment which include support to NDC processes, national and local adaptation plan, climate change strategies, support to participation in COP processes. UNDP pointed out the importance of livelihood interventions such as clean cooking that can result to carbon credit. They also stress the need for support in early warning system for disaster risk reduction and anticipatory action as well as the need to support the country with integrating climate change in national budgeting, assessing emissions and BURs among others. UNDP indicated that Mozambique was one of the pilot countries to be involved in G7 Italy's G7 presidency renewable energy project and that they will need support from OIBC4.
- UNDP also proposed the idea for the OIBC4 to support UN agencies to design the flagship of SP3

Meeting with Inter donor climate change and resilience working group

Sweden as the co-chair of the working group welcomed the team at the embassy of Sweden in Maputo on behalf of the donors. The donors present included Sweden, Germany, Belgium, Switzerland, EU, UK, Norway amongst others.

- The working group informed the team that in May 2023, Mozambique contacted ACMI with a view to developing a carbon market activation plan. As result, the government established a carbon market taskforce and action plan with four steps namely – report on the review of state of play, draft legislation (current step), operationalisation, market activation
- Mindful of its limited capacity, the government requested donor community to support the legislation process. Accordingly, the embassy of Sweden recruited a consulting firm – Climate Focus to support the process.
- Sweden, FSD Africa, USAID, Belgium, Switzerland, among others were the initial parties involved in developing carbon credits projects in Mozambique. Other countries have recently approached Mozambique to implement carbon credits projects. The government is uncomfortable to engage with these countries until it seeks clarity on various issues as well as implementation of the proposed Decree – this was framed as a good sign, as it shows understanding of the risks from the Government-side.
- The working group agreed with the team on the importance of anchoring carbon markets within the overall context of the revision of the Third Generation NDC (NDC 3.0), operationalization of the rule book of Article 6 of the Paris Agreement, and strengthen MRV framework
- A key part of the legislation phase is consultation. Accordingly, 9 stakeholder group were established, and a survey conducted by the consulting firm. The survey was done to assess the level of knowledge and the biggest contributors are the CSOs are the biggest contributor
- The various stakeholder groups have recently submitted their feedback on the Draft Decree to the consultants following the initial consultation process.

- It was highlighted that most stakeholders in Mozambique are not very conversant with the carbon markets, except for some CSOs and hence the need for the questionnaire to provide insights on the existing levels of competencies on carbon markets across the stakeholder groups.
- It was also pointed out that subgroups on REDD+ and of grid were already very advanced on carbon markets with already existing projects and letters of approval.
- The working group also emphasized the importance of not creating unrealistic expectation of the proposed draft Decree.
- The draft Decree is envisaged to be sector-agnostic and to address key issues such as benefits sharing, taxation etc.
- Public consultation on the draft Decree is expected to conclude by the end of July for it to be submitted to the council of ministers in August 2024.
- A master document is being developed combining the comments of the 9 stakeholder groups on different sections (e.g. benefit sharing)
 - There will probably be further discussions on benefit Sharing and Taxation. Mozambique wants to build on knowledge from other countries
- Private sector members of the working group, including Blue Forest, emphasized the importance of proper governance and community benefiting from the carbon credits project, they should be at the discussion table with the private sector. They however expressed concern on the lack of clarity and the need for guidelines to help provide orientation to investors including ie what type of projects qualify for carbon credits and their geographic locations.
- The private sector members also expressed concerns that the government is issuing multiple authorisations for projects in the same location such as carbon credit authorisation and mining concessions on the same land area. They urged for interministerial coordination to avoid conflict. They also expressed the need for guidelines on corresponding adjustments of article 6 of the Paris Agreement as well as clarity on which project would involve Internationally Transferred Mitigation Outcomes (ITMOS).
- There were also concerns on lack of clarity on land ownership and rights regarding mangrove areas as it is between land and sea jurisdiction. Many standards require the need to show evidence of land tenure which is extremely difficult as most communities don't have DUATs.
- The private sector also raised the point that they are helping the Government achieve its development goals by providing communities with funds. Therefore, should they really be taxed? Or at least could there be a neutral body so these taxation funds can be reused to boost other climate change projects?
- The youth representative of the working group highlighted ethical issues such rights of communities and lack of youth and community engagement in the validation processes of carbon credits projects. They also expressed concern in lack of access to information on carbon credit projects including number of projects and their locations. They called for urgent support to build the capacity of communities on matters such as assessing and monitoring of benefit sharing and for these issues to be well captured and addressed in the Decree.
- The CSO representative highlighted that carbon markets are new to many CSOs and there is urgent need of training programmes for CSOs especially on understanding carbon credits and ensuring transparency and benefits sharing.

- The working group requested the UN to share examples of best practices in the operationalisation of carbon market and provide a platform for peer learning between countries.
 - OIBC experts said it is too early to say if there are good examples. Some countries are doing a phased approach: Developing a green taxonomy; allow specific projects in specific sectors; building institutional capacity.
 - But the African Group of Negotiators is a good platform to share experience and learn the nuances of the carbon markets in other countries.
- The UN backstopping is guided by the international best practice particularly Article 6 rulebook and the UN Principles on High Integrity Carbon Market. Participation of Article 6 need robust system to authorize and track ITMOs. Community needs to be part of the Transparency Framework and they need to understand how many carbon credits are coming out of their area. There are several moving parts the NDC, PQG, Environment and Climate Change Law, a lot of action in parallel that needs to be captured.
- The working group agreed with the team on the importance of ensuring compliance with international standards and the need to get a better understanding of the actual inventory and potential of the volume of carbon credits in Mozambique.
- The working group stated that there is no proper MRV in the Government - data collection not working properly. Data collection partly done by consultants financed by donors
- The working group also highlighted the importance of accountability and transparency. They refer to the U4 integrity/corruption risk assessment which was done for Mozambique, and it would be good to share lessons learnt from other countries on this topic
- Finally, the working group questioned how this Decree would align with the process of decentralization. Projects will happen at local level - local authorities key (should do the monitoring and the implementation). How to ensure the Decree doesn't centralize everything
- Members of the Inter-Ministerial Carbon Market Taskforce who are also part of the Donor Working Group mentioned that they are confident that the Taskforce won't release the Decree until they are comfortable with it and that if there are deep-dive that need to be done, it will be before the Decree is released. There are also several linkages that are being made such as the Nagoya Protocol and the Blue Economy regulation, this is why there are several ministries involved in the taskforce. The Government is not afraid to ask for help and this is what they did in Bonn. They are also planning a National Conference to bring international experts.
- Switzerland highlighted the importance that the government needs to give direction on sources of carbon credits to prioritize as well as understanding the key drivers of demand of carbon credits. They emphasized the centrality of integrity of carbon credits in line with international standards for attaining high prices.
 - First the Government needs to identify what is in their inventory – if it isn't in the government's inventory, it can't go out of it, therefore, there isn't corresponding adjustments.
- It was also highlighted that land-based carbon credits generally have high contentions that require a lot of time to resolve and so may not be attractive to buyers of high integrity credits compared the technology-based credits which are higher priced in terms of integrity and credibility.

- Carbon credit projects typically need upfront financing from the financiers and paid for by the cash flow from the sale of the credit which only exist upon approval of the project by the government. Once approved, the owner of the carbon credits owns the land for the duration of the project.
- The working group has requested the government to provide a list of needs in the remaining steps of the carbon market activation plans for better coordination and target support.

Mozambique Carbon Market task force

The team met with task force led by Ms Jadwiga Massinga. Director of Climate Change in the Ministry of Land and Environment. The task force constitutes of members across ministries and institutions. Ministry of Economy and Finance, Ministry of Land and Environment, Ministry of Agriculture and Rural Development, Ministry of the Sea, Inland Waterways and Fisheries, Ministry of Mineral Resources and Energy, Ministry of Public Works, Housing and Water Resources, Ministry of Transport and Communications, and the Ministry of Industry and Commerce. There are also specific funds like the National Fund for Sustainable Development (which has the MRV system) and the National Fund for Energy

- The team presented the OIBC4 feedback on the draft decree to the task force. This was followed by extensive discussions between the team and task force.
- There has been recent rush to Mozambique from international investors looking for carbon credits. The country is very concerned that there are 64 carbon credit projects identified so far but the government is fully aware of only one ie. The Zambezia integrated Landscape Project.
- The country therefore feels that that there is an urgent need to put in place the robust mechanism to monitor the carbon market projects in the country.
- The task force emphasized the need for robust MRV system and registry if Mozambique is going to benefit from a viable carbon credit markets.
- The team pointed out that the current carbon credit activity and the decree seems to be more focused on land-based carbon credits. The task force clarified that the country so far had experience these areas but would rather the proposed decree also prioritised technology-based carbon credits. However, the government will need a lot of support in updating sectorial greenhouse gas inventories.
- The team highlighted the criticality of the Enhanced Transparency Framework for a high-integrity carbon market. It also asked what methodology will be used to price the carbon? If it was going to be linked to other countries so it has a regional approach. Regarding the registry, would it be country-specific, regional registry or a global registry like UNFCCC? And if Mozambique was going to develop its taxonomy, listing which projects are allowed to be traded
- Mozambique first and current NDCs is fully conditional. The process was rushed because it had to be produced. The country was uncomfortable to include unconditional NDC actions because of limited capacities to understand and assess sectoral inventories. No one can clearly explain how the emissions target in the NDC have been defined. With this new NDC, the process should be much more well thought out
 - Data is available for the REDD+ sector as FNDS MRV unit has historical data of emissions by every district in the country. But the Government needs to do this for all the sectors and get big companies like Mozal (aluminium) to contribute to this.

- Some funds are being mobilized to establish a robust MRV system for all the sectors, however, need to establish something more professional and robust and less susceptible to change with elections. Mozambique wants to move to the club of countries with big ambitions
- Mozambique wants more guidance on what is considered conditional and unconditional commitments and methodological approaches to define this. For instance, the Government has committed a lot of resources to respond to climate change from its own budget following natural disasters which could be considered as Climate Action.
- The Advisors in the Taskforce argued that Unconditional commitment could still be considered for ITMOs as it is still a carbon reduction which the country could trade if it carries out the corresponding adjustment
- The Government states that current legislation doesn't help you get the information on emissions from the different sectors. This regulation aims to create this enabling environment, so companies are obliged to provide you with this data.
- The government would also like to gain experiences from countries on how they are implementing the Article 6 of the Paris Agreement.
- The Ministry of Energy request methodological support on for estimating the fraction of non-renewable biomass to develop carbon credit from biofuel projects for clean cooking and enhanced energy access under the country's energy transition plan.
- The Climate Finance Advisors in the Taskforce is concerned of the over-supply of credits, as there is not enough demand. Because compliance market (e.g. EU ETS) is not buying from Africa. Therefore, there is a need to open compliance markets to African credits.
 - Discussion on proposing to the EU alternative to the CBAM credit, whereby an importer instead of buying a CBAM credit buys a carbon credit in Mozambique. This will create a demand for compliance market in Mozambique
- The task force would also like to be support with enhanced understanding of the risks associated with country engaging in carbon markets.

Academic Community

The team met with academicians/researchers mainly from the university of Eduardo Mondlane

- It emerged from the discussion that the academic community has so far not been engaged in the process of the development of draft DECREE on carbon markets. They feared that many other stakeholders may not have been consulted.
- Research by some of the researchers in this meeting on REDD+ showed that the implementation of REDD+ in Gilé reserve (now Gilé National Park) has been problematic. For example, local communities are restricted from accessing resources from the forest while compensation mechanisms are not working, and community members were very concerned about being deprived of their resources without meaningful compensation.
- Other emerging issues include the need to provide attractive incentives to prevent deforestation for low productivity agriculture.
- Researchers feel there is urgent need for increased understanding and awareness of carbon credits in the country given the very limited understanding of carbon markets across stakeholders.
- Support for further debate and awareness on carbon markets is urgent.

- The researchers also emphasised that carbon markets should be addressed in the context of rural development and should ensure that the rights of local communities to their natural resources are not compromised

Civil Society Organisations (CSOs)

The team met with a team of 14 CSOs.

- The CSOs expressed serious concerns of their limited engagement with the Draft Decree so far and expressed severe reservations on why the government is rushing such an important Decree that has potential to impact the lives of many communities.
- They highlighted results from the research on REDD+ project that have had negative impact on communities (in Gilé), including limited or no benefits to communities and denial of access to their forest resources.
- They also called for assurances in the Decree explicitly defines benefit sharing mechanisms and ensure that any carbon credit project should benefit the communities well above their status quo. Carbon market should contribute to sustainable development and enhance livelihoods. The CSOs also called for regular programmes to build and strengthen the capacities of communities and other stakeholders on understanding carbon credits and defend their rights.
- Questions were asked on the implications of implementation of the Decree and authorisation of carbon projects ahead of operationalisation of Article6 rule book.
- It is important to clarify how the Decree will ensure the use of appropriate methodology that attracts the highest price possible and determination of share of proceeds.
- The CSOs also called for efforts to ensure adequate quality control of the Decree to ensure that it delivers sustainable development and environmental integrity. In this regard, the CSOs called for public consultation process to be open, simple and fully inclusive. They further emphasized the need for the Decree to integrate gender and youth empowerment.