**[Carbon trade for clean air](https://www.dawn.com/news/1876851/carbon-trade-for-clean-air)**

[Ali Tauqeer Sheikh](https://www.dawn.com/authors/4987/ali-tauqeer-sheikh) Published December 5, 2024

EMISSIONS trading rules have just been agreed to at the [climate summit in Baku](https://www.dawn.com/news/1874538), creating a new wave of options and opportunities for countries and private sector companies to plan long-term transactions in emission trading.

What do the adopted rules on emissions trading mean for Pakistan? How can we build upon the new momentum, prioritise our early engagements, and still keep an eye on long-term projections on the regulated market by the [Paris Agreement](https://www.dawn.com/news/1227203)?

After almost a decade of negotiations, countries have formally recognised two different types of markets for trading emissions under Article 6. The first, Article 6.2, will facilitate voluntary cooperation among countries to achieve their [Nationally Determined Contributions](https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs) (NDCs) by allowing the transfer of Internationally Transferred Mitigation Outcomes (ITMOs). The second, Article 6.4, will establish a regulated international carbon market overseen by a UN body. This mechanism is designed to ensure structured oversight and accountability in the trading of emission credits.

Experts are sceptical about the integrity of the rules adopted under 6.2, arguing that they could open the floodgates for the sale of junk [carbon credits](https://www.dawn.com/news/1871362). Because of complex ambiguities surrounding 6.2, the informal market will risk unequal and non-transparent transactions. Countries with weaker governance and accountability mechanisms are likely to fall prey to such transactions, dealing particularly with their mangroves or forests.

Pakistan’s journey on carbon trading began in 2017 with the first voluntary market agreement for [Delta Blue Carbon Project](https://deltabluecarbon.com/), followed in 2023 by a Statement of Understanding with Verra, the largest voluntary market certification body. Several companies are presently scouting provinces for opportunities to sign concessions with private and state-owned forest stocks.

Pakistan has now drafted its [Carbon Market Policy Guidelines](https://unepccc.org/spar6c-supports-pakistan-in-launching-carbon-market-policy-guidelines-at-cop29-baku/#:~:text=The%20launch%20of%20the%20%E2%80%9CCarbon,reduction%20potential%2C%20including%20energy%2C%20agriculture). It was [launched](https://mocc.gov.pk/SiteImage/Misc/files/PakistanCarbonMarkets.pdf) in Baku last month to attract investments. The climate change ministry is now developing its ecosystem: carbon market regulations, sectoral inventories, a pipeline of carbon market projects, and integrating carbon market in the next edition of NDCs.

Pakistan can follow a three-track policy in its carbon journey.

Moving forward, Pakistan can follow a three-track policy: first, nature-based projects on mangroves, forests, and biodiversity; second, sectoral emissions interventions, particularly for energy, industry, agriculture, construction, and waste management; and third, air pollution in major urban areas such as Lahore, triggered by the transportation system. Since several provinces consider carbon stocks as their assets, each track will require substantial work on base-lining the provincial stocks. The federal government can trade, but only on their behalf and with their concurrence. For all three tracks, the provinces will need to develop or access scientific baselines of their emissions.

Here I am presenting a case for the third track, trading air pollution, based on a celebrated case study of the Thailand and Switzerland June 2022 agreement for a partnership for the Bangkok E-Bus Programme. The latter aimed at reducing greenhouse gas (GHG) emissions and improving the city’s air quality. The programme seeks to convert the existing fleet to electric buses, aimed at reducing air pollution by cutting emissions by approximately 500,000 tonnes by 2030.

For purposes of comparison, the total carbon emissions in Lahore are around 7.65 million metric tons, with 83 per cent coming from transportation, according to the [2023 Emission Inventory of Lahore](https://urbanunit.gov.pk/Download/publications/Files/8/2023/Emission%20Inventory%20of%20Lahore%202023.pdf) released by Urban Unit.

This initiative is perhaps the first authorised programme under Article 6 of the Paris Agreement in Asia. It leverages the expertise and resources of four key partnering organisations.

**Proponent:** The Energy Absolute Public Company Ltd (EA) publicly traded on the stock exchange of Thailand, envisioned to unleash a sustainable emissions trading system. It will replace internal combustion engine buses with electric vehicles, establish a network of charging stations to support the new fleet, and convert privately operated bus routes from diesel to electric buses.

Looking ahead, EA is tasked with manufacturing electric buses, ensuring that at least 40pc of the material used, including batteries, are sourced locally. This initiative not only supports local industries but also aligns with the country’s goals of developing its [EV infrastructure](https://www.dawn.com/news/1872511). The company focuses on integrating renewable energy solutions and advancing e-mobility initiatives as part of its broader business strategy.

**Financier:** The KliK Foundation secures financing through the sale of reduced emissions that are measured as ITMOs. The purchase of credits by the KliK Foundation will make the project financially viable. It has already purchased the first batch of ITMOs, from EA, for over $30 per credit. The KliK Foundation was established in 2012 as a nonprofit by the Swiss Petroleum Association (Avenergy Suisse) to fulfil their legal obligations on emissions reduction.

**Verification:** The carbon certification firm South Pole is contracted to ensure that the emissions reductions achieved by the electric buses are quantified and verified, allowing EA to sell these credits on the carbon market.

**Credibility:** The programme’s credibility is enhanced by partnering with UNDP’s flagship [Carbon Payment for Development](https://carboncooperation.undp.org/cpford). This programme is designed to promote climate action through a performance-based payment model that incentivises private sector investments in climate mitigation projects. It works through performance-based payments by de-risking investments and ensuring that payments are made only when specific emission reduction targets are achieved.

At a time when the governments in [Sindh](https://www.dawn.com/news/1831691) and [KP](https://www.dawn.com/news/1858736) were negotiating urban transportation projects with ADB, and [Punjab with CPEC](https://www.dawn.com/news/1469439), and elbowing out the private sector from urban transportation system, the Thai government was engaged with ADB for a loan package to help purchase electric buses as part of their E-Bus programme. The Thai-Swiss programme is a significant step towards clean air through energy transition, sustainable public transport system, and reducing GHG emissions as committed to in Thailand’s NDCs. The project is still a work in progress. Is it really a model that can be emulated by Pakistan for clean air or other carbon trading options?

At present, Punjab, Sindh, and KP are developing their own carbon trading programmes, priorities, and even inventories and donor partnerships. They will certainly benefit from shared provincial frameworks.

Yet, they have the capacity to bring potential proponents, financiers, and quantification firms on one table to projectise provincial carbon trading priorities.

*The writer is an Islamabad-based climate change and sustainable development expert.*

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