



REPORT

Carbon Markets in the Democratic Republic of Congo

Conference Report

Katja Biedenkopf and Anastasia Steinlein

1. Introduction

The Democratic Republic of Congo (DRC) holds potential for carbon credit projects, particularly from avoided deforestation. Carbon credits offer an opportunity to promote sustainable practices, reduce greenhouse gas (GHG) emissions, generate economic benefits for the country, and produce social co-benefits. On 23 and 24 October, the conference on Carbon Market in the DRC was held in Kinshasa. It brought together over 100 key players from government agencies, the private sector, and civil society involved in carbon pricing in the DRC. Through in-depth discussions, participants explored the essential steps for establishing a sustainable and high-quality carbon market. Much of the debate focused on the forestry sector, but participants also highlighted the need to look beyond forestry to other sectors that bear great opportunities for the DRC. This report summarizes the main results of the conference and lays out recommendations.

2. Carbon Market Opportunities

Carbon markets in the forestry sector and beyond can play an important role in addressing climate change. Forests are a significant source of and sink for carbon dioxide (CO₂). This makes forest carbon markets essential tools to combat climate change. Additional benefits of forest carbon credits include biodiversity conservation, indigenous rights clarification, and other non-carbon effects that amplify global cooling effects. However, global efforts to end deforestation by 2030 are off track and require urgent action.

The demand for carbon credits surged in 2021 but has since leveled off. Companies are uncertain about the claims they can make based on voluntary credit purchases, and buyers are concerned about the reputational risks associated with low-quality credits. Various initiatives, including Science-Based Targets, the Voluntary Carbon Markets Initiative (VCMI), and the Integrity Council for the Voluntary Carbon Market (ICVCM) Assessment Framework, aim to address these concerns. However, carbon credit supplier participation remains limited.

Future demand for forest carbon credits is expected to be driven by official and compliance markets, including transactions between countries under Article 6 of the Paris Agreement and the International Civil Aviation Organization (ICAO) Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), rather than voluntary demand. Social integrity concerns, such as allegations of failure to respect indigenous rights and unfair benefit sharing, are prevalent. To address these concerns, a civil society consortium has developed guidance for buyers, recommending the adoption of a portfolio approach. Approaching carbon credit markets on a jurisdictional scale, aligned with UNFCCC Reducing Emissions from Deforestation and Forest Degradation (REDD+) and international compliance markets, is crucial to ensure integrity, effectiveness, and equity.

Supplier countries can expect increased scrutiny from buyers, requiring investments in regulatory systems and alignment with UNFCCC reporting and NDCs to counteract fears of low-quality credits. Demand is shifting to jurisdictional and fully nested project scales, necessitating the establishment of jurisdictional baselines and fair benefit sharing. There is potential for higher prices, necessitating interventions to capture benefits.

3. Developing High-Quality Carbon Markets in the DRC

The DRC hosts some of the highest ranked forest capital. However, evolving carbon markets in the country's forestry sector face challenges related to environmental and social aspects, raising concerns among stakeholders. It is imperative to ensure that these markets thrive, with a fundamental emphasis on fostering transparency, equity, and robust stakeholder engagement.

Incorporating the active participation of civil society and indigenous communities emerges as a fundamental driver in shaping the trajectory of carbon market development. Conference participants from these segments assert that it is essential for the government to collaboratively engage with them and enact requisite adaptations to the carbon market's regulatory framework, particularly to address intricacies associated with social and economic dimensions.

Efforts are underway to help African countries improve carbon market integrity. The African Carbon Market Initiative (ACMI), that was represented at the conference, provides technical support, forms taskforces across government departments, and offers capacity-building to support African countries in creating effective regulatory frameworks.

4. Key Findings and Recommendations

The conference fostered dialogue among stakeholders from diverse backgrounds and included in-depth discussions in small thematic groups on:

1. Legal framework and governance
2. Infrastructure (MRV, transparency, registry)
3. Stakeholder participation and social impact
4. Revenue use and broader strategy

Each group explored the current situation in DRC with regards to their topic of discussion and formulated recommendations that are presented below.

a. Legal Framework and Governance

Establishing a solid legal framework and governance structure is paramount for successfully operating carbon markets in the DRC. The group comprehensively reviewed the existing legal framework related to environmental and carbon regulations.

KEY FINDINGS

- **Legal Framework Limitations:** Concerns were raised regarding the existing legal texts. The non-participatory development processes, a lack of consideration for the energy sector, and a lack of consensus on benefit-sharing mechanisms were highlighted as central areas for improvement.
- **Revised Law of 2011 (Loi révisée de 2011 par l'O-L de 2023):** In 2023, a law dating from 2011 was amended to include carbon markets, Article 6 of the Paris Agreement, and a carbon tax. Yet, there are many uncertainties around the exact scope and nature of the law exist.
- **Other Regulations and Agreements:** Various regulations and agreements were discussed, primarily concerning projects like REDD+ and mechanisms for addressing complaints and grievances.

- **ANRMCA Establishment:** A decree established the Agence Nationale de la Réduction des Mauvaises Conséquences des Activités liées aux changements climatiques / National Agency for the Reduction of the Harmful Consequences of Climate Change Activities (ANRMCA). However, ANRMCA had not yet become operational.

RECOMMENDATIONS

- **Enhance Legal Framework:** Revise and enhance the existing legal framework to address its incompleteness:
 - Conduct a comprehensive analysis of all existing legal and regulatory texts.
 - The legal framework should address property rights, particularly in ongoing sectoral reforms on land tenure.
 - Ensure community-level consent and equitable benefit-sharing in projects.
 - Establish transparent processes, including the transfer of property rights and measures to prevent double counting.
- **Effective Implementation of New Law:** Ensure effective communication and implementation of the revised 2023 law (Loi révisée de 2011) with integrated carbon market elements, Article 6 from the Paris Agreement, and the carbon tax.
- **Unified Approach to Regulations:** Create a coherent approach to regulations and agreements, emphasizing transparency and participation in projects like REDD+ while ensuring fair mechanisms for addressing complaints and grievances.
- **Operationalize ANRMCA:** Facilitate the operationalization of ANRMCA to fulfill its intended role and establish it as a single point of contact with institutional grounding.

b. Infrastructure (MRV, Transparency, Registry)

Maintaining the integrity and credibility of carbon credit projects necessitates robust Monitoring, Reporting, and Verification (MRV) systems. Without accurate data and transparent processes, the value of carbon credits can be compromised.

KEY FINDINGS

- **MRV is Fundamental:** MRV (Monitoring, Reporting, and Verification) is not merely an optional component but forms the bedrock of the entire system, ensuring transparency and accountability.
- **Challenges in Valuing Credits:** Determining the value of credits, particularly when they are based on natural capital in remote and socially complex areas with extended time horizons, presents significant difficulties.
- **Ambition-Implementation Gap:** There is a noticeable divide between the ambition and commitment on the political level and the actual implementation, with MRV practices sometimes falling short.
- **Incremental Progress:** Rather than a revolutionary change, the focus should be on incremental improvements. This would lead to:
 - Enhanced market confidence over time.
 - Better tracking of degradation and restoration efforts.
 - Estimation of co-benefits such as water availability, fire risk, and biodiversity.
- **Role of Digital Technologies:** Digital technologies facilitate access to remote areas, but their affordability acts as a significant entry barrier.

RECOMMENDATIONS

- **Establishing Protocols and Frameworks:** There is a need to determine what protocols are essential and create a framework for utilizing information. Fragmented support should be united to provide coherent guidance.
- **Data-Driven Decision-Making:** Data should drive the reporting, planning, and implementation cycle. At present, there are challenges related to opaque and inconsistent access to data, even across government departments.
- **Considering Cultural Aspects:** MRV should go beyond technical infrastructure and consider the cultural and traditional approaches to data collection and interpretation.
- **Ownership and Transparency:** A culture of data ownership needs to be examined, understanding who possesses what data and its significance to those actors, especially in contexts where information has monetary value. Demystifying data processes is essential.
- **Comparing Credits to Commodities:** An exploration of how carbon credits compare to other commodities and the definition of a "AAA-rated credit" are necessary to ensure clear understanding and evaluation of credits' value.

c. Stakeholder Participation and Social Impact

Sustainable and credible carbon credit projects hinge on the meaningful involvement of local communities and stakeholders. Addressing social and environmental concerns is vital.

KEY FINDINGS

- **National Level Processes and Actors:** Consultations, inclusive processes, and data transparency are integral to the development of carbon markets at the national level, involving a range of stakeholders such as civil society, the private sector, and sectoral ministries.
- **Local Level Processes and Actors:** Local governance, revenue sharing, and awareness activities are key components of carbon market development at the local level, with involvement from local development committees, concession holders, churches, and schools.
- **No One-Size-Fits-All Approach:** The complexity and uniqueness of each carbon market project require a flexible and adaptable approach. There is no universal solution. Strategies should be tailored to the specific context and project needs.

RECOMMENDATIONS

- **Enhanced Collaboration:** Foster increased collaboration between the national and local level to ensure alignment and effectiveness in carbon market development processes.
- **Adaptation of Complaint Structures:** Evaluate and adapt existing complaint and feedback mechanisms, especially those in the context of REDD+ projects, to align with the requirements and complexities of carbon markets. This will help ensure that concerns about carbon market activities are addressed.
- **Compensation for Income Loss:** Explore and establish mechanisms for compensating local communities for any potential loss of income resulting from carbon market activities. This can help maintain local support and buy-in for these initiatives.

d. Revenue Use and Broader Strategy

Carbon credit revenues can be an incentive for fostering sustainable development and environmental conservation in the DRC.

KEY FINDINGS

- **Revenue generation:** Conference participants agreed that the state has the right to levy taxes on carbon market earnings. However, achieving a broad consensus and conducting inclusive consultations are necessary efforts to gain support for such revenue collection. It is important to acknowledge the uncertainty of income levels makes it difficult to predict the amount of revenues and therefore the number of projects that can be supported with those revenues.
- **Transparency:** Transparency requires a comprehensive review and improved structures to ensure that funds are allocated where they are needed. Effective communication measures are paramount to this process.
- **Benefit Sharing at the Local Level:** Ensuring effective benefit sharing at the local level is a crucial factor in the success of carbon market initiatives, emphasizing the importance of equitable distribution of carbon market-generated benefits within communities.

RECOMMENDATIONS

- **Revenue Sharing:** Developing a consensual development plan for selected regions is essential to determine the allocation of funds. Benefit-sharing plans should be accompanied by a conflict management strategy. Government vigilance in cases of mismanagement is encouraged.
- **Encourage Private Sector Participation:** Encouraging private sector involvement is crucial. If the private sector actively participates, it can help sustain the initiative and promote its longevity.
- **Capacity Building:** Provide capacity-building support for local actors to engage effectively in carbon market activities and enhance their understanding of revenue sharing and alternative economic opportunities.