
SHARING THE BENEFITS OF MITIGATION ACTIVITIES

The sharing of benefits of mitigation activities can refer to several different things: Firstly, the sharing of mitigation outcomes between selling and buying country to ensure a contribution towards the host country's NDC. Secondly, the sharing of monetary and non-monetary benefits of mitigation activities between all activity partners.

Sharing mitigation outcomes between selling and buying country

[Decision 2/CMA.3](#) demands that a mitigation activity contributes towards the host country NDC.¹ To this end, several options have been identified by the [Tool for robust baseline setting](#) developed by the International Initiative for Development of Article 6 Methodology Tools (II-AMT).

Option 1: Shortening the crediting period or updating the baseline

If an activity is anticipated to be part of a future (i.e. not yet enforced) national policy instrument, it can still be considered additional.

Host countries can limit the crediting period to the point in time where the instrument enters into force. If the legal requirement is already in place or the point in time it will be in place has been determined, the monitoring methodology can be adjusted to account for the newly enforced policy instrument as part of the business as usual (BAU) scenario. The baseline becomes equal to activity emissions after the next baseline update. If the crediting period ends before the

¹ Article 6 subpage1 („How to engage strategically?“) Section: Information Note: Aligning engagement in Article 6 with a country's NDC



baseline is updated, the activity no longer qualifies for regulatory surplus. Hence, mitigation outcomes stemming from such periods should only be counted towards the host country's NDC and not be authorised as ITMOs. This approach can promote the early initiation of actions that, when they become obligatory, will immediately make a meaningful contribution to the host country's NDC.

Shortening the crediting period is also a useful option if no specific NDC measure is anticipated. This opens the possibility to count the mitigation outcomes towards the host country NDC after the crediting period ends.

Option 2: Adjusting the baseline downwards

This option serves to intentionally increase the share of mitigation outcomes counted towards the host country NDC, implying that less mitigation outcomes are authorised for international transfer.

Option 3: Negotiating the share mitigation outcomes between seller and buyer country

Host and buyer country can negotiate the share of mitigation outcomes to be authorised. This implies that not all mitigation outcomes are exclusively assigned to the buyer; instead, the host country also receives a designated share. The allocation of mitigation outcomes is usually agreed upon and stipulated in the mitigation outcome purchase agreement (MOPA)². When negotiating an Article 6.2 bilateral agreement, a MoU along with a MOPA, host countries can impose specific conditions. This might involve provisions to ensure that the activity design facilitates knowledge transfer and capacity building for local stakeholders regarding the mitigation technology. Moreover, incentivising local production of the respective mitigation technology through eligible Article 6 activities could be a way to help ensure that benefits extend beyond the activity's duration. If, under this option, the buyer pays for all mitigation outcomes, this would result in additional climate finance for the host country. However, such an option is not part of the methodological design of a mitigation activity.

Ensuring beneficiaries beyond governments

The equitable distribution of revenues from carbon market activities is gaining increasing traction in broader discussions around benefit-sharing within the carbon market realm. Host countries can face a number of challenges in balancing the protection of their interests while also maintaining investment incentives from other parties. This emphasises the importance of devising a strategy that ensures the most reasonable distribution while safeguarding climate priorities. Kenya and Tanzania are two African countries currently spearheading benefit-sharing efforts

² MOPA is a legal agreement between entities that regulates a transaction involving the acquisition and sale of MOs produced through a mitigation activity. For more information, refer to GGGI (2023): [Technical Guideline No.7: Mitigation Outcome Purchase Agreements](#)



in the carbon market sphere, already aiming to address these challenges and setting examples in this domain³.

While fees and levies are commonly retained by governments, sharing of monetary and non-monetary benefits with groups of stakeholders beyond governments can increase their involvement and ownership, foster (local) acceptance and strengthen positive climate and sustainable development impacts. These stakeholders encompass, but are not limited to, neighborhood associations, local governments and communities or indigenous peoples residing in the areas where the activities are conducted.

Case Study: Benefit-Sharing in Kenya within Article 6 cooperation

Kenya is presently handling three bills associated with benefit-sharing, all of which can have a substantial impact carbon market activities and the Art. 6.4 mechanism. For instance, among other things, these documents explicitly delineate the parties involved and affected in the implementation of carbon projects. The [bill on carbon credit trading and benefit sharing](#) introduces a regulatory framework for carbon credit trading in the following way:

- By establishing the Carbon Trading and Benefit Sharing Authority, tasked with the registration and oversight of carbon credit trading business.
- By including provisions for benefit-sharing ratios based on the carbon resource in use by the activity

For instance, in the case of renewable energy activities (incl. wind, solar and geothermal), the benefit sharing ratio is allocated to specific beneficiaries as follows:

Table 1. Beneficiary and Benefit-sharing ratio for renewable energy activities in Kenya

Beneficiary (if land is community owned)	Benefit-sharing ratio of the revenue scheme (% of activity revenue)
Project Owner	40%
Community	33%
Managing Authority	5%
National Government	10%

³ Hoch, Stephan; Waweru, Peris; Santiago Figuera, Ximena; Thomas, Holly; Tekie, Bruk; Michaelowa, Axel; Greiner, Sandra; Maggiore, Marco Della; Omuko-Jung, Lydia; Kovács, Anna; Rodezno Ayestas, María José (2023): [The landscape of Article 6 implementation, Climate Focus and Perspectives Climate Group](#),



Country Government 10%

National Research Fund 2%

Source: Authors, based on the [Carbon Credit Trading and Benefit Sharing Bill](#)

The [Climate Change \(Amendment\) Bill](#) mandates carbon project entities to provide comprehensive descriptions of the expected environmental, economic, and social benefits resulting from their projects.

- ⇒ A community development agreement (CDA) must be established, defining the obligations and interactions between communities and project entities. Host countries are required to oversee the CDA negotiation between project stakeholders. A minimum social contribution of 25% of the aggregated earnings is to be included.
- ⇒ The bill demands involvement of stakeholders such as project proponents, the impacted communities, national governments and county governments.⁴

The [natural resources \(benefit sharing\) Climate Change Bill](#) mandates that any entity seeking to exploit resources (e.g., water, sunlight, forest, wildlife etc.) within the country must first establish a benefit-sharing agreement with the respective County Government. The agreement must consist of monetary and non-monetary benefits for the county and involved organisations. Natural resources used for mitigation activities, resulting in credits used for carbon trading, are covered under this bill.

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⁴ Otieno, Brandon; Wambua, Clarice (2023): Benefit-sharing in carbon projects: Reflections on recent legal developments in Kenya, Cliffe Dekker Hofmeyer, Date of publication [July 27, 2023], <https://www.cliffedekkerhofmeyr.com/news/publications/2023/Practice/Environmental/environmental-law-alert-27-july-Benefit-sharing-in-carbon-projects-Reflections-on-recent-legal-developments-in-Kenya#:~:text=The%20Carbon%20Credit%20Trading%20and%20Benefit%20Sharing%20Bill%2C%202023,-The%20Carbon%20Credit&text=Proposed%20by%20Joseph%20Lekuton%2C%20the,registration%20of%20c arbon%20trading%20business> (accessed October 25, 2023)