



## Carbon markets : leverage for Tunisia to reach climate objectives

The Paris Agreement (PA), adopted in 2015 by consensus of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), aims to contain global warming below 2°C above pre-industrial levels while continuing efforts to limit it to 1.5°C. It also aims to increase adaptive capacity, and to make financial flows compatible with a low greenhouse gas (GHG) development pathway that is resilient to climate change threats. These objectives should be achieved through low-carbon transition policies translated into nationally determined contributions (NDCs). More than 50% of the NDCs submitted to the UNFCCC mention the use of carbon markets to achieve their GHG reduction targets. Article 6 of the PA provides an opportunity for Parties to voluntarily cooperate to collectively achieve the long-term goals mentioned above.

In this context, Tunisia continues its effort to reach its climate objectives as defined in its updated NDCs (2021) to reduce carbon intensity by 45% by 2030 compared to 2010. To achieve its NDCs, Tunisia will introduce comprehensive measures to reduce greenhouse gas (GHG) emissions in the energy (incl. buildings and transport), industrial processes (incl. nitric acid production, HFCs, and the cement sector), agriculture, forestry, and other land use, and waste sectors. Carbon

market instruments represent key leverage to implement and achieve the NDCs objectives in line with the Paris Agreement. For Tunisia, participation in global carbon markets is an efficient way to achieve its NDCs commitments in the long-term, with ambitious goals for conditional actions as well as encouraging investments in low-GHG emission technologies.

In addition, carbon pricing mechanisms at the national level are meant to accelerate the transition towards clean energy, reduce the trade deficit related to fossil fuel imports, stimulate economic growth and create new jobs through greener investments. Tunisian NDCs, mention the use of Article 6 mechanism as leverage to reach its mitigation goals. The country is actively considering participation in market mechanisms and has conducted stakeholder consultation processes to identify key actions at the sectoral level and define their contribution to mitigation to the overall objective of the NDCs in a transparent manner.

In partnership with the Tunisian National Agency for Energy Management (ANME), the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) supports Tunisia in its preparations for Article 6 implementation via the Global

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Carbon Market project-Tunisia Unit on behalf of the German Ministry for Environment, Nature Conservation and Nuclear Safety (BMU). Since 2018, the project has been implemented in the Caribbean, Chile, India, Tunisia, and Uganda with a focus on novel forms of cooperation that may arise under Article 6 of the Paris Agreement, the voluntary carbon market, and dedicated carbon pricing instruments.

In Tunisia, one of the relevant objectives of the project is capacity-building related to Carbon mechanisms under Article 6 of the Paris Agreement.

### Main carbon market and carbon pricing achievements in Tunisia

- The use of carbon market mechanisms is anchored in Tunisia's NDCs and NDCs update
- Design of a carbon tax instrument and carbon market instruments in the electricity and cement sectors:
  - Socio-economic impact of carbon tax implementation
  - An action plan for the implementation of these instruments once developed
- Establishment of a group of UNFCCC negotiators on Article 6
- Capacity building and ownership on carbon market issues --> increasing private sector interest
- Development of a portfolio of potential Article 6 pilot projects in different sectors
- Enhanced capacities on transparency related to carbon pricing instruments (MRV Cement sector, EnerInfo)

Practical guidance for future application of carbon markets in Tunisia

The process analyses the possibilities of using carbon market mechanisms as leverage for GHG mitigation in Tunisia. It consists of gathering and analysing information about mitigation projects in the energy and industrial sectors in a concrete project portfolio focused on carbon market potential. It also included a multicriteria tool to select the most adequate projects that can participate in an Article 6 mechanism. The third step of the process presented a recommendation for the use of carbon market mechanisms in the NDCs update and Tunisia's Long-term Strategy (LTS). The main purpose is to support Tunisian stakeholders towards the development of carbon market policies.



### Development of a Portfolio of potential pilot projects

The main goal of the portfolio was to collect information and data on mitigation measures at the national level, more specifically the mitigation actions already defined or proposed by Tunisian decision-makers within the framework of NAMAs, sectoral strategies, independent programs, or independent projects.

A list of criteria for the prioritization of projects to participate in the international carbon market under Article 6 of the Paris Agreement was established. The list of criteria was developed based on the experience of consultants with Article 6 pilots such as KLiK as well as past experience with international carbon markets such as the Clean Development Mechanism (CDM).

The application of these criteria leads to the prioritization of the projects most likely to be able to participate in the international carbon markets under Article 6: 8 GO/No Go criteria and 18 prioritization criteria were identified.



### Go/NOGO criteria

- Eligibility of the type of project
- Coverage of the sector by the NDC
- Availability of the letter of intent / interest (LOI)
- Predisposition of the project to comply with internationally established validation rules
- Predisposition of the project to comply with internationally established rules on MRV and registers
- The willingness of the project to follow the approach established by the host country, regarding MRV and registers
- Risk of human rights violations
- Risk of corruption / bad governance

Now that Tunisia has submitted its NDCs, the country is prepared for carbon markets and continues its efforts to contribute to the achievement of the Paris Agreement goals.

In conclusion, Carbon markets represent an attractive instrument for Tunisia to strengthen its mitigation actions, bring its own national low-carbon transition process forward, and leverage climate finance. By familiarizing stakeholders with carbon market mechanisms, Tunisia is getting ready for early participation in Article 6 mechanisms.



### Recommendations for NDCs update and LTS

Many countries list the use of carbon market mechanisms to reach their NDCs. For Tunisia, 6 global recommendations were developed regarding the NDCs update and one approach for LTS.

- 1- Set absolute emissions targets and define annual carbon budgets
- 2- Define a realistic baseline scenario
- 3- Develop a mitigation portfolio with a list of mitigation measures
- 4- Develop a curve of marginal reduction costs
- 5- Develop a clear demarcation between unconditional and conditional mitigation measures
- 6- Indicate interest in participating in the market in the NDC by providing an open choice of actions to participate
- 7- Indicate interest in participating in the market in the LTS by providing an open choice of actions to participate

