



TJWRICKETTS @ LAW

NEWSLETTER

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CARBON CREDITS: A SUSTAINABLE PATH FOR BUSINESSES

What is a Carbon Credit?

According to the Harvard Business Review, carbon credits are financial instruments where a buyer pays another company to take some action to reduce its greenhouse gas emissions and the buyer gets credit for the reduction. This concept of carbon credit was developed as part of the initiatives under Article 6 of the Paris Agreement which sets out how countries can pursue voluntary cooperation to reduce greenhouse gas emissions to reach the net zero climate targets.

How Does It Work?

Eligible companies are awarded credits (in the form of a permit) to reduce pollution. The permit may authorise emission up to a certain limit. For example, **Company A**, may be given a credit/permit to reduce its carbon emission up to 1,000-ton Carbon Dioxide Equivalent (CO₂e) in a year. If **Company A** reduces its CO₂e emission in the year to 500-tons, it will have an excess of 500-ton carbon credit which it can sell or transfer to **Company B**.

Incentives

The incentives under carbon credits are as follows: (a) companies can make money by reducing their emissions and selling their excess allowances to other companies; (b) companies that exceed their credit/permit in the year must spend money on extra credits; and (c) companies may engage technical experts on carbon emission reduction for their operations.

Regulators of Carbon Credits in Ghana

The Ministry of Environment, Science, Technology and Innovation through the Environmental Protection Agency (EPA) regulates carbon credits in Ghana.

What are the Regulatory Requirements for Carbon Credits in Ghana?

Although Ghana is yet to enact a legislation for carbon credits regulation in Ghana, it has developed a comprehensive policy framework on international carbon credit markets and non-market approaches (the “**Framework**”) which is being implemented by the EPA. The regulatory requirements under the framework include: (a) an application to the EPA for authorization or permit; and (b) registration of permit holders on the carbon credit registry; and © all activities regarding authorised carbon credits must be updated on the registry.

Carbon Credit Finance

Local and international financial organisations as well as other institutions may provide financial assistance through grants, loans, equity investments, or technical support for the adoption and implementation of mechanisms aimed at mitigating carbon emissions in business operations. This is in addition to revenue that is generated from the sale of carbon credits. Companies seeking to explore opportunities under carbon credits, however, must take the necessary steps to comply with the applicable regulatory requirement.