

LEGAL NOTICE NO.

THE CLIMATE CHANGE (CARBON MARKETS) REGULATIONS, 2023

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SCHEDULES

IN EXERCISE of powers conferred by Section 23H of the Climate Change Amendment Act, the Cabinet Secretary for Environment, Climate Change and Forestry makes the following Regulations:

THE CLIMATE CHANGE (CARBON MARKETS) REGULATIONS, 2023.

	PART I: PRELIMINARY
Citation	1. These Regulations may be cited as the Climate Change (Carbon Markets) Regulations 2023.
Interpretation	2. In these Regulations unless the context otherwise requires:
	"Act" means the Climate Change Act;
	"Approved Country"
	"Cabinet secretary in charge of climate change and carbon markets"
	"carbon budget" means the approved quantity of Greenhouse Gases emission that is acceptable over a specified time and shall be informed by the National
	Greenhouse Gas Inventory and guide on emission allocation for Nationally Determined Contributions and trading;
	"carbon credit" means the amount of one tonne of carbon dioxide or an equivalent of another greenhouse gases reduced for sale in the carbon trading project;
	"carbon market" means mechanism that enables and allows public and private entities to transfer and transact emission reduction units, mitigation outcomes or offsets generated through carbon initiatives, programmes and projects;
	"carbon standards" means a complete set of rules, procedures, and methodologies that guide on the generation and issuance of certified carbon credits;
	"Committee" means the Carbon Assessment Technical Committee as established under regulation 13.
	"Community Development Agreements" as defined in the Act.

	"Council" means the National Environment Management Council established under the provisions of the Act;
	"Designated National Authority" means the entity or organization granted the responsibility to authorize and approve participation in projects under the Paris Agreement;
	"National Carbon Registry" means the Carbon Registry established under section 23G;
	"National Carbon Project" means jurisdictional carbon projects or a site specific carbon project on public land
	"nature-based solutions" means actions to protect, sustainably manage, or restore natural ecosystems, that address societal challenges such as climate change, human health, food and water security, and disaster risk reduction effectively and adaptively, simultaneously providing human well-being and biodiversity benefits;
("non-market approaches" means approaches that aim at promoting mitigation and adaptation ambition; enhancing public and private sector participation in the implementation of nationally determined contributions; and enabling opportunities for coordination across instruments and relevant institutional arrangements;
	"Proprietor" means the property owner in the carbon project
	"Proponent" is a legal or natural person operating a carbon project.
	"Principal Secretary responsible for climate change and carbon markets"
	"Project catchment area" (to define)
	"Recognized Credible International Body" as defined under the Paris Agreement or any other international convention or treaty.
	"Reduced Emissions from Deforestation and Forest Degradation (REDD+)" means activities in the forest sector that reduces greenhouse gas emissions from deforestation and forest degradation, as well as the sustainable management of forests and the conservation and enhancement of forest carbon stocks at national and sub national levels;
	"Site specific" includes projects done on public land in a small catchment

	"share of proceeds" means levies from activities under the Paris Agreement that are used to cover administrative expenses as well as assisting developing country Parties that are vulnerable to the adverse effects of climate change to meet the costs of adaptation; "UNFCCC" means the United Nations Framework Convention on Climate Change.
Objectives	 3. The objectives of this Act are — (1) To regulate carbon market and provide a framework for carbon credit projects and programme; (2) To enable the Government to create incentives and implement initiatives to support emissions reduction targets of Green House
Scope	Gases in line with its Nationally Determined Contributions; 4. These Regulations shall apply to principles governing trading carbon markets; participation in carbon; Environmental Impact Assessment; Social and Environmental Benefits; share of proceeds and cancellation rates; carbon registry and dispute resolution.
Application	 5. These Regulations shall apply to carbon markets in respect of anything done in, on, above or below the land and airspace of The Republic of Kenya, including — (1) its internal waters, territorial waters and exclusive economic zone; (2) the seabed and subsoil underlying these waters;
	(3) its continental, coastal and marine ecosystems and related water;(4) its forests, and such carbon credits are deemed for the purposes of this Act to be the property of The Republic of Kenya.
	PART II: GENERAL PRINCIPLES
Additionality, Measurability and Permanence	6. The administration of these Regulations, shall be in keeping with the fundamental principles enshrined in the Paris Agreement namely: (1) all transactions in earlier trading as carried out under these Regulations.
	(1) all transactions in carbon trading as carried out under these Regulations must result in the additional effect of a reduction of greenhouse gas emissions;

	Il mitigation outcomes which are reported under the requirements of these
	llations are to be accounted for in tonnes of carbon dioxide equivalent;
	all carbon offset projects should ensure that emissions are kept out of the sphere for a reasonable length of time; and
every	all emission reductions must be carefully recorded and documented for offset scheme, utilizing appropriate accounting terms, corresponding atments, and location of offset as required by the UNFCCC and other lard bodies.
Prohibition 7	. (1) These Regulations prohibit the double counting of carbon assets
against double	such that no two countries or actors (including a private individual,
counting	company or organization) may count the same emission reductions towards their emission reduction commitments.
	(2) Participants shall apply corresponding adjustments to ensure that there is no increase in net emissions.
PART III: G	OVERNANCE AND INSTITUTIONAL FRAMEWORK
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Administration of the Regulations 8	. The administration of these regulations shall be undertaken by the Cabinet Secretary, Focal point, DNA, CCD and the Registrar.
	. (1) The Cabinet Secretary shall;
n	a) Provide policy guidance in carbon markets and other crediting nechanism that promote investment, social, cultural, economic and nvironmental justice.
	b) Link the country with international processes for carbon markets.
	(c) Approve all international, national, bilateral and project agreements arbon markets.
	d) Issue a letter of no objection to the project concept note.
	(e) Approve the project document and issue a letter of endorsement under arst schedule.
	(f) Appoint project based ad hoc committees to review project concept and project documents.
	(g) Prescribe the ToRs and rules of procedure of the ad hoc committees r schedule

	(h) Issue guidelines to sectors necessary for purposes of implementation of the provisions of these regulations.
	(i) Enter into international agreements with approved countries on internationally transferred mitigation outcomes.
	(2) The Cabinet Secretary shall designate the Designated National Authority.
	(3) Any person who undertakes a carbon market project without an international, national, bilateral and project based agreement without the approval of the Cabinet Secretary commits an offence.
Focal Point	10. (1) The focal point for the carbon market shall be the Principal Secretary.
	(2) The Focal point shall:
	(a) Collaborate with sector ministries on issues concerning carbon markets; and
	(b) Oversee the implementation of all matters related to carbon market.
Designated	11. (1) The Designated National Authority Shall:
National Authority	a. () Advice the project proponent to adhere to insurance policies on carbon markets;
	b. (2) Approve the project idea;
	c. (3) Submit the project concept note to the Cabinet Secretary for approval and issuance of a letter of no objection;
	d. (4) Receive the project document from the proponent for transmission to the committee;
	e. (5) Issue a license within 30 days for projects that have been approved and received letters of endorsement;
	f. (6) Provide key information to proponent in carbon market;
	g. (7) Monitoring, Reporting and verification of Green House Gases; and
	h. (8) Coordinate and conduct monitoring and evaluation of registered carbon projects.

	(2) The DNA shall charge such applicable administrative fee as per the second schedule to enable it perform its duties under these Regulations.
Climate Change Directorate.	12. The function of the Climate Change Department in relation to carbon markets shall include:
	(1) Advising the government of measures and the control of carbon market activities being carried out by stakeholders in order to ensure compliable to these regulations;
	(2) Monitoring and assessing carbon markets activities being carried out by stakeholders in order to ensure compliance with these regulations;
	(3) Enhancing sectoral coordination and mobilization of stakeholders for the effective control and management of carbon markets;
	(4) Coordinating and promoting public participation and awareness on carbon markets; and
	(5) Facilitating research on carbon markets.
Carbon Assessment Technical	13. (1) There is established specific ad hoc committees for each carbon market project which shall be the advisory Committee to the Cabinet Secretary on project assessment.
Committee	(2) The Committee shall comprise of not more than five sector specific members to be appointed by the Cabinet Secretary.
	(3) The Committee shall be paid such allowance as approved by the Cabinet Secretary in consultation with Salaries and Remuneration Commission.
Functions of the	14. The Committee shall have the following functions:
Committee	(1) Scrutinize the project concept note and provide recommendations to the Cabinet Secretary;
	(2) Scrutinize the project document and provide recommendations to the Cabinet Secretary; and
	(3) Perform any other functions as maybe referred to it by the Cabinet Secretary under these Regulations.

	PART IV: THE CARBON REGISTRY
National Carbon Registry	15. (1) There is established a National Carbon Registry comprised of sector carbon registries. The National Carbon Registry shall be headed by a national registrar appointed by the Cabinet Secretary.
	(2) The register shall consist of;
	(a) The initiative implemented to reduce GHG emissions in Kenya;
	(b) The permits granted to participate in an initiative under these regulations;
	(c) the emission allowance and GHG reduction units;
	(d) the number of carbon credit issued or recognized by Kenya;
	(e) the number of carbon credits issued to promoters of emission reduction projects and programmes;
	(f) The issuance of emission allocations, carbon credits and any carbon credits issued or recognized by Kenya from a national GHG emission accounts;
((g) The transfer of emission allocation, carbon credit and any carbon credits issued or recognized by Kenya from a national GHG registry accounts;
	(h) The cancellation of emission allocations, carbon credits and any other carbon credits issued or recognized by Kenya from a national GHG registry account; and
	(i) The addition of emission allocations, carbon credits and any other carbon credits issued or recognized by Kenya from our national GHG registry account.
Sector Carbon Registries	16. (1) There is established sector registries including for aviation, forestry, energyto be headed by sector registrar appointed by the Cabinet Secretary.
	17. The location of each sector registry shall be determined by the Cabinet Secretary by notice in the gazette.
	18. The proponent shall pay the prescribed registration fee to the sector registry.

Functions of the	19. (1) The functions of the Registrar shall include:
Registrar	(a) Register carbon trading projects under voluntary mechanisms;
	(b) Keep a registrar of all carbon projects in the country; and
	(c) The Registrar shall keep, maintain and update a register of all carbon projects under these regulations.
	(2) The Registrar shall:
	(a) Comply with any obligations as required of a registrar;
	(b) Implement measures to ensure the confidentiality of the information collected; and
	(c) Submit to the Cabinet Secretary, quarterly or as maybe requested by the Cabinet Secretary a report of the information maintained in the register established in regulation 15 (2).
	(3) The functions of Sector Carbon Registrars shall be similar to those of the National Registrar in this regulation.
	PART V: PARTICIPATION IN CARBON MARKETS
Agreements	20. (1) The Cabinet Secretary may enter into international, multilateral or bilateral agreements with another approved country to trade carbons for internationally transferred mitigation outcomes.
	(2) The Cabinet Secretary may enter into agreements with private entities weather local or international to offset carbon emissions.
	(3) The Cabinet Secretary may, with the approval of the Cabinet, enter into agreements on carbon markets established or overseen by an internationally recognized entity, approved by a recognized credible international body.
Qualifications of	21. The proponent shall have the following:
Proponent	(1) Proof of previous carbon projects implementation;
	(2) Proof and documentation of financial capacity or ability to implement the project as per the concept note. carbon trading projects; and
	(3) adherence to all applicable legal requirements in operating carbon projects.

Obligations of Proponent	22. (1) The Proponent shall disclose relevant project information including costs incurred, verified emission reductions and estimated revenues.
	(2) Non- declaration or undervaluation constitutes an offence.
Project Requirements	23. (1) A person shall not operate a carbon market project without being registered by the Registrar.
	(2) The project to be registered as a carbon project shall have the following elements:
	(a) be in line with national policies, laws and strategies;
	(b) indicate how the project shall contribute to the Nationally Determined Contributions;
	(c) adhere to national priority carbon market sectors;
	(d) ownership of the property involved in the project; community development agreements or agreements with property owners;
	(f) involvement of local communities in the project conceptualization and development;
	(g) adhere to transparency and fairness;
	(h) adhere to national investment priorities, ecological, social, cultural and economic safeguards; and
	(j) indicate expected employment creation to the national experts and local communities.
Environmental and Social Impacts Assessment	24. (1) Carbon market projects shall be required to undergo environmental and social impacts assessment in accordance with the Environmental Management and Coordination Act and its Regulations.
rissessment	(2) Without prejudice to sub regulation (1), each carbon market project shall adhere to sector specific standards and safeguards.
Certification, Validation and Verification.	25. (1) A carbon market project shall be subject to certification of known international standards, validation by a reliable and independent auditor before it starts and verification of each result in accordance with the principles under regulation 6.
	(2) This regulation prohibits engagement in carbon markets without a

	reliable and independent auditor undertaking a validation of each project before it starts and to verify each result.
Offence	26. Any person who contravenes the provision of this part commits an offence.
	PART VI. PROCEDURES FOR DEVELOPING CARBON MARKET PROJECTS
Establishment of a Carbon Market	27. (1) A carbon market project shall be required to undergo the following process;
Project	(a) the project proponent shall apply for approval of carbon market project idea to the Designated National Authority by filling the application form prescribed in the First Schedule;
	(b) the completed application form for registration of the project idea shall be accompanied by proof of payment of non-refundable application fees as prescribed in the Second Schedule;
	(c) the Designated National Authority shall within thirty days' process and respond to the proponent on the registration of the project idea; and
	(d) where the requirements for application have been complied with, the Designated National Authority shall approve the project idea and authorize the proponent to prepare the concept note.
Project Concept Note	28. (1) The proponent shall within 90 days from the date of approval of the project idea by the DNA prepare the Project Concept Note.
	(2) The Project Concept Note developed by the proponent shall have the following elements:(a) title of the project;
	(b) name and contacts of the proponent;
	(c) brief project description;
	(d) proposed activities;
	(e) stakeholders to be involved;
	(f) proposed project location, site and size;
	(g) potential project benefits; (b) sources of finance and estimated investment cost:
	(h) sources of finance and estimated investment cost;(i) Projected proceeds
	(j) Expected Certified Emission Reduction
	(k) mode of financing or crediting mechanism; and

(1) adherence to environmental and socio-economic safeguards. (3) The developed Project Concept Note shall be submitted to the Designated National Authority accompanied by-consent of the proponent in the form of extract minutes in accordance with established procedures of the respective authority. (4) Upon receiving the project concept note the Designated National Authority shall within 14 days submit the project concept note to the Cabinet Secretary. (5) Upon receipt of the project concept note from the Designated National Authority, the Cabinet Secretary shall within 30 days appoint the Carbon Assessment Technical Committee in line with regulation 13. (6) Within thirty days from the date of receiving the report from the Carbon Assessment Technical Committee: (1) the Cabinet Secretary shall approve and notify the DNA of the successful project for the notification of the proponent (2) The DNA shall notify the proponent of the CS approval and require payment of the administrative fee (3) The CS shall issue: (a) a letter of no objection for a qualified Project Concept Note as prescribed in the Third Schedule; or (b) a response outlining the reasons for objection. 29. (1) The proponent shall develop a Project Document within twelve Project Document months after obtaining the approval and letter of no objection. (2) Subject to sub regulation (1), the proponent may through a written notice, request for extension of time by stating the reasons for delay to develop and submit the Project Document. (3) The Designated National Authority may grant extension of time of not more than six months to the proponent to develop and submit the Project

Document after being satisfied with the reasons provided. (4) The Project Document developed by the proponent shall be in conformity with the requirements prescribed under regulation 21. (5) The Project Document shall in addition to the elements of the concept note, contain the following elements: (a) general description of the project activity; (b) detailed description of the baseline and monitoring methodology; (c) duration of the implementation of the project activity; and (d) carbon credit period. (6) The Project Document submitted shall abide with accepted international standards on carbon market including validation of the project where required. (7) The proponent shall submit the project document to the Carbon Assessment Technical Committee through the Designated National Authority for review and scrutiny. (8) The Carbon Assessment Technical Committee shall review and scrutinize the project documents and submit its report with recommendations to the Cabinet Secretary. (9). The Cabinet Secretary shall within 30 days of the receipt of the report and recommendations of the committee, grant a letter of endorsement as prescribed in the Fourth Schedule upon proof of payment of the administrative fees to the DNA or a response outlining the reasons for objection. 30. (1) A proponent whose project document has been approved, shall Contractual before implementing a carbon market project enter into a contractual Agreement agreement. (2) The contractual agreement shall be entered on behalf of the government by the focal person. (3) Any contract entered shall include the following:

	(a) name of the parties;
	(b) address and contact of the parties;
	(c) legal capacity of the parties;
	(d) description and scope of the project;
	(e) scope of the agreement;
	(f) terms and conditions of parties;
	(g) project costs and benefits sharing arrangements;
	(h) mode of payment of revenues or benefits accrued;
	(i) operation and duration of the project;
	(j) breach of the terms and conditions of the contract;
	(k) dispute settlement;
	(l) applicable law;
	(m)amendments;
	(n) suspension and termination of the contract;
	(o) force majure;
	(p) signature and legal capacity of signatories;
	(q) signature of the witnesses of the signatories; and
	(r) seal of the parties.
	31. The proponent shall within 12 months after receiving the endorsement
Commencement	commence the implementation of the project activities.
of the Project	commence the implementation of the project detrifies.
Cancellation of	32. (1) A project that has received approval and letter of endorsement
	maybe cancelled for reasons including:
Approval and	
Endorsement	(a) failure to commence the project activities within the prescribed time;
	(b) non-compliance of the project requirements prescribed in these
	Regulations;
	regulations,
	(c) where the proponent voluntarily cancels the project by submitting an
	official notice;
,	
	(d) where the endorsement was obtained through misrepresentation;
	(e) where the continued operation of the project activity is or is likely to be
	injurious to the environment or human health;
	(f) where the project activities are overriden by other public interest;
	(1) mere and project dediction and overriden by other public interest,
	(g) where there was insufficient or holding of information in the application
	process; and

	(h) other justifiable reasons.
Lionaina	22. No early an analyst anniest shall assume as without a linear
Licensing	33. No carbon market project shall commence without a license.
	PART VII: BENEFIT SHARING
National Projects	34. (1) The share of proceeds for national carbon market projects shall be arrived at through negotiations between the proponent, Cabinet Secretary responsible for finance, Office of the Attorney General and the focal point in a manner that ensures that the most benefit to the public but in any event not less than 25% of the aggregate earnings of the previous year of the project.
	(2) The 25% shall be paid to the contingency fund for purposes of supporting sustainable development goals of the country.
	Provided that 5% of the share of proceeds shall be given back to the community where the national project is site specific.
	(3) where the national Government is the proponent:
	(a) a 15% share of proceeds shall be given back to the community where the national project is site specific and the remaining 85% be paid to the consolidated fund for sustainable development.
	(b) 100% of the proceeds shall be paid to the consolidated fund for sustainable development
Community Projects	35. (1) Any carbon market project shall in line with the Act provide a formula for sharing of proceeds of at least 40 % of aggregate earnings of the previous year for Land-based projects and at least 25% of the aggregate earnings of the previous year for non-land based to the Community as contained in the Community Development Agreement.
	(2) Any carbon market Project under this regulation shall provide 5% of the aggregate earning of the previous year to the consolidated fund and 5% to the County government for purposes of sustainable development.
	(2) The procedure of sharing proceeds shall be included in the Community Development Agreement as per the Fifth schedule.
	(3) The management and disbursement of the benefits for the community shall be undertaken by a Community Project Development

	Committee.
	(4) The Community Project Development Committee shall be composed of nine members including women, youth and Persons Living with Disability elected through a fair, transparent, democratic manner that covers the entire project catchment area .
	Notwithstanding the provisions of the regulations above, the proponent shall be required to undertake corporate social responsibility around the project area in line with national policies and laws.
Private Entity Projects	36. (1) The share of proceeds in a carbon market project where a private entity is the proponent, shall be 25% of the aggregate earnings of the previous year.
	(2) The 25% shall be paid to the consolidated fund for purposes of supporting sustainable development.
	PART VIII: DISPUTE RESOLUTION
Dispute Resolution	37. Any agreement made pursuant to these regulations shall provide for dispute settlement in line with the Climate Change Amendment Act.
	PART IX: OFFENCES AND PENALTIES
Offences and Penalties	38. Any person who commits an offence under these regulations shall be liable upon conviction to a fine of not more than Kenya Shillings Five Hundred Million or imprisonment for not more than ten years or both fine and imprisonment.
	PART X: GENERAL PROVISIONS
Confidentiality	39. (1) Any person carrying out functions on behalf of the Government
	pursuant to this Regulation who obtains information in any form as a result of his duties under this Act, shall not communicate or disclose any information classified as confidential to an unauthorized person.
	result of his duties under this Act, shall not communicate or disclose

Liability	40. (1) Where any damage to the environment or human health is caused by the carbon market project which has been installed into the environment, a person who installed or the project Proponent who permitted it to be installed shall be liable for the damage caused.2) Any person who causes damage to the environment or human health commits an offence.
Non-	41. An endorsement for a carbon market project issued under these
transferability	Regulations shall not be transferable.
Guidelines	42. The Cabinet Secretary may, issue guidelines, for the effective implementation of these Regulations.
Transition	43. (1) Any person engaged in a carbon market project before the coming into operation of these Regulations, shall be required to comply with these Regulations within one year of commencement of the Climate Change (Amendment)Act, 2023.
	(2) Without prejudice to sub-regulation (1):
	(a) The proponent of an ongoing carbon market project shall in accordance with the provisions of these Regulations:
	(i) fill the application form
	(ii) Submit the Concept note
	(iii) Submit the Project Document
	(b) the Cabinet Secretary may grant the Proponent a transition period of not more than one year to enable compliance.
	(i) the Cabinet Secretary may:
	(a) Upon compliance issue a letter of Endorsement for Ongoing Projects as prescribed in the Sixth Schedule.
	(ii) Issue a letter of cancellation of the carbon market project as prescribed in the Seventh Schedule.
	(b) any fee payable in accordance with these Regulations shall be paid during the transition period.

SCHEDULES FIRST SCHEDULE

Application form

SECOND SCHEDULE

Schedule for fees

THIRD SCHEDULE

Letter of No Objection

FOURTH SCHEDULE

Letter of Endorsement

FIFTH SCHEDULE

Community Development Agreements

SIXTH SCHEDULE

Letter of Approval for Ongoing Projects

SEVENTH SCHEDULE

Letter of Cancellation of on going Projects