ETHIOPIA CARBON MARKET PROFILE 2026

Executive Summary

Ethiopia has streamlined climate action into its National Development Planning, anchored in long-standing political commitment and operationalised through the Climate-Resilient Green Economy (CRGE), launched in 2011, the National Adaptation Plan, the National Carbon Market Strategy (2025-2035), the long-term Low Emission and Climate Resilient Development Strategy (2020-2050), and its Nationally Determined Contribution 3.0 (NDC 3.0). Climate objectives are integrated into the ten-year national development planning instruments coordinated and overseen by the Ministry of Planning and Development (National Designated Authority), positioning mitigation as a driver of economic transformation and resilience. Under NDC 3.0, Ethiopia commits to reducing economy-wide greenhouse gas emissions by 70.3% below a business-as-usual (BAU) pathway by 2035, subject to conditions. BAU emissions are projected to reach 237.6 $MtCO_2e$ by 2035, representing an overall emission reduction target of about 167 $MtCO_2e$. This ambition is heavily contingent on international finance, technology transfer, and capacity support. At the same time, Ethiopia has increased its domestic contribution to at least 22.5% of total NDC financing, thereby reinforcing national ownership.

The estimated cost of implementing NDC 3.0 from 2025 to 2035 is USD 106.35 billion, of which USD 66.35 billion (62%) is allocated to mitigation and USD 40.0 billion (38%) to adaptation and loss and damage. Carbon markets are therefore integral to Ethiopia’s NDC as an instrument for financing and delivery mechanism. Ethiopia’s emissions profile presents a

distinctive mitigation opportunity. Agriculture, forestry, and land use account for over 80% of total abatement potential by 2035, with the land use, land-use change, and forestry sector alone delivering ≈128.7 $MtCO_2e$ (around 77% of the total abatement). The energy sector contributes around 12.5% of mitigation (≈20.8 $MtCO_2e$). The power sector remains structurally low-carbon due to Ethiopia's renewable-dominated electricity mix, while other sectors provide incremental contributions. This profile provides a clear carbon market value proposition, with large volumes of cost-effective mitigation concentrated in land use, clean cooking, and agricultural systems, complemented by scalable opportunities in rural electrification and industrial efficiency.

Institutionally, Ethiopia benefits from a mature policy backbone, with the CRGE providing an economy-wide mitigation architecture and NDC 3.0 explicitly integrating carbon markets and Article 6 as implementation tools. Ethiopia's National Carbon Market Proclamation No. 1436/2026 was approved by the Council of Ministers and endorsed by the House of Peoples' Representatives on 30 June 2026. Ethiopia is now operationalising the Carbon Market Strategy (2025-2035) through Carbon Market Proclamation, establishing the institutional mechanisms and regulatory clarity necessary to foster high-quality green investments and facilitate seamless technology transfer. The Proclamation establishes the statutory foundation for carbon market development, including the governance of mitigation activities, carbon credit registration and transactions, authorisation, benefit sharing and risk management. Its implementation now requires directives, guidelines and operational systems to translate the legal framework into predictable market procedures.

For donors, Ethiopia offers high leverage for system-building support that can unlock large mitigation volumes and durable institutional capacity. For private buyers and investors, the value proposition lies in scale, pipeline depth, and alignment

with national priorities, which reduce policy and reversal risk. Overall, Ethiopia represents a carbon market of continental significance that is policy-anchored, mitigation-rich, and positioned to convert climate ambition into investable outcomes at scale.

Table 1: General Dashboard

Dimension	Key Metric	Current Status	Comments
NDC-Ambition	Total Target	≈167 $MtCO_2e$ absolute reduction by 2035 vs BAU	Among the largest mitigation commitments in Africa, ambition is high
	Unconditional Scenario	140.8 $MtCO_2e$ emitted by 2035(-40.7%)	Policy-backed measures embedded in green legacy, renewables, and efficiency reforms
	Conditional Scenario	70.7 $MtCO_2e$ emitted by 2035 (-70.3%)	Clear and quantified demand signal for international climate finance and Article 6 cooperation
	Gases Covered	CO_2, CH_4, N_2O (economy-wide and single years)	Full gas coverage strengthens integrity

Investment Gap	Total NDC 3.0 cost (2025-2035)	USD 106.35 billion	System-scale investment requirement aligned with ten years development planning
	Mitigation share	USD 66.35 billion (62%)	Carbon-relevant investment envelope with international climate finance support
	Adaptation share	USD 40.0 billion (38%)	Mainly agriculture and forest development
	Domestic financing	USD 23.9 billion (22.5%)	Rising national contribution improves credibility
	International share	USD 82.45 billion (77.5%)	Structural reliance on external public, private, and carbon finance
Emissions Profile	Total GHG emissions/year, 2035 BAU	237.6 $MtCO_2e$	Modest historical contribution, but significant growth risk without mitigation
	Emissions 2020-2023	273.5 $MtCO_2e$	Current emissions drop to BAU due to expected LULUCF sink recovery.
	Emissions per capita	Approximately 2.6 tonnes CO2e per capita (all gases)	Among the lowest in the world and far below the global average

Sector Allocation	LULUCF (Forestry & jurisdictional REDD+)	(77.1%) BAU -26.6, emission target -155.3 by 2035	Largest volumes, strong policy alignment, and legacy. Concentration of low-cost mitigation in land use and agriculture
	Energy (Clean cooking & household)	(12.5%) BAU 34.5, emission target 13.7	Fast deployment, strong SDG co-benefits. Limits fossil displacement offsets but enables electrification-based mitigation.
	Agriculture & livestock systems	(6.5%) BAU 169.8, emission target 160.3	Hard to abate sector but high volume, methodologies maturing
	Others	Industrial efficiency 2.3%, Waste 1.6%	Relevance growing
Revenue Upside	Carbon revenue potential (prices average voluntary and compliance market potential)	USD 200 – 300 million per year	Indicative pricing of USD 17.5 /tCO_2e
Development Impact	Direct beneficiaries	~ 3.3 million households (Around 15 million people)	Rural households, farmers cooperatives, forest-dependent communities.
	Co-benefits	Food security, energy access, and land restoration	Strengthens and safeguards sustainable development

Carbon Market Track Record	Registered projects	CDM 8 (2 project activities, 6 programmes of activities); VCM 80+; Article 6 (5 CDM activities intended for transition)	Historical and new pipelines
	Total credits issued	≈13 million tCO_2e (CDM + VCM), plus 14.9 million ISFL units issued to OFLP	Demonstrated capacity to deliver at scale
	Project types	Clean cooking, forestry	Alignment with buyer preferences
Article 6 Readiness	Institutional status (EAA)	Medium – high (65%)	NDC3.0 and NDC2.0 updated backbone and carbon market strategy and Carbon market proclamation in place; shift from readiness to transactions underway
	Aggressively under development	Authorisation procedures, registry integration, MRV digitisation, benefit-sharing	Managed by Ethiopia government with support of key partners
Market Positioning	Regional status	Policy-anchored supplier	Largest scale and potential in the region

National Climate & Development Context

Ethiopia’s economy remains closely coupled to climate-sensitive natural systems, though at a scale that distinguishes it from smaller African economies. This exposure is evident across 3 main sectors.

1. Agriculture employs about 73% of the labour force and contributes about 36% of GDP, making national income, food security, and exports highly sensitive to climate variability.
2. Forestry and biomass remain the dominant household energy source, with over 92% of households relying on traditional biomass for cooking, directly linking energy access to forest degradation.

- Electricity generation is overwhelmingly renewable, with about 94% of installed capacity (9,212 MW of a total 9,761 MW) derived from hydropower, complemented by wind at 5.4% and waste-to-energy at 0.3%. Around 36% of the population is served by off-grid solar, mostly solar home systems, solar lanterns and mini grids. These are mainly used in rural and off-grid areas, where connection to the national electricity grid is limited. Ethiopia has very high solar potential (over 300 sunny days per year), but large-scale solar development is still expanding. While this keeps power-sector emissions low, it also exposes energy supply to hydrological variability.

These characteristics mean that climate shocks can propagate rapidly across the economy, leading to food price volatility, increased deforestation, energy supply disruptions, and heightened fiscal pressure. Therefore, mitigation and adaptation objectives are interlinked with development

objectives. Measures that improve land productivity, reduce biomass dependence, or stabilise energy systems deliver simultaneous gains across all three areas.

However, domestic fiscal space is constrained by competing development priorities, and concessional finance alone is insufficient to support mitigation at the scale articulated in the NDC. Results-based carbon finance therefore provides a complementary mechanism for mobilising private capital. In sectors like forestry and landscape restoration, clean cooking, e-vehicles, waste and climate-smart agriculture, agroforestry well-designed carbon market interventions can deliver large volumes of credible emission reductions, generate immediate livelihood and energy benefits, and reduce long-term fiscal exposure to climate risks.

Table 2: Climate and Economy Nexus.

Sector	Statistics	Climate Risk	Leverage Point

Agriculture & Livestock	About 73% of the labour force is employed in agriculture, which contributes about 36% of GDP. Key products: coffee, oilseeds, pulses, cereals, livestock (>70 million cattle)	Previous droughts caused significant crop and pasture losses (1-4% GDP reduction). Increasing rainfall variability disrupts planting cycles. Soil erosion affects ≈50% of arable land	Green legacy Initiative, which was launched by the Prime Minister of Ethiopia, Dr Abiy Ahmed, in 2019, has planted approximately 48.8 billion seedlings between 2019 and 2025 according to government figures, alongside a rapid expansion of wheat production from 2022 to 2026 through medium and large mechanization supported by subsistence farming. Such climate-smart agriculture and livestock productivity interventions reduce emissions, restore soils, improve yields, and deliver mitigation aligned with food security.

Forestry & Land Use	Forest covers 23.6% of the land area; biomass supplies over 92% of household energy. Deforestation averaged 27,703 hectares per year over 2020-2023.	Forest loss contributed approximately 14 $MtCO_2e$ in 2024. Watershed degradation increases flood and landslide risk, especially in highland areas	Jurisdictional REDD+ and landscape-scale agroforestry programs capable of delivering multi-million tCO_2e volumes with biodiversity, Soil Land Management and water Conservation, and livelihood co-benefits
Energy & Cooking	National electrification rate ≈65%, comprising 29% grid and 36% off-grid solar. Over 95% of installed capacity is renewable. 35% have no access at all and 56% remain below Tier 1 service, mainly in rural areas	Hydropower is exposed to rainfall variability and drought. Continued reliance on biomass fuels reinforces deforestation and indoor air pollution.	Clean cooking transitions (electric, biogas, efficient biomass) and electrification-linked demand that generate credits while easing pressure on forests and health systems

Urban Systems & Waste	The population is approximately 135 million, of which about 24% is urban. Large and medium secondary cities are supported by urban greening programmes and by investment in solid waste and wastewater treatment.	Increase methane emissions and public health risks. Climate-driven urban flooding disrupts services and transport.	Methane avoidance and waste-to-energy interventions offer clear methodologies, rapid deployment potential and strong urban co-benefits
Water & Climate Resilience	Agriculture and hydropower are highly rainfall dependent. There is 51% access to basic drinking water services	Droughts and floods impose high fiscal costs due to emergency agricultural losses. 60-80% of communicable diseases are caused by poor water/sanitation.	Carbon-financed land restoration, Soil Land Management and Water Conservation, and irrigation efficiency measures that reduce long-term climate vulnerability while generating mitigation outcomes

Public Finance & Macroeconomy	GDP per capita USD 933 at current prices (2025). The national poverty rate was 23.5% when last measured in 2015/16; the World Bank projects 43% at the USD 3.00 per day international line in 2025. Annual growth of about 8% in real GDP terms.	Climate shocks could impose losses estimated at up to 10% of GDP by 2045. Limited fiscal space for upfront climate investment.	Results-based carbon finance that complements grants and concessional loans by providing predictable, performance-linked revenue and lowering the cost of NDC implementation

Carbon Market Track Record

Ethiopia has an established track record in carbon markets, anchored in large-scale engagement under the CDM and complemented by a growing VCM portfolio. Under the CDM, Ethiopia hosted registered projects primarily in household energy and reforestation. Together, these activities have issued approximately 1.3 million CERs, of which about 81% are NDC-eligible. Programmatic approaches, particularly in household energy, have demonstrated Ethiopia’s capacity to manage dispersed interventions and meet international verification requirements. In the VCM, Ethiopia currently hosts over 80+ active or pipeline VCM projects, predominantly under the Gold Standard, with a few in Verra, and a strong concentration in forestry, clean cooking, and household energy access. Clean cooking projects continue to demonstrate scalability and strong development co-benefits, while forestry

and landscape-scale interventions align with growing buyer demand for nature-based solutions and jurisdictional approaches. Issuance under the VCM accelerated in the early 2020s, reinforcing Ethiopia’s position as a credible supplier of high-integrity credits. Building on the Bale Mountains REDD+ project, which has issued over 9 million credits, and on the 14.9 million verified emission reductions issued to the Oromia Forested Landscape Programme under the World Bank ISFL Standard, Ethiopia’s most compelling forward opportunity lies in AFOLU, renewable energy, e-vehicle, waste and clean cooking mitigation activity as clearly identified in the Carbon Market Strategy (2025-2035) as priority areas. These sectors are fully aligned with national NDC priorities and show potential for high global demand. Ethiopia is ready to operationalise Carbon Market Proclamation No. 1436/2026, including through the development of a national carbon registry and MRV digital infrastructure defining the pivotal next phase of Ethiopia operationalizing its legal framework for carbon market growth.

Table 3: Historic Carbon Market Summary

Standard / Mechanism	Status	Project Types	No. of Projects	Credits Issued	Key Takeaways
CDM (UNFCCC)	Legacy	EE Household, Solar, Biomass Energy, Reforestation	2 project activities and 6 programmes of activities	1,336,473 CERs, of which 1,081,575 (81%) are NDC-eligible	Demonstrated large-scale delivery, programmatic implementation
Verra (VCS)	Active	AFOLU 4, energy demand 1, energy industries 1	1 registered, 5 pipelines	9,210,475 VCUs issued (Bale Mountains Eco-Region REDD+, VCS 1340), CCB Gold levelCCB-Gold, 50% 2016 Vintage	Alignment with the current buyer demand for nature-based and household energy credits

Gold Standard	Active	Energy Efficiency, Domestic 59; Solar Thermal, Electricity 3; A/R 10	79 GSID (53 VPA, 16 Standalone, 10 PoA), 41 Issued,	2,067,170 units, 44,740 CORSIA Eligible,	Strong household energy experience; strong SDG and integrity signalling
Plan Vivo	Active	Forest restoration	1 (EthioTrees by Climate Lab)	527,508 units and 57793 reserve	Provided an avenue for forest-related activities
Article 6	CDM transition to Article 6.4 readiness	Clean energy, clean cooking, water influent treatments including off grid.	5 to transition	–	Host Country Approval and participation Agreement were done.
Total		Mainly Forestry and Clean Cooking	85+	Over 13 million units under the CDM and the VCM, plus 14.9 million ISFL emission reductions issued to the Oromia Forested Landscape Programme	The track record is deep and scalable; a foundation exists for Article 6 and jurisdictional supply.

Priority Sectors & Flagship Pipeline

Ethiopia’s mitigation potential is substantial, reflecting the country’s emissions profile and development pathway. Its advantage lies in the ability to aggregate mitigation

jurisdictional scales, thereby aligning emissions reductions, development impact, and sustained market demand. Forestry and land use, e-vehicle, renewable energy, clean cooking and waste form the backbone of Ethiopia’s carbon market opportunity. Deforestation and forest degradation released an estimated cumulative 260 Mt of CO_2e in national emissions between 2001 and 2024. Jurisdictional REDD+ and landscape restoration programmes offer the largest and most durable mitigation volumes. They are closely aligned with NDC priorities and deliver co-benefits in watershed protection, biodiversity conservation, and rural livelihoods. Clean cooking is Ethiopia’s fastest-deployable mitigation pathway, given the heavy reliance on biomass for household energy. Clean cooking interventions generate rapid, measurable outcomes, reduce pressure on forests, and deliver strong health and gender benefits. Climate-smart agriculture and livestock systems form another pillar of scale. Given the dominance of agriculture and livestock in national emissions, interventions that improve productivity, reduce methane intensity, and restore soils offer significant mitigation potential while strengthening food security and climate resilience. Energy system interventions, including industrial efficiency, electrification-enabled demand reduction, and regional clean power exports, play a complementary role. While Ethiopia’s power sector is already low carbon, these activities support long-term mitigation. Collectively these mitigation areas form a diversified pipeline that balances volume, delivery speed and development relevance as the countries MRV systems mature.

Table 4: Priority Carbon Sectors

Sector	Mitigation Potential ($MtCO_2e/yr$)	Priority	Investment Opportunity (≈ Million $)	Exemplary Project	Merits

Forestry / REDD+	129	#1	Over 250	Bale Mountains Eco-Region REDD+ project (VCS 1340), Oromia Forested Landscape Programme (jurisdictional programme under the World Bank ISFL)	Large contiguous forest areas, jurisdictional governance, strong buyer demand for high-integrity, long-duration credits
Energy (Clean Cooking, transportation, Industrial Efficiency)	21	#2	200	GS1247, GS5658, Ethiopia Off-Grid Renewable Energy Program (CDM 10285), Promoting Sustainable Rural Energy Technologies for household and productive uses	High biomass reliance, rapid household uptake, proven delivery models, strong health and gender co-benefits, build on a low-carbon grid, and support industrialisation.
Climate-Smart Agriculture & Livestock	11	#3	180	Sodo Ethiopia by World Vision, Ethiopia – National Livestock Development Project	Large smallholder base, high CH_4 reduction potential, scalable through cooperatives and value chains
Urban Waste & Methane	3	#4	75	National Biogas Programme, Ethiopia	Rapid urbanisation, strong local environmental and health benefits

Article 6 Readiness & Institutional Capacity

Ethiopia has moved from a predominantly policy-driven readiness phase into legal and institutional

operationalisation of Article 6. The development of Ethiopia's Standardized Crediting Framework, National Carbon Market Strategy (2025-2035), NDC 3.0, early engagement under Article 6.2, and the enactment of the Carbon Market Proclamation No. 1436/2026 provides an increasingly strong foundation for international carbon market participation. The Proclamation establishes a dedicated legal framework for carbon market activities and strengthens the basis for regulating carbon transactions, attracting climate finance, and ensuring transparent and equitable value creation.

Institutionally, Ethiopia benefits from an established climate governance architecture centred on the Ministry of Planning and Development (MoPD), supported by environmental and sector institutions responsible for national inventories, MRV, climate policy and sectoral implementation. The Ethiopia carbon market Proclamation envisages clear institutional roles for Mitigation Activity approval, ITMO authorisation, MRV, registry management, safeguards and benefit sharing. The National Carbon Market Strategy (2025-2035) identifies Japan, under the Joint Crediting Mechanism, and Norway, Switzerland, Sweden, Singapore (MOU signed), South Korea among Ethiopia's priority bilateral partners, although no ITMOs have yet been transferred, indicating that the country remains in the transition from readiness to transaction execution.

The principal constraint has therefore shifted from policy and legal uncertainty to implementation capacity. Priority gaps include operationalising the Proclamation through subsidiary regulations and procedures; establishing predictable project approval, authorisation and Letter of Authorisation processes; strengthening corresponding-adjustment and NDC accounting systems; developing interoperable registry and MRV infrastructure; and ensuring adequate institutional staffing and technical capacity. These systems are essential to convert Ethiopia's substantial existing carbon project pipeline into authorised, high-integrity mitigation outcomes.

The country has crossed the critical threshold of establishing a dedicated legal basis for carbon markets but has yet to demonstrate full transaction-level execution. Targeted technical and financial support should now focus more on implementation, assisting Ethiopia operationalise its regulatory architecture, strengthen market infrastructure, and execute initial Article 6 transactions. Given the scale of Ethiopia's mitigation potential and its conditional NDC ambition, successful implementation could unlock significant private and results-based climate finance while strengthening the country's ability to use carbon markets as a complementary instrument for NDC delivery.

Table 5: EAA Article 6 Readiness 10-Step Framework

Step	Component	Current Status	Remaining Gap	Priority Action (2026-2027)
1	National Carbon Market Strategy	Established	Strategy requires full implementation through operational procedures and processes	Translate the strategy and its subsidiary legislation into an operational implementation programme
2	Legal & Regulatory Framework	Legal framework established	Carbon market proclamation requires subsidiary directives, and detailed operating procedures need to be put into effect	Operationalise the Carbon Market Proclamation through, regulation, directive, guideline and operational manual
3	Designated National Authority & Institutional Mandate	Established	Mandates need to be fully effected across authorisation, MRV, accounting, registry and oversight functions	Resource the responsible Article 6 functions within the national institutional architecture

4	Host Country Approval & Letter of Authorisation	Legal basis established; SOPs and implementation pending	Standardised approval, eligibility, authorisation and LoA procedures need to be demonstrated in practice	Establish clear SOPs, eligibility criteria and standard LoA procedures for Article 6 activities
5	Institutional & Technical Capacity	Developing	Limited dedicated technical capacity for transaction-level assessment, authorisation and oversight	Resource a dedicated technical function and strengthen expertise across relevant institutions
6	Article 6 MRV & NDC Accounting	Developing	MRV integration, verification and risk-assessment systems remain to be operationalised	Establish an integrated MRV and accounting architecture capable of supporting authorisation and corresponding adjustments
7	Market Infrastructure & Technical Services	Developing	Limited domestic capacity for validation, verification and transaction support	Strengthen domestic technical and VVB capacity and establish the supporting services required for transactions
8	Private Sector & Buyer Engagement	Developing	Engagement remains fragmented and Ethiopia has yet to demonstrate transaction-level buyer participation	Establish a structured government, developer and buyer engagement platform and develop priority pipelines

9	National Carbon Registry & Transaction Tracking	Legal basis established; operationalisation pending	No fully operational national system for tracking authorisations, transfers and Article 6 accounting	Establish an Article 6-compatible registry or start with the UNFCCC international registry
10	International Cooperation & Article 6.2 Transactions	Early implementation	Ethiopia has established international cooperation but has yet to complete an ITMO transaction	Make bilateral cooperation into pilot transactions and progress additional Article 6.2 partnerships

CORSIA Participation

Ethiopia’s CORSIA opportunity is strategically significant but remains at an early operational stage. The current portfolio includes one CORSIA-eligible project, with four issuance events totalling 44,740 eligible units, indicating that Ethiopia has yet to develop a meaningful supply of aviation-eligible credits. Ethiopia did not opt into CORSIA’s voluntary participation during the pilot and first phases (2021-2026). Phase 2 begins in 2027, when participation becomes mandatory for States whose international aviation activity exceeds defined thresholds. As a least developed country and a landlocked developing country, Ethiopia is exempt from mandatory participation unless it volunteers. This makes the transition into Phase 2 particularly relevant for Ethiopia and creates a near-term opportunity to strengthen both national aviation decarbonisation planning and the supply of eligible emissions units.

Ethiopia submitted a State Action Plan to ICAO in January 2020, and the National Carbon Market Strategy identifies CORSIA as an opportunity to create domestic demand through

Ethiopian Airlines while also positioning Ethiopia as a potential supplier to international airlines. The strategy envisages prioritising high-integrity domestic credits and developing the infrastructure required for their generation, certification and transfer.

The same systems required for Article 6 like robust MRV, project-level eligibility screening, registry and transaction tracking, and government authorisation can provide the backbone for CORSIA supply ahead of Phase 2 and future demand. Ethiopian Airlines can be the potential domestic anchor while developing capacity to serve international buyers.

Table 6. CORSIA Status and Outlook

Element	Status	Actions Required
Voluntary Participation	Not participating; exempt as a least developed and landlocked developing country unless it volunteers	Submit notification to ICAO to participate in Phase II (2027-2035)
Eligible Projects	One Gold Standard project holds 44,740 units that are CORSIA eligible	Align more pipelines with CORSIA-approved standards
State Action Plan	Submitted in January 2020	Update and operationalize the plan

Strategic Opportunity	Very High	Position Ethiopia as both a buyer and supplier of CORSIA-eligible credits

Benefit-Sharing & Integrity Safeguards

Benefit-sharing and integrity safeguards are central to market scale and political durability. Given the country's ambition to engage carbon markets as a delivery instrument for conditional NDC targets and Article 6 cooperation, the credibility of benefit allocation and environmental integrity directly determines buyer confidence, community acceptance, and long-term performance. Ethiopia's carbon market is grounded in national development priorities and recent policy work, such as the NDC 3.0, the CiACA-supported carbon market strategy and Ethiopia carbon market Proclamation, all of which address social aspects. The country has embedded benefit-sharing mechanism and planning in carbon market proclamation to ensure the transparent, performance-based distribution of monetary and non-monetary carbon revenues across government levels (vertical) and to the private sector and local communities (horizontal). Ethiopia Carbon market proclamation states that the system will integrate sectoral distribution models with robust monitoring and grievance mechanisms to ensure accountability and incentivise inclusive participation in climate action. Carbon revenues must generate visible, measurable benefits at the local level, particularly in sectors where mitigation outcomes depend on sustained community participation. This approach reflects both practical necessity and the political economy realities in a country where land, energy access, and livelihoods are tightly interlinked. This means prioritising direct community benefits while preserving sufficient commercial returns to attract

capable developers and long-term investors. In forestry and landscape-scale programmes, community benefit streams are essential to permanence and leakage management. In clean cooking and agriculture, they underpin adoption, sustained use, and emissions durability. This approach positions benefit-sharing as a risk-management and value-enhancement tool. It reduces reversal and reputational risk for buyers, strengthens community incentives for stewardship, and provides the government with a transparent mechanism to channel carbon revenues towards nationally defined climate and development priorities.

Table 7: Example of a Benefit-Sharing Framework

Stakeholder	**% Allocation**	**Purpose**	**Integrity Function**
Communities & Local Institutions	Agreed between the actors. DNA and Finance ministry can make adjustments that should not reduce in by more than 5%	Direct household benefits, livelihood support, community infrastructure, land and resource management incentives	Ensures social legitimacy, permanence, leakage control, and long-term stewardship

Project Developers	DNA and Ministry of Finance act as contracting parties for ERPAs and will establish a standardized framework to distribute revenues equitably among federal/regional governments, proponents, intermediaries, and local communities.	Capital recovery, technical delivery, project management, innovation	Maintains commercial viability and delivery capacity
Government / National Systems	The applicable carbon-market charges include a 2% administrative fee on ITMO transfers, application fees of USD 100–150, MADD processing fees of USD 150–200, a 5% government share for adaptation, and additional DNA-prescribed fees for services including listing, issuance, Unique ID Numbers, Corresponding Adjustments and holding accounts.	Registry operation, authorisation processes, MRV integration, climate finance coordination	Enables Article 6 compliance, national oversight, and system sustainability

Buffer / Risk Pool	The Ethiopia Carbon Buffer Account requires a 2% contribution for activities already participating in an internationally recognised buffer pool, and 5–10% for activities without such participation, based on the activity's risk profile.	Non-permanence, reversal, and delivery risk management	De-risks credits for buyers and safeguards environmental integrity

Strategic Roadmap & Investment Need

Ethiopia's carbon market roadmap is centred on scale conversion, as the country already possesses two critical assets: economy-wide mitigation embedded in national planning and substantial, diverse mitigation potential. The challenge is to shorten the time between readiness and volume, and to ensure that early Article 6 decisions do not constrain long-term supply or value.

Phase 1 (2026-2027): System completion and safe first transactions

Ethiopia's immediate priority is to translate its newly established carbon-market framework into a fully operational transaction system capable of supporting credible, scalable Article 6 participation. Building on the Carbon Market Proclamation, the National Carbon Market Strategy and existing

institutional foundations, the country can focus on completing the regulatory instruments, digital infrastructure and standardised procedures needed to provide clarity and confidence to project developers, buyers and investors. Key priorities include operationalising the carbon-market regulations, directive and guideline; deploying a national registry capable of supporting transparent, high-volume tracking; and finalising standardised authorisation and Letter of Authorisation (LoA) procedures that can be consistently applied across programmes and sectors. Early transactions should be strategically selected to demonstrate the effectiveness of these systems, establish strong market precedents and build confidence for subsequent scale-up.

Phase 2 (2028-2030): Volume expansion and capital structuring

Once systems are proven, the roadmap pivots aggressively towards volume, predictability, and financial structuring. Ethiopia’s focus shifts from authorising individual activities to managing carbon supply portfolios. This includes scaling jurisdictional and national programmes into multi-year issuance trajectories; formalising bilateral Article 6.2 cooperation agreements with a limited number of strategic partner governments, prioritising price stability and long-term demand; and structuring carbon revenues to support advance purchase agreements, results-based finance tranches, and blended finance vehicles. This phase marks when Ethiopia becomes bankable as a carbon supplier. Regulatory risk declines, delivery risk is priced in, and private capital can engage at scale.

Phase 3 (2031-2035): Integration with national climate finance

Authorisations, revenue flows, and corresponding adjustments are integrated into national climate finance planning, sector investment strategies, and budget frameworks. Carbon revenues

contribute directly to closing the conditional NDC financing gap, de-risking large public investments and reducing dependence on concessional finance for mitigation delivery. Ethiopia operates as a long-term, high-volume supplier, able to manage trade-offs between domestic ambition and international transfers in a controlled manner.

Roles and responsibilities

- Government of Ethiopia: Set scale-safe rules, enforce disciplined authorisation, and protect long-term mitigation value from short-term fiscal pressures.
- Development partners: Fund system-building support, including the regulations, directives and guidelines provided for in the Carbon Market Proclamation, capacity building, peer-to-peer learning and authorisation workflows, and underwrite early portfolio transactions to reduce market entry risk.
- Private sector & developers: Aggregate delivery at programme scale, bring capital and implementation capacity, and align with national portfolio structures over isolated projects.
- Partner governments & buyers: Commit early to long-term cooperation and offtake signals that enable Ethiopia to structure supply at scale.

The investment need

Targeted investment is required to translate Ethiopia’s established carbon-market policy and legal framework into market execution. Financing will support the operationalisation of the regulatory and institutional architecture, deployment of high-capacity digital MRV and registry infrastructure, development of transaction systems, and preparation and execution of the first Article 6 transactions. The opportunity extends well beyond the initial system investment. Ethiopia has a substantial mitigation pipeline with the potential to mobilise tens of millions of

tCO_2e in mitigation outcomes, creating significant potential for carbon-market revenues and climate finance over the coming decade. Strategic investment in the enabling architecture can therefore crowd in private capital, strengthen domestic market capabilities and establish a permanent national platform for mobilising climate finance at scale.

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