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# COP27 Update: Carbon Credit Proposals in Spotlight

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The spotlight has shone brightly on carbon credits during the first week of COP27 in Sharm El-Sheikh, Egypt. On November 9, John Kerry, the U.S. Special Presidential Envoy for Climate, **announced** the **"Energy Transition Accelerator" (ETA)**, a billion-dollar carbon credit program designed to help private companies in wealthier countries support developing countries to reduce their reliance on fossil fuels. According to the announcement, "operating at the scale of national or subnational jurisdictions, the ETA will produce verified greenhouse gas emission reductions, which participating jurisdictions will have the option of issuing as marketable carbon credits." The program has been developed by the U.S. State Department in partnership with The Rockefeller Foundation and the Bezos Earth Fund. The U.S. government and its partners are aiming to develop the initiative "with input from governments, experts, the private sector, and civil society" and expect it to operate until 2030, possibly extending to 2035.

Kerry's proposal followed the publication of the **Africa Carbon Markets Initiative Roadmap Report**, which sets out **plans** to create a voluntary carbon market producing 1.5 billion carbon credits a year by 2050 by leveraging $120 billion USD. This proposal is supported by a consortium of African countries (Kenya, Malawi, Gabon, Nigeria and Togo) and carbon credit market participants. The Egyptian Stock Exchange has also used the platform of COP27 to **launch** an African voluntary carbon market, the African Market for Carbon Certificates, which will be developed over the next year.

**Taking the Temperature: The use of carbon credits in connection with meeting emissions reduction targets remains controversial. Kerry's proposal has re-sparked this type of debate, including whether such a carbon offset program is compatible with a United Nations report published earlier this week, which states that carbon offsets should be high-quality and used only as a last resort. The report states that for companies to achieve their net zero goals, they "must use credits associated with a credibly governed standard-setting body that has the highest environmental integrity with attention to positive social and economic outcomes where the projects or**

**jurisdictional programs are located." Some European delegates, including German state secretary Jochen Flasbarth, have expressed skepticism regarding the ETA proposal and have raised concerns that it may duplicate existing European initiatives.**

**At COP27, Ambassador Kerry has defended the proposal, explaining that it "is not some grandma-grandpa credit, but a 2022 credit," and that "every company that takes part still has to reach net zero by 2050, nobody is off the hook, nobody is trying to pull a fast one. If we don't find more money, multiply renewable energy sixfold, we ain't gonna get this job done." Furthermore, he added that "We are not going to waddle – this has to move as rapidly as crisis demands."**

**Regardless of one's current views, carbon markets will continue to mature and possibly be subject to government regulation. As that occurs, many open issues around the utility of carbon offsets should become clearer. For the moment, however, we expect continued debate and disagreement about the use of carbon credits to meet emissions reduction commitments and the use of such credits to continue to grow.**