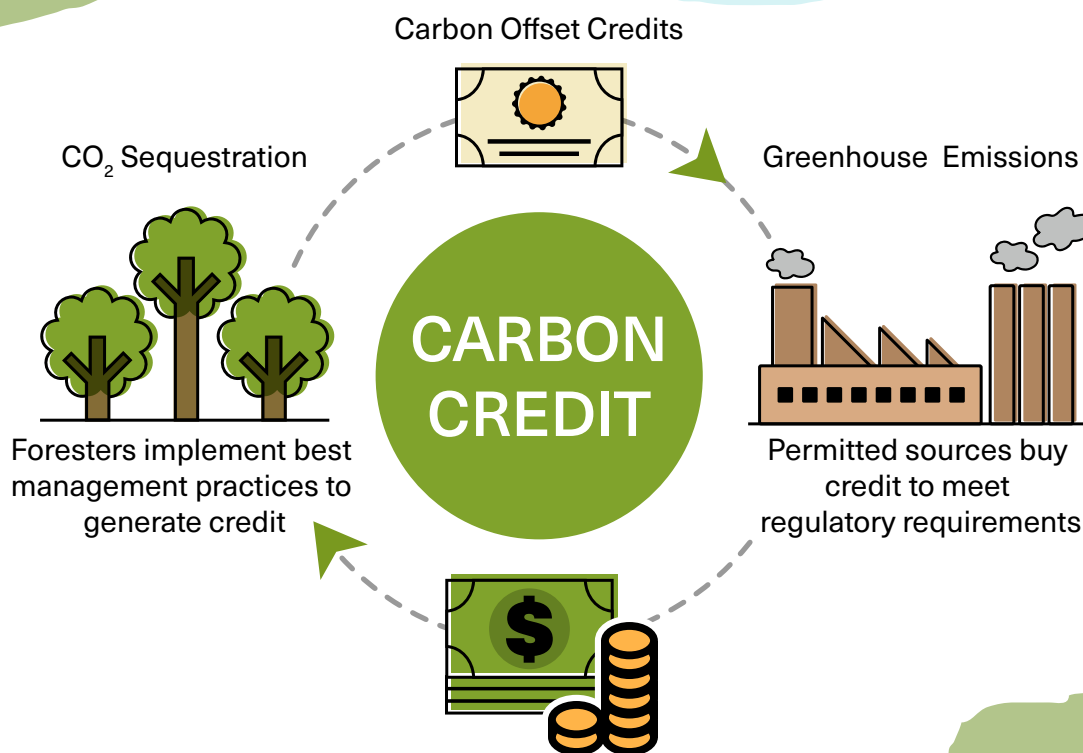


# WHAT IS CARBON TRADING AND CAN IT BENEFIT NEPAL?



In a nutshell, carbon trading is an emission trading scheme which allows countries, companies or other entities to buy or sell carbon credits to compensate for their carbon dioxide (CO<sub>2</sub>) or other greenhouse gas (GHG) emissions. It permits a country or entity that emits lesser GHG than the allocated limit to sell its surplus to ones that emit more.

Aimed to reduce global GHG emissions and address the challenges of climate change, this global market-based system originated with the Kyoto Protocol, a United Nations treaty.



Source: [What are Carbon Credits?](#)

## Nepal's eligibility in carbon trading

As a developing country, Nepal is eligible to sell its carbon cap to countries that want to compensate for their excess GHG emissions. Also, with following pros, Nepal has the potential for revenue generation through carbon trade:

44.74 % of land covered by forests and wooded area

More than 3 decades of successful community forestry

Nepal signed the Forest Carbon Partnership Facility (FCPF) agreement in 2021, in recognition of its emission reduction efforts



Nepal is the fifth country in Asia-Pacific and twelfth globally to reach this milestone agreement with the FCPF

## Carbon trade benefits for Nepal

Well-designed carbon pricing policies can greatly benefit developing countries like Nepal to enhance its abilities to participate successfully in a decarbonizing global economy. Other benefits Nepal can reap from carbon trading are as follows:

- Reduction of carbon emissions and pollution
- Adoption of clean energy sources
- Cleaner investment and consumption choices for public
- Sustainable land use and natural resource management
- Revenue generation from eco-tourism and forest-based industries
- Efficient transition to low-carbon economy
- Upliftment of local rights and management of forests

Although there are potentials of carbon trading in Nepal, larger challenges may lie in making sure that the changes are equitable and align with nation's development objectives. Also, to ensure carbon trading does not become a free pass for developed nations to exceed their emission limits, stronger monitoring mechanisms are necessary. For developing nations like Nepal, strong policies and clear agendas are necessary at a global as well as national level for sustainable socio-economic growth incorporating carbon trades.

Sources: [Nepal and World Bank sign innovative financing agreement - The Himalayan Times](#); [Everything you need to know about Nepal's carbon trade deal \(kathmandupost.com\)](#); [Why should developing countries implement carbon pricing when even advanced economies fall woefully short? - Development Matters \(oecd-development-matters.org\)](#)