



Frequently Asked Questions (FAQ's) **CARBON MARKETS**

Developed for the Fiji Climate Change Act 2021



1. How does the Fiji Climate Change Act (CCA) 2021 define carbon markets?

The Fiji's Climate Change Act (CCA) 2021 sets the rules for carbon markets in Fiji, with the aim of facilitating emissions reduction projects, programmes or activities, generating "Fijian Mitigation Outcome Units" (FMUs), and enabling their domestic and international transfer under the rules of Article 6 of the Paris Agreement. Part 10 of the CCA 2021 focuses on carbon sequestration property rights and emissions reduction projects, programmes and activities. The Act further provides a legal framework for Fiji's engagement with international carbon markets, including bilateral, regional, and multilateral cooperation.

2. What are the types of carbon markets Fiji will engage with?

According to the CCA, Fiji can participate in different types of carbon markets, including : a) domestic compliance carbon markets which can be established by the government and require businesses to meet specific emission reduction targets, often through cap-and-trade systems; b) international compliance carbon markets created by multi-government bodies like the United Nations, an example is Article 6 of the Paris Agreement where countries can choose to trade carbon credits to meet their climate goals; and c) voluntary carbon markets (VCM) which allow companies or the private sector and individuals to purchase carbon credit to offset their emissions, even if they are not legally obligated to do so.

3. Who can participate in Fiji's carbon markets?

Both individuals and organizations can participate in the generation of carbon credits to be transacted in different carbon markets. They can also engage specifically in voluntary carbon markets, by engaging in projects that reduce or remove greenhouse gas emissions or, in the case of organizations, by purchasing carbon credits from such projects to offset their own emissions. Fiji is developing regulations under the Climate Change Act 2021 (Part 10)

to regulate carbon markets, including a 5-year costed carbon market plan to implement its first trade highlighting key technical developments to operationalize Part 10 of the CCA 2021.

4. How does Fiji's carbon market work – who are the relevant authorities?

Fiji's carbon market is primarily driven by Fiji's National Carbon Market Strategy Roadmap (NCMSR) and the Climate Change Act (CCA) 2021. The Department of Climate Change (DoCC) within the Ministry of Environment and Climate Change (MECC) leads the development and implementation of the carbon market strategy, with support from the relevant ministries as mandated under Part 10 of the Climate Change Act, 2021. The Registrar of Titles is also an important entity that keeps a record of all such lease arrangements.

5. How are carbon credits issued in Fiji?

In Fiji, carbon credits are primarily issued for projects that reduce emissions from deforestation and forest degradation (REDD+), and for projects that enhance forest carbon stocks. These projects are often verified under voluntary carbon standards like Plan Vivo or the Verified Carbon Standard. Fiji is also working towards launching an informational registry for its carbon projects to ensure transparency and record free, prior, and informed consent processes and trade outside of the forestry sector such as in agriculture, blue carbon, and the energy sector. The project proponent registers their interest with the Director of Climate Change, who in consultation with the relevant ministries will provide approvals. For land-based projects upon approval by the director for DoCC, the Register of Titles will register the Carbon Sequestration Property Rights on the interested parcel of land. Carbon Sequestration Property Rights are exclusive and distinct legal rights to carbon sequestration and carbon stocks. The right provides clarity on ownership and control over the carbon credits for land-based projects only.

6. What types of projects can generate carbon credits in Fiji?

Carbon credits are generated by projects that have avoided or removed greenhouse gas emissions. Each credit represents one reduced or avoided tonne of carbon dioxide (CO₂), or another greenhouse gas equivalent (CO₂e) in the atmosphere. Some examples are illustrated below:

Types of Carbon Projects

Technology-based projects	Transportation
- Biomass - Hydro - Solar - wind - Geothermal	- Vehicle fuel efficiency - Electric hybrid biodiesel - Transport energy efficiency
Conservation	Industry & Engineered Removals
- REDD+ - Improved forest management - Logged-to-protected forest	- Abatement of GHGs from industrial processes - Carbon capture utilisation
Reforestation	Blue Carbon
- Forest regeneration - Wetland restoration - Afforestation/ Reforestation/ Revegetation	- Reforestation of mangroves - Avoided degradation of coastal ecosystem - Grazing management - Irrigation system - Crop rotation

7. How do businesses or individuals buy and sell carbon credits in Fiji?

In Fiji, businesses can use, sell, and transfer domestically and/or internationally emissions reduction units issued under an approved international emissions reduction standard for an emissions reduction project, programme or activity during the designated crediting period managed by the Fiji Registry. Prior government authorization is required for these purposes

8. How does the government regulate carbon markets in Fiji?

Fiji's government will regulate carbon markets through the regulations developed under the Part 10 of the Climate Change Act (CCA) 2021 by DoCC in collaboration with relevant Line Ministries as prescribed by the CCA and its subsequent regulations.

9. How will carbon markets help Fiji achieve its climate goals?

Carbon markets can help Fiji achieve its climate goals by creating incentives for businesses and individuals to reduce their carbon emissions, setting caps or limits for emissions from specific sectors (e.g. in the case of cap-and-trade systems) and obtaining additional sources of finance to support Fiji to meet its NDC conditional targets (e.g. in the case of Article 6 transactions). In general, by allowing carbon credits trading, carbon markets can internalize the cost of pollution, encouraging companies to reduce their emissions in a flexible and cost-effective way by investing in renewable energy,

and other low-carbon solutions. This, in turn, can help Fiji meet its emissions reduction and net zero targets and contribute to global efforts to combat climate change.

10. Are there any penalties for non-compliance with the carbon market regulations in Fiji?

Yes, non-compliance with Fiji's carbon market regulations can lead to penalties. Specifically, the Laws of Fiji outlines that a person who commits an offence related to the carbon market can be fined up to \$750,000. Additionally, there may be other disincentives and financial consequences for those who exceed their permitted carbon emissions.

11. How does Fiji's carbon market align with global carbon markets?

Fiji's carbon market is designed to align with global carbon markets, particularly through the provisions of the Paris Agreement and the National Carbon Market Strategy Roadmap (NCMRS). This alignment is achieved by ensuring transparency in carbon projects tracking and accounting of emission reductions, and developing a robust regulatory framework for engagement in international carbon markets aligned to the rules and modalities under the Paris Agreement. A plan to achieve this for Fiji, is detailed in its 5-year costed carbon market plan.

12. What are the benefits of participating in Fiji's carbon market for businesses?

Participating in Fiji's carbon market offers businesses multiple benefits, including enhanced "green" labels, sustainability goals, sectoral policies and plans, and potential for new business growth. Additionally, it can improve regulatory compliance, potentially lead to cost savings, and contribute to environmental and social well-being within Fiji.

13. How will Fiji ensure the transparency and credibility of its carbon market?

Fiji will be able to achieve this by regulating full compliance of carbon markets by operationalizing the prescribed regulations under Part 10 of the Act. Fiji plans to enhance the transparency and credibility of its carbon market through a public registry for carbon projects, focusing on transparently documenting Free, Prior and Informed Consent (FPIC) processes. Additionally, Fiji aims to implement strong economic justification for carbon market strategies, ensuring tangible emissions reductions and benefits to the nation. Also, the use of Internationally Transferred Mitigation Outcomes (ITMOs) and the international transfer of Fijian Mitigation Outcome Units in accordance with the Paris Agreement or any other international agreements to which Fiji is a Party including with respect to avoiding double counting, ensuring units are verified and credible.

- 14. Can local communities and individuals participate in carbon markets in Fiji?**

Yes, local communities and individuals in Fiji can and are encouraged to participate in carbon markets, particularly through forestry-based carbon offset projects. The Fijian government is actively working to facilitate their involvement, recognizing the potential for these projects to benefit both communities and the environment.
- 15. How can IPLCs ensure that their rights are protected in carbon markets?**

To protect their rights in carbon markets, Indigenous Peoples and Local Communities (IPLCs) should *ensure their tenure rights are formally recognized and registered formally (such as through title) in a manner that respects territorial, national, and international laws. This includes customary and formal tenure, and that they are included in the development and implementation of carbon projects.* The upcoming tranche 1 of the draft regulations of Part 10 of the CCA 2021, builds upon the legal rights to the transparency of carbon markets in Fiji, and this will safeguard the process for resource owners. Additionally, IPLCs should advocate for transparent and equitable benefit-sharing mechanisms and the integration of their traditional ecological knowledge and customary laws into market mechanisms.
- 16. What are the risks for IPLCs in carbon markets?**

In carbon markets, Indigenous Peoples and Local Communities (IPLCs) and local resource owners, could potentially face risks if the land is engaged in projects that alter land use or resource extraction, such as mining, or infrastructure development. They also face challenges in navigating the technical complexity of the market and ensuring their rights are respected, including the right to prior consultation and consent. Furthermore, the risk of being excluded from decision-making processes can hinder their participation and benefits from carbon markets.
- 17. What safeguards should be in place for IPLCs in carbon markets?**

Safeguards for Indigenous Peoples and Local Communities (IPLCs) in carbon markets should ensure that projects involving IPLCs are aligned with their rights and norms and include measures to address potential risks. These safeguards should cover aspects like Free, Prior, and Informed Consent (FPIC), risk assessment and mitigation, benefit-sharing, and transparency. Environmental and Social Safeguards (ESG). This also includes the upcoming regulations under Part 10 of the CCA 2021. A list of this can be found in Annex 1 of Fiji's 5 year costed carbon market plan.
- 18. What are the enabling conditions for carbon markets in Fiji?**

Enabling conditions for carbon markets in Fiji refer to those that need to be in place to allow for carbon credits to be generated and transacted under carbon markets. The Climate Change Act (CCA) 2021, provides a robust policy framework that sets key policy enabling conditions, which can facilitate the transparent coordination of emissions reduction projects and the transfer of Fijian Mitigation Outcome Units for carbon markets and under Article 6 of the Paris Agreement. Additionally, Fiji's National Carbon Market Strategy Roadmap outlines a phased approach to implementation, emphasizing stakeholder engagement, cultural sensitivity, and alignment with Fiji's sustainable development goals. This includes ensuring that carbon market activities are inclusive and responsive to the needs and rights of landowners and local communities. A functional carbon trades team based within DoCC to uptake institutional capacity and compliance.
- 19. How do I contact the relevant authorities?**

Relevant contact details will be provided once the regulations under Part 10 of the Climate Change Act are enforced. To contact the relevant carbon market authorities in Fiji, you can reach out to the Ministry of Environment and Climate Change (MECC). Fiji Climate Change Portal (fijiclimatchangeportal.gov.fj) provides relevant contact details for the National Designated Authority, which is responsible for implementing the national climate change policies, including those related to carbon markets, according to the Fiji Climate Change Portal. The Department of Climate Change, can be contacted on: Phone: (+679) 3311699 or by email: ccicd@economy.gov.fj
- 20. How long will it take before I can get payment on the carbon I will sign on?**

The timeframe for receiving payment on carbon credits signed in Fiji depends on several factors, including the specific carbon project, the carbon market, and the payment terms agreed upon, permanence periods. The process involves several stages, and payments may not be immediate.

Here is a breakdown of the key factors:

 - **Project Completion and Verification:**

Carbon projects, such as reforestation or renewable energy initiatives, need to be completed and verified to demonstrate their carbon reduction or sequestration effects. This verification process can take time
 - **Carbon Credit Issuance:**

Once verified, carbon credits are issued to the project developers. These credits represent the amount of carbon dioxide equivalent

(CO₂e) reduced or sequestered.

- **Carbon Market Transactions:**

The project developers can then sell these carbon credits in the carbon market to companies or individuals looking to offset their emissions.

- **Payment Terms:**

The specific payment terms for carbon credits vary depending on the buyer and seller and can include upfront payments, instalment payments, or other arrangements.

- **Transaction and Settlement:**

The transaction of carbon credits and the subsequent payment can be a quick process, especially in well-established carbon markets. However, delays can occur due to verification processes, market fluctuations, and other factors.

Estimating the Timeline:

- **Verification:**

Finding buyers and negotiating sales can take some time, depending on the demand and the project's characteristics.

- **Carbon Market Sales:**

Finding buyers and negotiating sales can take some time, depending on the demand and the project's characteristics.

- **Payment:**

Payment for carbon credits can be made within a few weeks to a few months after a sale, depending on the terms agreed upon.

In summary, it is difficult to provide an exact period for payment on carbon credits in Fiji. It can range from a few weeks to several months depending on the project, the market, and the payment terms. It is crucial to carefully review the specific details of the carbon project and the terms of the carbon credit sale to understand the expected payment schedule.

21. Can all types of land leases qualify for carbon markets?

Not all types of land leases can qualify for carbon markets. Secure land tenure, often with formal long-term land titles, is typically required for carbon market projects, especially those focused on nature-based solutions (NbS) like reforestation or afforestation. Land use that might interfere with carbon sequestration or raise questions about property rights, like

customary land tenure with potential competing claims, can create challenges for carbon market participation. The proponent must also be willing to demonstrate permanence periods – i.e., allow the carbon stocks to be intact as per the carbon trade requirements. If consent from landowners is obtained, and all safeguards and criteria are met, then this is possible for all land types in Fiji.

22. Can I use my land for other activities, or does it need to be fully restricted from any use?

Land participating in carbon trading, particularly within the context of REDD+ (Reducing Emissions from Deforestation and Forest Degradation), can be used for other activities if those activities are compatible with carbon sequestration and emissions reduction goals. The key is to ensure that any land use does not undermine the forest's ability to store carbon or lead to increased emissions. No mining, logging, exploration, exploitation, or extractive activity is to be approved on land engaged in carbon markets.

23. What happens if my carbon stocks are damaged by natural disasters?

If carbon stocks in the forests are damaged by a natural disaster, the "Buffer Fund" might be used to rehabilitate the damaged areas. This fund is already embedded in the Fiji's National REDD+ Program and consists of a portion of funds allocated to finance the rehabilitation of forest carbon stocks affected by natural disasters. In addition, the affected land may be eligible for temporary pauses in carbon accounting. Parametric insurance mechanisms are a growing option to combine carbon trading pathways.

24. Can resource owners participate outside of the Government process?

No, the CCA provides that carbon markets need to comply with this framework as well as any regulations to be developed.

25. Can anyone else trade my land on my behalf?

Yes, anyone can potentially trade carbon credits on land they own, including allowing a third party to do so on their behalf. This is particularly relevant for land with carbon sequestration potential, like forests, or land where specific actions have led to reduced emissions. The new lease of the land holds the carbon sequestration property rights, but this needs to be approved in consultation with the Landowner. No activities/trading can be done on the land without the landowner's approval.