THE DRAFT CLIMATE CHANGE (CARBON TRADING) REGULATIONS, 2025
JUNE 2025
UPDATED TO ALIGN WITH PUBLIC FEEDBACK AND APPROVED BY TECHNICAL COMMITTEE FOR REGULATORY IMPACT ASSESSMENT

THE DRAFT CLIMATE CHANGE (CARBON TRADING) REGULATIONS, 2025

THE CLIMATE CHANGE ACT (Cap. 387A)

IN EXERCISE of the powers conferred by sections 36(1) and 36(2) (bb) of the Climate Change Act, the Cabinet Secretary for Environment, Climate Change and Forestry makes the following Regulations—

THE DRAFT CLIMATE CHANGE (CARBON TRADING) REGULATIONS, 2025

Section	Provision	Note
	PART I—PRELIMINARY	
1.	These Regulations may be cited as the Climate Change (Carbon Trading) Regulations, 2025.	Citation
2.	**"Act"** means the Climate Change Act, Cap 387A Laws of Kenya. **"Action Plan"** means the National Climate Change Action Plan provided for under section 13 of the Act. **"Cabinet Secretary"** means the Cabinet Secretary of the Ministry for the time being responsible for matters relating to climate change. **"Carbon budget"** means the approved quantity of greenhouse gas emission that is acceptable over a specified time and shall be informed by the National Greenhouse Gas Inventory and guide on emission reduction allocation for Nationally Determined Contributions or any other use consistent with the Conference of the Parties serving at the meeting of the Parties to the Paris Agreement guidance, rules, modalities and procedures. **"Carbon budget for trading"** under the Act refers to the approved maximum quantity of greenhouse gas	Interpretation

	emission reductions and/or removals allocated for trading within carbon markets. **"Carbon credits"** means a credit created when the equivalent of one metric tonne of carbon dioxide is prevented from entering the atmosphere and is equal to one tonne of carbon dioxide or the equivalent amount of a different greenhouse gas reduced, sequestered, or avoided. **"Carbon Exchange"** means a regulated marketplace established under the Capital Markets Act and implemented under these regulations to facilitate the trading of carbon credits. **"Carbon standards"** means a complete set of established rules, procedures, and methodologies that guide on the generation and issuance of certified carbon credits. **"Carbon trading"** means a market-based system in which certified emission reductions and/or removals, in the form of carbon credits, are bought and sold with the goal of limiting carbon dioxide or other greenhouse gases emissions, including those requiring authorization by the government with the goal of gradually reducing overall emissions. **"Certified emissions reductions"** means a unit that measures and trades the reduction of greenhouse gas emissions. **"Committee"** means the National Carbon Budget Committee established under regulation 6 of these regulations. **"Compliance carbon market"** means the regulated market where carbon credits that represent certified emissions removals or reductions of greenhouse gases in the atmosphere are traded. **"Council"** means the National Climate Change Council established under section 5 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 on Climate Change. **"Directorate"** means the Climate Change Directorate established under section 9 of the Act. **"Greenhouse gas emissions"** has the meaning given in section 2 of the Act. **"Hard-to-abate sectors"** means industries or segments of the economy that are characterized by inherent technical, economic, or operational constraints which render the reduction or elimination of GHG emissions particularly challenging including but not limited to sectors with dependency on high energy intensity sources; generation of process-driven emissions; have limited availability of scalable low-carbon alternatives; have capital intensive long life span infrastructure; or face significant systemic barriers for integration of emerging low carbon technologies or viable alternatives including but not limited to aviation, shipping or the manufacturing of cement, steel, aluminum, glass, or petrochemicals. **"Intergovernmental Panel on Climate Change"** means the Intergovernmental Panel on Climate Change established in 1998 by the World Meteorological Organization and the United Nations Environment Programme to provide governments with scientific information and assessments on climate change. **"Internationally Transferred Mitigation Outcomes"** means real, additional and verified reduction in greenhouse gas emissions or removal of greenhouse gases from the atmosphere, measured in tCO2eq and representing one tCO2eq per methodologies approved under the Paris Agreement Rules and	

	generated by a specific mitigation activity from 2021 onwards. **"Ministry"** means the Ministry currently headed by the Cabinet Secretary for the time being responsible for climate change matters. **"Multisectoral Technical Committee"** means the Multisectoral Technical Committee established by regulation 9 of the Climate Change (Carbon Markets) Regulations, 2024. **"National Registrar"** means the head of the Designated National Authority who shall also be the National Registrar of the National Carbon Registry as provided in regulation 11 of the Climate Change (Carbon Markets) Regulations, 2024. **"National Carbon Registry"** means the Carbon Registry established under section 23G of the Act. **"Nationally Determined Contribution"** means actions that parties to the Paris Agreement plan to undertake to address climate change. **"Paris Agreement"** means the Paris Agreement on Climate Change adopted by the Conference of the Parties at its 21st session in Paris in 2015. **"Project Proponent"** means an entity legally responsible for carrying out a specific project. **"Voluntary carbon market"** means a market where private investors, governments, non-governmental organizations, and businesses voluntarily buy and sell carbon credits that represent certified emissions removals or reductions of greenhouse gases in the atmosphere.	
3.	The object of these Regulations is to provide a framework for the undertaking of carbon trading and related matters.	Object of the Regulations

4.	These Regulations shall apply to the participation in - (a) voluntary carbon markets; and (b) compliance carbon markets.	Application of these regulations
PART II - INSTITUTIONAL FRAMEWORK		
5.	(1) The Cabinet Secretary shall be responsible for oversight and implementation of these regulations. (2) The Cabinet Secretary shall be supported by the Directorate and the Designated National Authority in accordance with the Act, and these regulations.	Functions of Cabinet Secretary
6.	(1) Pursuant to sections 8(3) and 23A (2) of the Act, the Cabinet Secretary may, on the recommendation of the Directorate, establish a National Carbon Budget Committee to support technical functions relating to national carbon budgeting and carbon market participation. (2) The Committee shall be convened and coordinated by the Directorate and shall operate as a technical advisory body under the supervision of the Directorate. (3) The establishment of the Committee, and appointment of members shall be undertaken by the Cabinet Secretary through a legal notice, in the Gazette. (4) The membership of the committee shall comprise persons with qualifications and experience relevant to the mandate of the committee as follows: (a) At least one representative from each Intergovernmental Panel on Climate Change sector contributing to the national greenhouse gas inventory, nominated by the responsible State Department - i) Energy ii) Industrial Processes and Product Use	Carbon budget committee

	iii) Agriculture, Forestry and Land use. iv)Waste (b) Not more than three (3) technical officers of the Directorate. (5) The Committee shall provide strategic and technical support to the Directorate in: (a) The setting of carbon budgets and emission reduction targets aligned with Kenya's nationally determined contribution and the national greenhouse gas inventory. (b) The development, allocation, and oversight of the national carbon budget, including determining and managing the carbon budget available for trading in support of the Cabinet Secretary under regulation 7 below. (6) The Directorate shall, from time to time, prepare, modify or update Terms of Reference for the Committee in line with these regulations and the Act, including provisions on meeting frequency, reporting structure, and coordination protocols with other technical bodies.	
PART III - CARBON TRADING		
7.	(a) The Council shall in accordance with section 6(h) of the Act, and upon the advice of the Cabinet Secretary under section 8(2)(f), consider and approve the carbon budget for trading. (b) The carbon budget for trading in sub-regulation (a) shall be for each nationally determined contribution implementation period, having regard to the need to support the effective functioning of the carbon markets. (c)The Cabinet Secretary, in consultation with the Council, may periodically review and adjust the carbon budget for trading to reflect changes in national circumstances, updates to the nationally	Carbon budget for trading

	determined contribution, or international obligations, and shall ensure that appropriate transitional arrangements are in place to maintain continuity of the carbon market until the adoption of a new carbon budget for trading. (d) In advising the Council on the carbon budget for trading, the Cabinet Secretary shall take into consideration the following- (i) Any emission reductions achieved over and above the NDC target, and any reductions achieved through implementation of conditional mitigation actions of the nationally determined contribution. (ii) That the emissions reductions based on the carbon budget for trading defined in clause (i) above shall be only those achieved through implementation of carbon projects approved under the Act and regulations made thereunder. (iii) The progress made in achieving the nationally determined contribution emissions reduction targets under each successive Action Plan including for respective mitigation sectors. (iv) That public consultations are undertaken in accordance with the Act. (c) In undertaking the functions under this regulation, the Cabinet Secretary shall be supported by the Directorate, and the Committee established under regulation 6 of these regulations. (d) The Cabinet Secretary shall publish the carbon budget for trading, upon approval by the Council, through a legal notice in the Gazette, publish in a newspaper with national circulation, and disseminate through relevant social media platforms used by the Ministry for public communications.	
8.	(1) Prior to concluding a bilateral or multilateral trading agreement provided for under section 23C of the Act, the Cabinet Secretary shall ensure that	Bilateral or multilateral trading agreements for

	such a bilateral or multilateral trading agreement – (a) Complies with the provisions of the Constitution and any other relevant law applicable in Kenya. (b) In the case of a multilateral trading agreement, specifies all the participating States or parties and their roles under the carbon trading agreement. (c) As much as viable, aligns with periodic list of activities or technologies set out in the whitelist under the Act. (d) Where feasible, ~~——~~prioritizes mitigation activities or projects undertaken in hard-to-abate sectors that would not be otherwise achieved without international cooperation. (e) Has aligned the intended mitigation activities with the nationally determined contribution~~.~~ (2) The provisions and mechanisms for implementation of a bilateral or multilateral trading agreement shall ensure – (i) Compliance with the environmental and social requirements required by the Constitution, and relevant laws. (ii) The respect for human rights, and assessment for compliance with applicable safeguards. (iii) There are provisions for dispute resolution, prioritizing alternative dispute resolution, which must be governed by Kenyan law. (iv) There are provisions to ensure transparency. (3) For the avoidance of double counting, a bilateral or multilateral trading agreement under this section shall be consistent with ensuring that emissions reductions are accounted for only once, by either of the parties.	internationally transferred mitigation outcomes

	(4) A bilateral or multilateral trading agreement under this section shall promote sustainable development, enhance resilience as well as efforts to eradicate poverty. (5) The Cabinet Secretary shall keep and update a register of all bilateral or multilateral trading agreements entered into by Kenya under the Act and this regulation. (6) Any bilateral or multilateral trading agreement concluded under this provision and the Act shall be made public in a manner that ensures transparency, accountability and accessibility, subject to applicable confidentiality requirements as set out in law governing access to information.	Access to Information Act, Cap 7M
9.	(1) Carbon credits under these regulations may be traded through a carbon exchange. (2) A carbon exchange shall be established, operated and regulated in accordance with the provisions of the Capital Markets Act. (3) Only carbon credits that are registered in the National Carbon Registry established under the Act shall be eligible for trading on the carbon exchange. (4) The custodial arrangements and the settlement of trades on a carbon exchange shall be undertaken by a licensee, duly licenced under section 5 of the Central Depositories Act and regulations made thereunder. (5) Regulations made under the Capital Markets Act shall govern the notification by the licencee in (4) above to the National Registrar of any trades settled at the Carbon Exchange to enable recording in the National Carbon Registry. (6) The recording in (5) above shall be made in accordance with the Act, the Climate Change (Carbon	Carbon trading through a Carbon exchange Capital Markets Act, Cap 485 Central Depositories Act, Cap 485C

	Markets Regulations) 2024, and regulations made under the Act governing carbon registries.	
10.	(1) Pursuant to section 8(2)(g) of the Act, the Directorate shall advise the Cabinet Secretary on the percentage of mitigation outcomes achieved that may be made available to support Kenya's nationally determined contribution for each authorization sought under regulation 23 of the Climate Change (Carbon Markets) Regulations, 2024. (2) The Directorate shall develop, publish, and periodically update objective criteria to guide its advice to the Cabinet Secretary under sub-regulation (1).	Additional procedures during authorization of international transfer of mitigation outcomes
11.	(1) Further to regulation 23(2) of the Climate Change (Carbon Markets) Regulations, 2024, the Cabinet Secretary shall- (a) within ninety days of the request submitted by the project proponent to the Designated National Authority under regulation 23(1) of the Climate Change (Carbon Markets) Regulations, 2024, either issue the required authorization, or decline the authorization. (b) A decision of the Cabinet Secretary under sub-regulation (a) above to decline authorization, shall be accompanied by written reasons to be provided by the Designated National Authority to the project proponent. (2) A project proponent aggrieved by the decision of the Cabinet Secretary to decline approval, or by delay in issuing a decision, may, in terms of section 23H (2) of the Act, submit the dispute to alternative dispute resolution in the first instance. (3) Where a dispute submitted to alternative dispute resolution under this regulation is not resolved within thirty days of submission, the dispute shall be referred to the National	Additional procedures during authorization of international transfer of mitigation outcomes

	Environment Tribunal in line with section 23(H)(3) of the Act.	
12.	Every carbon trading transaction subject to these regulations shall be recorded in the National Carbon registry established under section 23G of the Act.	Recording of carbon trading transactions in the register.
PART IV - FISCAL AND NON-FISCAL INCENTIVES		
13.	(1) Subject to section 26 of the Act, the Cabinet Secretary shall in consultation with the Cabinet Secretary responsible for finance, provide fiscal incentives to persons engaged in carbon trading to support the development and enhancement of carbon projects and enhance flow of climate finance into the country. (2) Further to regulation 35(2) of the Climate Change (Carbon Market) Regulations, the Cabinet Secretary may provide non-fiscal incentives to support the enhancement of carbon projects and trading and sustainable development benefits to Kenya, including the following - (a) Continuous review and simplification of the registration process for carbon credits to enable earlier access to carbon markets. (b) Issuing official certifications and awards to recognize entities or carbon projects that make significant contributions to the generation and trading of carbon credits, while ensuring compliance with legal requirements, thereby promoting public recognition and enhancing market prestige. Supporting and catalyzing partnerships between local and international carbon markets participants, facilitating access to global carbon trading opportunities. (c) Any other non-fiscal incentives that the Cabinet Secretary may publish from time to time through a legal notice in the Gazette.	Fiscal and non-fiscal incentives