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Ukraine: Identification of Climate Finance and Carbon Pricing Opportunities in the Forestry Sector

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Challenges:

- **Climate finance: some options are available for Ukraine while others are difficult to attain. Ukraine has not been perceived as highly appealing in voluntary carbon market or Article 6 transactions. Opportunities for Results-Based Climate Finance and Policy-Based Loans should be explored.**
- **Carbon pricing is a novel concept in Ukraine's forest sector, does not directly cover the forestry sector. Ukraine's ETS is not yet operational. However, the forestry sector has the potential to generate carbon credits through project-based crediting mechanisms and emission reduction certifications, which is important.**
- **MRV (Monitoring, Reporting, and Verification) procedures are in place but do not encompass the forestry sector. There is no regulatory base for the MRV in the forestry sector.**
- **The war's impact on the emissions regime is significant.**
- **There is a need to enhance capacity within the MEPNR and SFRA.**

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Activity tasks:

- 1. Scoping of climate finance and carbon pricing readiness options for the forestry sector: a comprehensive report focusing on climate finance and carbon pricing options specifically tailored for the forestry sector in Ukraine**
- 2. Evaluation of MRV existing arrangements for forestry sector, gap analysis, and improvement recommendations**
- 3. Capacity and knowledge building workshops on carbon pricing and climate finance topics relevant to the forestry sector, including best practices approaches to MRV of the sector**

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Expected results/Changed behavior:

- **Acceptance of climate finance and carbon pricing options in the forestry sector at the high official level**
- **Development of legislative proposals for carbon pricing in forestry**
- **Evidence-based recommendations for a robust forestry MRV system**
- **Proposals for capacity building within MENPR and SFRA**
- **Enhanced opportunities for afforestation in Ukraine (including agroforestry), certification of the implementation of close to nature forestry, increase of carbon absorption, fulfillment of international obligations**

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