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Ms. Marriyum Aurangzeb
Senior Minister, Environment Protection and Climate Change
Government of Punjab, Lahore

Subject: Transparency International Pakistan Recommendations for Punjab's Carbon Market Activities Rules and Integrating Equitable Benefit-Sharing Mechanisms as a Mandatory Part of the Punjab's Carbon Markets Regulatory Framework

Dear Madam,

Transparency International Pakistan (TI Pakistan) appreciates the Government of Punjab's initiatives and leadership on climate governance, including the steps taken towards developing a provincial carbon market framework. TI Pakistan views this as an encouraging step towards strengthening climate governance and mobilising climate finance at the provincial level. It was also encouraging to learn about the work being done to steer climate action in the province during TI Pakistan's delegation's meeting with the Punjab Chief Minister Green Credit Program and Ravi Urban Development Authority (RUDA) Mehmood Booti landfill rehabilitation project, Punjab's flagship carbon credit initiative, held on June 13, 2026.

TI Pakistan has previously shared recommendations with the Federal Ministry of Climate Change & Environmental Coordination (MoCC&EC) on Pakistan's national carbon credit guidelines and on the federal draft rules on carbon market activities, both of which were informed by global best practices on integrity, transparency, and equitable benefit-sharing.

TI Pakistan understands that the Government of the Punjab is developing provincial rules to operationalise carbon market activities within the province. In the interest of ensuring consistency between federal and provincial frameworks and of embedding integrity safeguards from the outset, TI Pakistan is pleased to share the key recommendations, along with benefit sharing framework for consideration in the draft Punjab carbon market rules.

Recommendation 1: Institutional Clarity and Coordination with the Federal Framework

It is imperative that the respective roles of the Environment Protection Department/Environmental Protection Agency (EPA) Punjab and the Federal National Designated Authority (NDA) under the MoCC&EC are clearly delineated to avoid regulatory overlaps. It is recommended that:

1. The provincial rules should specify which functions (e.g., project registration, verification oversight, benefit-sharing monitoring) sit with provincial bodies and which remain with, or require notification to, the federal NDA.
2. SMART (Specific, Measurable, Achievable, Relevant, and Time-bound) targets should be allocated to the responsible provincial bodies, with transparent recruitment of technical experts who are not regularly transferred.
3. An independent technical oversight body, or a provincial equivalent to a Technical Advisory Committee, should be established to evaluate verification standards and ensure impartiality in certification processes, operationally separate from project developers.

Recommendation 2: Provincial Carbon Registry

Where the Punjab rules provide for a provincial carbon registry, the following should be made mandatory and publicly accessible in order to prevent abuse of Free, Prior and Informed Consent (FPIC) processes and conflicts of interest:

1. Interoperability and data linkage with the National Carbon Registry, to avoid duplicate or conflicting entries.

2. Mandatory disclosure of data from public consultations carried out prior to project approval.
3. Mandatory disclosure of pricing data and intermediary fees, to prevent market manipulation.
4. Independent third-party validation and verification, with verification bodies financially and operationally independent from project developers.
5. A unique identifier for each carbon credit, securely tracked to prevent fraud and double counting.

Recommendation 3: Defining Clear and Enforceable Mechanisms for Transparency in Data Reporting

Transparency should be the core principle of the provincial framework. The Punjab rules should explicitly define clear and enforceable mechanisms to ensure transparency in data reporting by project developers and verification bodies operating in the province.

Recommendation 4: Preventing Overlapping Compliance Burdens

Given the nascency of carbon markets in Pakistan, it is recommended that the provincial rules limit the number of international standards required in the early stages, to avoid unnecessary complexity for reporting entities:

4. Verra/VCS and Gold Standard should be prioritised as the most comprehensive standards in the early stages of the provincial carbon market.
5. The provincial rules should clarify the specific standards that companies are required to report against, to prevent overlapping compliance burdens with the federal and provincial framework.
6. Capacity-building initiatives should be undertaken to support reporting entities in meeting these requirements.

Recommendation 5: Regulatory Oversight and Grievance Mechanisms

1. Provincial stakeholder mapping document should be developed and shared, outlining priority regions for action, including Protected Areas, Other Effective Area-based Conservation Measures (OECMs), Key Biodiversity Areas (KBAs), and eco-regions within Punjab.
2. Clear guidelines on benefit-sharing and inclusion should be provided to ensure equitable participation and reporting by entities engaged in the provincial carbon market.
3. A grievance mechanism should be included in the provincial rules to allow civil society and community oversight once a project is registered, addressing the current gap whereby no such mechanism exists post-registration.

Recommendation 6: Stakeholder Engagement and Environmental and Social Safeguards

1. The provincial rules should define internationally recognised baseline environmental and social impact assessment standards, ensuring that projects align with global best practices.
2. The mitigation hierarchy mechanism, which follows a structured approach of avoidance, minimisation, restoration, and offsetting, should be explicitly referenced to ensure alignment with global standards (Mitigation Hierarchy Framework).
3. A grievance redressal mechanism should be established alongside a whistleblower platform to strengthen Environmental and Social Safeguards (ESS) enforcement and promote market integrity.
4. Mandate periodic third-party evaluations of carbon projects, ensuring environmental and social commitments translate into tangible outcomes, preventing harmful consequences.
5. Establish (Stakeholder Engagement) as a platform for local communities to formally report issues pertaining to transparency, non-compliance, and unfair benefit-sharing.

Recommendation 7: Benchmarking Against International Environmental and Social Impact Assessment Standards

To improve transparency and data-driven Initial Environmental Examinations (IEE) and Environmental Impact Assessments (EIA), the provincial framework must include benchmarking against international environmental and social impact assessment standards, in conjunction with national and provincial laws.

Recommendation 8: Prioritisation of Key Sectors

As an initial step, it is recommended that the provincial carbon market be piloted within Punjab's high-emitting sectors, such as energy, agriculture, industrial production, solid waste management and others. In the long term, the framework should ensure full-market enforcement across all sectors in the province.

Recommendations for Integrating Equitable Benefit Sharing in Punjab's Carbon Market Frameworks

Financial gains from carbon offset projects are usually shared between stakeholders, largely for emissions reduction. The scope of benefit-sharing includes the distribution of social, economic, and environmental benefits to local communities and other stakeholders who are directly or indirectly impacted by these projects.

Local communities can benefit from carbon market initiatives in multiple ways, including the creation of livelihood opportunities, improved public health and education outcomes, ecosystem and biodiversity conservation, and strengthened local infrastructure. Ensuring these benefits reach affected communities is essential, not only from an equity perspective, but also to foster long-term trust and cooperation between project developers and local populations. Moreover, inclusive and equitable benefit-sharing mechanisms contribute to the overall success and credibility of carbon market projects. They help align climate action with sustainable development goals by ensuring that no group is left behind.

Keeping this in view, Transparency International Pakistan is also pleased to share its detailed recommendations titled **"equity and inclusion strategy for equitable benefit-sharing in carbon markets frameworks in Punjab"**. Key recommendations include:

1. Clear identification and eligibility criteria for beneficiaries;
2. Transparent, consultative, and participatory project development processes;
3. Building capacity and ensuring linguistic accessibility for impacted communities;
4. Integration of World Bank Environmental and Social Safeguards;
5. Establishment of a Feedback and Grievance Redressal Mechanism (FGRM);
6. Adaptive benefit-sharing arrangements separate from other financial flows;
7. Mandatory benefit-sharing plans, annual social audits, and public disclosure requirements.

Recommendation 1: Identification of beneficiaries and devising relevant eligibility: The beneficiaries/IPLCs should be identified through an impact-focused approach, based on the state of their vulnerability, prioritizing resident communities of Protected Areas, OECMs, KBAs, and eco-regions. Similarly, it is also important that zoning for projects is done, where projects are implemented in geographical proximity of the emissions, to ensure that the offsetting process is effective. The eligibility criteria for identifying beneficiaries should be clearly defined, transparently communicated, and consistently applied. These criteria may be based on factors such as socio-economic & climate vulnerability, financial need, and the relevance or contribution of specific community groups to the project area.

Recommendation 2: Ensuring a consultative, transparent and participatory process: The entire process of developing carbon market projects should be consultative, transparent and participatory, with the local communities being integrated at early stages. It should reflect inputs from relevant stakeholders, including the IPLCs and affected communities, particularly vulnerable groups such as women, children and youth. To ensure transparency, monitoring and progress reports on the projects must be mandated and submitted.

Recommendation 3: Linguistic accessibility and building capacity: The benefit sharing arrangements must not just be developed in consultation with the potential beneficiaries but also disclosed and available to them in the form and language understandable to them. The capacity of the IPLCs must also be built to equip them with knowledge and skills to understand and meaningfully participate in the carbon markets. This will ensure inclusion and increase transparency.

Recommendation 4: Integration of World Bank's Environmental and Social Safeguards: The safeguards must be at the centre of the projects, in addition to the UNFCCC guidance related to REDD+. There must be proper information and disclosures in line with the safeguards. https://www.worldbank.org/en/projects-operations/environmental-and-social-framework

Recommendation 5: Feedback and Grievance Redressal Mechanism (FGRM): Having an appropriate FGRM will allow the EPCCD to identify and better understand the impacts of the carbon market projects. FGRMs act as recourse for situations in which, despite proactive stakeholder engagement, some stakeholders have a concern about a project's potential impacts on them. This will also ensure inclusion of diverse voices and build trust between different stakeholders.

Recommendation 6: Design benefit sharing plan and social audit of benefit sharing claims: The carbon market activities rules must mandate that all carbon offset projects submit their benefit sharing plan to the provincial designated authority. It is important that all benefit sharing claims must also undergo yearly review/verification by the provincial designated authority.

Recommendation 7: Public Disclosure and compliance: To promote trust, accountability, and informed stakeholder engagement, it is recommended that Pakistan's carbon market framework mandate public disclosure of benefit-sharing arrangements. This may include transparent reporting on the total finances allocated for benefit-sharing, the amounts distributed to each stakeholder group across geographic areas, the methodology, and the full range of non-monetary benefits provided. Open access to this information will strengthen stakeholder confidence, ensure equitable outcomes, and improve the credibility of carbon market projects. This would also ensure alignment with international standards like Verra, REDD+ and the Gold Standard which promote public availability of information on benefit-sharing.

TI Pakistan trusts that these recommendations will contribute meaningfully to strengthening Punjab's leadership in climate governance and climate action, ensuring that carbon market initiatives deliver equitable and sustainable benefits to the local communities.

Transparency International Pakistan is striving for across-the-board application of the Rule of Law, which is the only way to stop illegal practices and achieve zero tolerance against corruption.

Regards,

Advocate Daniyal Muzaffar
Trustee/Legal Advisor
Transparency International Pakistan

Copies forwarded for information and necessary action to:

1. Chief Minister, CM House, Lahore
2. Chief Secretary, Government of Punjab, Lahore
3. Secretary, Environment Protection Department, Government of Punjab, Lahore
4. CEO, Ravi Urban Development Authority (RUDA), Lahore
5. Director General, Environmental Protection Agency (EPA), Punjab
6. Federal Minister, Ministry of Climate Change and Environmental Coordination (MoCC&EC), Islamabad