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CARBON CREDITS IN EGYPT



Introduction

The landmark announcement of Africa's Voluntary Carbon Market (the "**VCM**") at COP 27 in Egypt marked a pivotal advancement in the region's economic and environmental sustainability agenda. This initiative stemmed from collaborative efforts among key institutions, including the Financial Regulatory Authority (the "**FRA**"), the Egyptian Stock Exchange, and the Egyptian Ministry of Environment culminating in the formal launch of the continent's first trading platform for Certificates of Carbon Emission Reductions (referred to as "**Carbon Credits**") on the Egyptian Stock Exchange ("**EGX**").

The launch was underpinned by the Cabinet Decree No. 4664 of 2022, which amended pertinent provisions of the executive regulations of the Capital Market Law No. 95 of 1992 (the "**Capital Market Law**"). Accordingly, this has resulted in officially classifying Carbon Credits as financial instruments eligible for registration and trading on the EGX's trading platform.

This also reflects Egypt's Vision 2030 and the National Climate Change Strategy 2050, which strives to balance between economic and environmental development by addressing climate-related challenges while sustaining economic growth. VCMs are key global tools in minimizing greenhouse gas emissions. They have strong potential to generate financial returns that support climate action.

In this sustainability report, Shehata & Partners Law Firm ("**SP**") provides a comprehensive overview of Carbon Credits outlining the regulatory framework governing the registration, issuance, and trading of Carbon Credits, which represent a verified reduction in greenhouse gas emissions.

Overview of the Carbon Credits Regulatory Framework in Egypt



MATTER	DESCRIPTION
1. Definitions	<p><u>The below terms shall have the corresponding definitions in this report as follows:</u></p> <ul style="list-style-type: none">• Voluntary Carbon Market (“VCM”): A market on the EGX where entities voluntarily trade Carbon Credits to offset their emissions. Through supporting projects that reduce or remove greenhouse gases (“GHG”), participating entities contribute to environmental goals and enhance their sustainability efforts.• Voluntary Carbon Registries (“VCR”): Central electronic systems that maintain documentation and monitor the issuance, retirement, and transfer of Carbon Credits produced by the carbon emission reduction projects carried out in compliance with the guidelines provided by a verified carbon standards program.• Voluntary Carbon Registries Operators: Entities that have the necessary electronic systems to register Carbon Credits following approval from the authorized validation and verification bodies and as a consequence of carrying out carbon emission reduction projects, whether through using methodologies recognized by the same voluntary carbon registry or through using any other accepted methodologies.• Validation and Verification Bodies (VVBs): Entities that conduct validation and verification procedures to ensure that carbon reduction initiatives adhere to the established reduction criteria and methodologies in Egypt.• Project Developers: Entities in charge of carrying out carbon emission reduction initiatives, whereby Carbon Credits are granted i voluntary carbon registries following certification by the FRA-license validation and verification organizations.

MATTER	DESCRIPTION
<p>1. Definitions</p>	<ul style="list-style-type: none"> • Carbon Neutrality: the balance between carbon emissions and the measures taken to reduce them to reach net zero emissions. • Brokerage Firm: A company authorized to engage in brokerage activities involving the trading of carbon emission reduction credits and related forward contracts. • Market: means the “African Voluntary Carbon Market – AFRICACARBONX” • Forward Contracts for Carbon Credits: Ownership contracts for Carbon Credits which are anticipated to be issued at a future date. Under these contracts, the financing party or the project developer commits to delivering the Carbon Credits to the other contractual party at a time specified by both parties. These are transferable contracts that can be traded in the EGX. • The Settlement Company: An entity licensed by the FRA to provide settlement services for Carbon Credit transactions, including both cash and credit settlements for Carbon Credits and Forward Contracts. An entity authorized to carry out cash and paper settlement activities for Carbon Credits and their Forward Contracts. • The Steering Committee: A committee established by a decree of the EGX' board, which is responsible for overseeing the listing and delisting of Carbon Credits. It is referred to in FRA Decree No. 31 of 2024 as the “Committee.” • The Website: the official site of the Market on the internet.
<p>2. What are Carbon Credits?</p>	<ul style="list-style-type: none"> • Carbon Credits are tradable financial instruments that reflect units of reduced greenhouse gas (GHG) emissions. In this regard, one ton of carbon dioxide equivalent emissions is represented as a "unit."

MATTER	DESCRIPTION
2. What are Carbon Credits?	<ul style="list-style-type: none"> Following the completion of verification and validation work carried out by globally accepted carbon emission reduction standards and methodologies, as verified by independent verification and validation bodies (both local and international as listed in FRA's registry), these credits are granted to the project developer.
3. FRA's Regulatory Framework	<ul style="list-style-type: none"> Committee for Supervision of Carbon Credits: The FRA, through Decree No. 57 of 2023, established a Committee for the supervision of Carbon Credits. The Committee is responsible for laying down the rules governing the issuance, monitoring, and supervision of Carbon Credits, with a focus on the disclosure of carbon emission reduction projects. To ensure the integrity and credibility of the issued Carbon Credits, the committee is charged with developing standards for the selection of Verification and Validation Bodies (VVBs) involved in carbon reduction projects as well as identifying approved carbon registries. Moreover, this committee will coordinate with relevant entities to establish the "Egyptian Registry for Carbon Credits."^[1]
	<ul style="list-style-type: none"> Registration Requirements for VVBs: FRA Decree No. 163 of 2023, as amended by Decree No. 253 of 2024, outlines the requirements for registering both local and international Verification and Validation Bodies (VVBs) in accordance with established international standards and methodologies for carbon reduction.^[2]
	<ul style="list-style-type: none"> Accreditation of Local Voluntary Carbon Registries ("VCR"): FRA Decree No. 30 of 2024 sets forth the standards for accrediting local VCRs with the FRA. The decree establishes rigorous standards for governance, data security, and transparency in the accreditation of voluntary carbon registries. It also ensures that each Carbon Emission Reduction Project and its corresponding Carbon Emission Reduction Certificate ("CERC") are uniquely identifiable and fully traceable throughout their lifecycle.^[3]

[1] https://fra.gov.eg/wp-content/uploads/2024/09/Done_Decree_No_57_2023_Committee_Final.pdf

[2] https://fra.gov.eg/wp-content/uploads/2024/09/Done_Decree_No_163-2023-VVBs.pdf

[3] https://fra.gov.eg/wp-content/uploads/2024/09/Done_Decree_No_30_2024.pdf

[4] https://fra.gov.eg/wp-content/uploads/2024/09/Done_Decree_No_31_2024.pdf

MATTER	DESCRIPTION
3. FRA's Regulatory Framework	<ul style="list-style-type: none"> • Listing and Delisting Rules and Procedures: FRA Decree No. 31 of 2024 ^[4] establishes the guidelines for listing and delisting carbon credits on the Egyptian Exchange. By guaranteeing access to information on carbon emission reduction projects, the decree reinforces transparency in carbon trading. Ultimately, the introduction of carbon credit provides investors with a form of risk management, a distinctive feature of Egypt's voluntary carbon market. • Brokerage Firms: FRA Decree No. 1732 of 2024 outlines the conditions for brokerage firms to trade CERs, including capital requirements, technological infrastructure, record-keeping, staff training, and regulatory compliance.^[5]
4. Registration Requirements for CERP	<ul style="list-style-type: none"> • According to FRA Decree No. 31 of 2024, the project developer shall submit their project details to the carbon reduction projects database (the "Database"), designated by the FRA. • The registration can be completed through an application form provided on the Database website. The FRA will confirm the project's database registration after receiving and examining the required documents listed below. <p>(https://climateprojectsregistry.org/register-your-project).</p> <p>The Required Information to Complete the Online Registration Form for the CERP</p> <ul style="list-style-type: none"> • The Project Developer's Name. • The Project Developer's email and phone number. • The job title of the Project Developer. • The name of the organization. • The project's name. • A detailed description of the project. • The hosting country of the project. • Any additional information as requested in the form.

[5] https://fra.gov.eg/wp-content/uploads/2024/09/Done_Decree_No_1732.pdf

MATTER	DESCRIPTION
<p>4. Registration Requirements for CERP</p>	<p>Required Documents that shall be submitted to the FRA before it confirms the project's registration.:[6]</p> <ul style="list-style-type: none"> • An application form signed by the project developer. • Proof that the issuance of the Carbon Credits occurred after the ratification of the Paris Agreement • A copy of the Environmental Impact Assessment ("EIA") report approved by the Ministry of Environment for projects established in Egypt requiring such assessment under the National Environmental Law. • A copy of the VVBs reports and the project design for projects with issued Carbon Credits. • A copy of the VVBs report and the project design document or proof indicating the project's registration in VCR for projects for which carbon credits will be issued. <p>All supplementary documents requested by the FRA shall be duly provided.</p> <p>Nevertheless, the CERP may be registered in the Database before the issuance of the validation reports. However, a copy of the validation reports shall be submitted to the FRA within one (1) year from the date of the project's registration. Failure to submit such reports within this timeframe will result in the registration being deemed null and void. However, the FRA may, at its discretion, extend this one (1) year period if the Project Developer provides valid justifications for such failure and the FRA deems it acceptable.</p>
<p>5. The Supervision and Monitoring Committee Role</p>	<p>Once the Project Developer has submitted the project details to the Database and the required documents to the FRA, the FRA Supervision and Monitoring Committee of Carbon Emission Reduction Units (the "Committee") will review the application. The Committee will then schedule an interview with the Project Developer to discuss project eligibility. During such an interview, the Project Developer is required to present a comprehensive overview of the project, including the number of the Carbon Credits that have been issued or are intended to be issued.</p> <p>Following the review and interview, the Committee shall issue its approval for the project and officially upload it to the Database. More importantly, <u>there are no registration fees</u> associated with registering for the CERP.</p>

[6] Article Three of the FRA Decree No.31 of 2024 according to its latest amendments

MATTER	DESCRIPTION
<p>6. The EGX Listing Application Form</p>	<p>To list Carbon Credits for trading on the EGX, the Project Developer shall submit the listing application form designated by the EGX for this purpose. Furthermore, a proof that the project is registered in the Database at the FRA, a proof of the Project Developer's account at a clearing house, and an information memorandum or disclosure report for trading the carbon credits on the EGX shall be attached to the completed listing application form.^[7]</p>
	<p>The EGX application form should include the following information: [8]</p> <ul style="list-style-type: none"> • Name of the VCR in which the Carbon Credits were registered. • The VCR's website • Project's name and its unique identification code. • Geographical location of the project, including coordinates. • Name of the Project Developer. • Duration of the project. • Name of the methodology used for the issuance of the Carbon Credits. • The total number of the Carbon Credits issued for the project, the number of credits available for trading on the EGX (which will be transferred to the account of the settlement company licensed by the FRA), and the initial price of each credit. • The project's link on the website of the VCR where the Carbon Credits were registered. <p>Additionally, the Steering Committee shall decide on the listing application form within five (5) business days from the date of fulfilling the listing requirements and conditions above. The listing of the Carbon Credits on the EGX shall be made by a decision of the Committee, and the Project Developer shall be notified of the \Committee's decision immediately upon its issuance.</p> <p>Moreover, if the Committee rejects the listing application, the Project Developer may formally request a review of the decision by the EGX board of directors within fifteen (15) days of receiving notification of the rejection. However, if the EGX Board of Directors upholds the Committee's decision, the applicant has the right to file a petition with the FRA within fifteen (15) days of receiving notification of the EGX Board of Director's decision.^[9]</p>

[7] Article Four of the FRA Decree No.31 of 2024 according to its latest amendments

[8] Article Four of the FRA Decree No.31 of 2024 according to its latest amendments

[9] Article Nine of the FRA Decree No.31 of 2024 according to its latest amendments.

MATTER	DESCRIPTION
6. The EGX Listing Application Form	<p>Compulsory delisting of carbon credits, however, would take place if the project is removed from the Carbon Offset Projects Database maintained by the Financial Regulatory Authority (FRA), a material breach is identified in the project's validation or verification procedures, or the project remains incomplete. In any of these events, the project owner or financier is obligated to repurchase the affected carbon credits from investors who have incurred losses as a result of the delisting. The repurchase price shall be based on the higher of the average trading price over the six months preceding the delisting decision or the highest trading price recorded within the thirty days prior to the delisting decision.^[10] Alternatively, Credits owner may request the delisting of all or a portion of the listed carbon credits from the exchange trading platform, which is considered an optional delisting.^[11]</p> <p>On this notice, the owner of the Carbon Credits (i.e., the Project Developer) is obliged to promptly notify the EGX of any material developments or information that could substantially impact the trading of carbon Credits. This includes but is not limited to, updates regarding the projects on which the credits were issued, as well as any modifications or amendments to the disclosures previously submitted as part of the listing application.^[12]</p>
7. ERP Approved by the FRA	<p>A total of 28 projects have been officially approved and are currently listed with the EGX on the Database's website.</p> <p>https://climateprojectsregistry.org/data-dashboard.</p>
8. Recognition Requirements for the VCR to be recognized by the FRA	<p>Decree No. 30 of 2024, outlines the registration requirements for local and international VCRs to be recognized by the FRA. However, this section will provide a detailed explanation of both local and international VCR recognition requirements as follows:</p>
	<p>Firstly: Recognition Requirements for the Local VCR by the FRA</p> <p>To be recognized by the FRA the VCR shall meet the following requirements:</p>

[10] Article Eight of the FRA Decree No.31 of 2024 according to its latest amendments.

[11] Article Seven of the FRA Decree No.31 of 2024 according to its latest amendments

[12] Article Six of the FRA Decree No.31 of 2024 according to its latest amendments

MATTER	DESCRIPTION
8. Recognition Requirements for the VCR to be recognized by the FRA	<ul style="list-style-type: none">• General Requirements.• Validation and Verification Requirements.• Governance Requirements.• Information Systems Requirements.• Technological Infrastructure Requirements.• Infrastructure – related Requirements.
	<p><u>First: General Requirements:</u></p> <p>Carbon emission reduction projects must be registered in the Registry according to specific procedures approved by the Registry Operator. Each carbon emission reduction project and its associated carbon credits should be assigned unique identification numbers to guarantee full traceability throughout their lifecycle. Moreover, the Project Developer and the Registry should enter into an agreement that defines each party's rights and responsibilities. On this point, the Registry must facilitate the tracking of ownership and the transfer of carbon credits from issuance to retirement to achieve net-zero emissions. The Registry is also obligated to disclose information about the registered projects, including project descriptions, follow-up reports, validation and verification documentation, and all available legal data. To uphold system integrity, the Registry's operating rules should prohibit the double registration of projects in order to ensure the exclusive registration of projects within a single registry. Additionally, the Registry should be able to communicate with settlement and clearing entities licensed by the FRA to secure electronic transfer and tracking of carbon credit ownership data. Finally, the Registry must provide the FRA with its terms and conditions of use for review and regulatory oversight.</p>
	<p><u>Second: Validation and Verification Requirements:</u></p> <p>The Board of Directors is responsible for appointing an Executive Director to supervise the activities of the Registry, and this individual may be selected from among the Board members. The Registry must maintain a list of approved Validation and Verification Bodies, in compliance with the provisions of the Financial Regulatory Authority's Decree No. 163 of 2023, as amended by Decree No. 253 of 2024. It should also identify the sectors under which carbon emission reduction projects may be registered. To ensure transparency and mitigate potential bias, the Registry is required to prevent conflicts of interest between the Registry Operator, the Project Financer, and the Validation and Verification Bodies, through valid rules and procedures.</p>

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<p>8. Recognition Requirements for the VCR to be recognized by the FRA</p>	<p><u>Third: Governance Requirements:</u></p> <p>An appropriate and well-defined organizational structure should be established in alignment with the entity's business volume. In addition, Members of the Board of Directors must not hold any direct or indirect interest in contracts related to voluntary carbon record-keeping activities. If a board member has a personal interest in any such contract, prior approval must be obtained from the General Assembly or the relevant legal authority, and the approval must be officially recorded in the formal meeting minutes of the competent authority. All board members are required to exercise due diligence in carrying out responsibilities related to voluntary carbon record-keeping activities. To oversee the deployment of the information technology governance framework, a dedicated Information Technology Governance Committee must be formed to assess the adequacy of operational workflows and responsible personnel, and submit observations, recommendations, and proposed amendments to enhance system performance. In parallel, a Technology Risk Management and Cybersecurity Committee must also be established to observe the implementation of the relevant risk frameworks, ensure operational soundness, provide oversight on execution, and recommend improvements to the Board of Directors.</p>
	<p><u>Fourth: Information Systems Requirements (Applications and Databases):</u></p> <p>The Registry is expected to operate a dedicated Issuance System that effectively coordinates the validation and verification processes, including field inspections. A separate Registry System must also be in place to manage the transfer of carbon credit ownership. Any amendments to these systems or related programs must be approved in advance by the FRA. The system should feature an accessible user interface that allows easy navigation and information access for a range of users. It should also offer a multilingual, user-friendly application compatible with various electronic devices and core operational platforms. To maintain data confidentiality and privacy, the system must employ strong encryption methods for registration, conduct regular security audits, and adhere to stringent privacy safeguards.</p>

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<p>8. Recognition Requirements for the VCR to be recognized by the FRA</p>	<p>A clear and organized data model should be employed to establish data classifications, facilitate documentation, and encourage system interoperability. Moreover, the system's database must be compatible with various platforms, enabling seamless integration and efficient data exchange. A secure and scalable database should be featured, which is capable of processing and managing data with both efficiency and reliability. It should also include structured backup mechanisms to ensure that data is regularly copied, easily retrievable, and effectively maintained, thereby supporting operational continuity in the event of a system failure. Comprehensive and transparent auditing procedures must be in place, along with frequent audit activities, to detect potential manipulation and to promote both transparency and traceability. The system should also incorporate procedures that ensure full compliance with applicable standards, regulations, and methodologies governing the voluntary carbon market. Mechanisms must be established to support timely disclosures and the preparation of required reports for all relevant parties. To maintain operational resilience, the system must be capable of efficiently managing increased data volumes and user activity. It should include continuous performance monitoring and be subject to regular updates. Furthermore, the system must provide users with accessible training materials and include integrated feedback mechanisms to support continuous improvement based on user input.</p> <p><u>Fifth: Technological Infrastructure Requirements:</u></p> <p>The Registry is responsible for providing computer systems and storage solutions that are appropriately scaled to meet the technical requirements of its applications and databases. These systems should operate using licensed software and operating systems designed to ensure continuous, uninterrupted functionality and support secure and efficient data exchange. The Registry should maintain network and communication systems that are adequately scaled to meet its computing and storage requirements, equipped with strong security measures, and designed to operate continuously without interruption. A comprehensive security and safeguarding system should also be adopted. To evaluate the effectiveness of its cybersecurity infrastructure, the Registry must conduct penetration testing at least once a year and submit the results to the FRA. In the event of any security breach, however, the FRA must be notified immediately. In addition, the Registry must implement precise time synchronization mechanisms across all systems and devices to align with the timing protocols of settlement, clearing, and trading platforms. Logging mechanisms must also be established to record events across all systems and devices, with each event assigned a unique identifier, system reference, and accurate timestamp. These logs must be securely retained for a minimum period of five years.</p>

MATTER	DESCRIPTION
8. Recognition Requirements for the VCR to be recognized by the FRA	<p><u>Sixth: Infrastructure Related Requirements:</u></p> <p>The Registry must ensure the availability of a disaster recovery environment at both its main headquarters and designated emergency locations, meeting the exact technical specifications, capabilities, and capacity requirements of the primary infrastructure. Comprehensive physical security and controlled access systems must be in place for all data centers, with records of entry and exit maintained for a minimum of three months to support review or investigation as necessary. Environmental management systems should be implemented within data centers to sustain optimal performance of all hardware and technology components. Additionally, the Registry is expected to provide reliable backup systems that support efficient energy use as well as adopt effective energy management practices aimed at reducing overall consumption and reducing its carbon footprint.</p>
	<p><u>Secondly: Recognition Requirements for the International VCR by the FRA</u></p> <p>Decree No. 30 of 2024 outlines that international VCR, recognized by the International Carbon Reduction and Offset Alliance ("ICROA"), are automatically recognized by the FRA and are exempt from meeting the requirements set forth in this decree provided that standard (KYC) procedures are completed.</p>
	<p><u>Submitting the Registration Application Form Shall be as Follows:</u></p> <p>To be recognized by the FRA, the VCR must submit the designated registration form in accordance with FRA requirements. However, the application shall include documents demonstrating compliance with the accreditation requirements set forth in Decree No. 30 of 2024, along with any additional documents requested by the FRA. The FRA shall issue a decision on the registration application within thirty (30) days from the date the required supporting documents are submitted.</p>

MATTER	DESCRIPTION
<p>9. FRA's Registration Requirements for Local and International VVBs</p>	<p>Decree No. 253 of 2024 established two distinct entities within the VVBs as follows:</p> <ul style="list-style-type: none"> • First entity: VVBs for monitoring and verification of CEM • Second entity: VVBs for CERP for the purpose of issuance of the Carbon Credits which shall be verified and confirmed by one or more of the VCRs.
	<p>The FRA will maintain a registry of the approved VVBs for CEM and CERP in specialized sectors. Only VVBs listed in the registry can verify and validate CERP in Egypt.</p>
	<p>1. Egyptian VVBs including both entities seeking registering in the FRA shall meet the following criteria:</p> <ul style="list-style-type: none"> • Legal Status: The applicant must be a legally incorporated entity. • Accreditation: The entity must hold either: <ul style="list-style-type: none"> ◦ ISO 14065:2020 certification, which outlines the general principles and requirements for bodies validating and verifying environmental information; or ◦ ISO/IEC 17029:2019 certification, which specifies the general principles and requirements for validation and verification bodies (or any subsequent updates to these standards). • GHG Verification Certification: The entity must possess ISO 14064-2:2019 certification for project- level carbon emission measurements. • Verification and Certification Documentation: The entity shall hold ISO 10464:3 certification for the documentation of verification and certification activities for carbon emission reduction projects. • Criminal Record: The entity must verify that no member of the management team or personnel involved in verification and validation at the entity seeking registration has a conviction for a felony or misdemeanor related to a crime against honor or trust unless their rights have been fully restored. <p>Professional Competence and Passing an Interview: Meeting the professional competence requirements and passing the personal interview held by the Managing Director or their representative in other legal entities, or the specialized team responsible for verification or certification work with the Carbon Emission Reduction Units Supervision and Control Committee.</p>

MATTER	DESCRIPTION
9. FRA's Registration Requirements for Local and International VVBs	<p>2. International VVBs seeking registration in the FRA shall meet the following criteria:</p> <ul style="list-style-type: none"> • International Accreditation: The entity must meet one of the following criteria: <ul style="list-style-type: none"> o Be a Designated Operational Entity ("DOE") in accordance with the standards set by the Secretariat of the United Nations Framework Convention on Climate Change ("UNFCCC"), o Be an entity recognized under Article 6 of the Paris Agreement. o Be listed in one or more international VCRs. • Proof of Technical Experience: The entity is required to provide supporting documentation that confirms its expertise in verification and validation, including a minimum of three projects registered in one of the international VCRs. • Local Expertise Requirement: The entity shall ensure that its verification and validation team includes at least one Egyptian expert with relevant competence and experience
	<p>As per Decree No. 163 of 2023, the VCR shall include detailed information on each approved VVBs, including their sector of specialization, which may include but not limited to:</p> <ul style="list-style-type: none"> • Renewable/Nonrenewable Energy. • Energy Distribution. • Energy Demand. • Manufacturing Industries. • Chemical Industries. • Construction. • Transport. • Mining/Mineral Production. • Metal Production. • Fugitive Emissions (Fuels, Solid, Oil, Gas). • Fugitive Emissions (Industrial Gases). • Solvents Use. • Waste Handling and Disposal. • Agriculture. • Carbon Capture and Storage. • Livestock and Manure Management.

MATTER	DESCRIPTION
10. VVBs Registration Fees	<p>According to Decree No. 163 of 2023 issued by the FRA, the registration fees are the following:</p> <ul style="list-style-type: none"> • Egyptian VVBs: EGP 10,000 for initial registration and EGP 2,000 for renewal. • International VVBs: USD 500 for initial registration and USD 100 for renewal. <p>Registration is valid for one (1) year and renewable upon meeting the required criteria.</p>
11. List of the Approved VCR by the FRA	<p>List of the FRA accredited VCR:</p> <ul style="list-style-type: none"> • The Verified Carbon Standard ("VCS") - (INTERNATIONAL) • Gold Standard - (INTERNATIONAL) • Global Carbon Council ("GCC") - (INTERNATIONAL) • Economy of Love ("EoL") - (LOCAL) • BioCarbon - (INTERNATIONAL) • Plan Vivo - (INTERNATIONAL)
12. List of the approved VVBs by the FRA for CERP and CEM	<p>List of the FRA Accredited VVBs for CERP:</p> <ul style="list-style-type: none"> • TUV NORD CERT GmbH (TUV NORD) (INTERNATIONAL) (Accredited by VCS and Gold Standard registries). • TUV NORD Egypt for Inspection Services (LOCAL) (Accredited by VCS and Gold Standard registries). • Center of Organic Agriculture in Egypt ("COAE") (LOCAL) (accredited by EoL registry).
	<p>List of the FRA Accredited VVBs for CEM:</p> <ul style="list-style-type: none"> • The Environmental Validation and Verification Unit at the General Organization for Export and Import Control. ("GOEIC EVVU") • The Environmental Performance Unit at the Egyptian Organization for Standardization and Quality ("EPU - EOSQ")
13. Trading International Carbon Credits in Egypt	<p>International entities or projects with carbon emission reduction certificates issued abroad and intending to trade them in Egypt must inform the Financial Regulatory Authority (FRA) of the accredited Validation and Verification Bodies (VVBs) involved, within one week of receiving trading approval, using the designated FRA form.</p>
14. Carbon Tax	<p>Currently, companies are not legally required to pay a carbon tax for their carbon emissions.</p>

MATTER	DESCRIPTION
15. Issuance Process of the Carbon Credits	<p>The Carbon Credits Issuance Process in the VCM Shall be as Follows:^[13]</p> <ul style="list-style-type: none"> • Project Design Document (PDD): The Project Developer, whether the project owner or a third party, must prepare a Project Design Document (PDD) according to the requirements of the authorized carbon credit Registries. • Selection of Validation and Verification Body (VVB): To carry out the validation and verification of the emission reduction project, the Project Developer shall appoint one of the approved VVBs that is both recognized by the relevant Registry and licensed by the competent authorities. • Project Registration: Upon successful completion of the validation process, the Project Developer shall register the project in the Voluntary Carbon Registry (VCR). • Project Implementation and Monitoring: Following registration, the Project Developer is responsible for operating and monitoring the Carbon Emission Reduction Project (CERP). • Verification of Emission Reductions: The selected VVB shall conduct verification of the emission reductions. • Issuance of Carbon Credits: Following the successful verification process, the Registry issues carbon credits and allocates them to the Project Developer.
16. Benefits of Carbon Credits	Carbon Credits play a pivotal role in combating climate change by incentivizing businesses to reduce their carbon footprint. They serve as a practical tool to balance economic growth with environmental sustainability. ^[14]
	<ul style="list-style-type: none"> • Offsetting GHG Emissions: Carbon Credits allow companies to offset GHG emissions, providing an incentive to reduce emissions through sustainable projects.
	<ul style="list-style-type: none"> • Appealing Commitment to Decarbonization: By adhering to established guidelines and undertaking measurable activities, carbon credits allow companies to publicly affirm their commitment to decarbonization. This serves as a credible acknowledgment of their sustainability efforts.

[13] <https://fra.gov.eg/wp-content/uploads/2024/09/Done-Decree-No-636-accounting-treatment-29-7.pdf>

[14] <https://offsel.net/media-en/co2-reduction/carbon-credits/>

MATTER	DESCRIPTION
16. Benefits of Carbon Credits	<ul style="list-style-type: none">• Economic Incentives for Reducing Emissions: A market-based system created by the Carbon Credits that encourages companies to reduce their carbon emission by offering financial incentives.
	<ul style="list-style-type: none">• Financing Suitable Projects: Carbon Credits can also play a role in financing sustainable projects. By selling carbon credits, emission reduction projects can receive funding that supports the development of clean technologies and low-carbon practices.
17. Trading of the Carbon Credits through the Brokerage Firms	<p>According to FRA Decree No. 1732 of 2024, Brokerage Firms aiming to obtain the approval of the FRA to trade Carbon Credits must fulfill the following requirements:^[15]</p>
	<p>1. Requirements for Brokerage Firms for Trading Carbon Credits</p> <ul style="list-style-type: none">• Capital Requirement: The firm must have a minimum issued and paid-up capital of EGP 15 million. At the time of application submission, the firm's equity must be equal to or greater than its paid-in capital.• Technological Infrastructure and Systems: The Brokerage Firm shall have the required technological infrastructure in place, including measures for data protection and security, as well as appropriate technological systems that enable the execution and settlement of carbon credit transactions.• Qualified Personnel: The firm must designate an employee responsible for carbon credit trading, provided that they have completed the FRA-mandated training program. Alternatively, the firm may submit a pledge confirming that the designated employee will complete the training course once the FRA discloses the course schedule.• Recordkeeping: The firm is required to retain documents and accounts related to carbon credit trading.• Disciplinary Record: The firm must not have been subject to any disciplinary action, other than warnings, by the FRA within the six months preceding the submission date. <p>These requirements aim to ensure that Brokerage Firms in this sector are adequately prepared to manage the complexities of Carbon Credits trading. Consequently, this regulatory framework seeks to establish a strong and transparent trading environment for carbon certificates.</p>

[15] https://fra.gov.eg/wp-content/uploads/2024/09/Done_Decree_No_1732.pdf

MATTER	DESCRIPTION
17. Trading of the Carbon Credits through the Brokerage Firms	<p>2. Rules Governing the Brokerage Firms When Implementing Trading Operations</p> <p>Trading of Carbon Credits shall be conducted through Brokerage Firms, which shall comply with the following:^[16]</p> <ul style="list-style-type: none"> • Transfer of Carbon Credits by Selling Brokerage Firm: The selling brokerage firm must ensure that the Carbon Credits to be sold are transferred from the client's account to the settlement company's account at the carbon registry. These credits must be reserved for sale before placing the sale order. • Cash availability by Buying Brokerage Firm: The buying brokerage firm must confirm that the required cash amount, based on the purchase order price, is available in its account at one of the clearing banks designated by the settlement company before submitting the buy order. • Order Registration Requirements: Brokerage firms must register client orders under the clients' names and accounts, only after confirming their validity and conformity with the applicable regulations. These orders must not contain specific execution conditions and shall remain valid until the end of the trading session. • Required order Details: When registering orders on the trading platform, brokerage firms must include the following data: <ul style="list-style-type: none"> A. Carbon Credit code and symbol B. Issuance date of the Carbon Credits C. Quantity of Carbon Credits D. Buy/sell price E. Project code or symbol F. Name of the carbon registry • Order Management During Trading Sessions: Brokerage firms are authorized to register, amend, and cancel client orders within the designated trading session hours. <p>If a brokerage firm enters into a contract with a marketing agent, it must adhere to all applicable legislative obligations and remain fully responsible for ensuring full compliance with the relevant regulatory framework in all transactions.</p>

[16] https://fra.gov.eg/wp-content/uploads/2024/09/trading_rules_carbon_jul_2024.pdf

MATTER	DESCRIPTION
17. Trading of the Carbon Credits through the Brokerage Firms	<p>3. Listing of Forward Contracts for Carbon Credits:</p> <p>Pursuant to Decree No. 31 of 2024, the owner or financier of the CERP may apply for the listing of Forward Contracts for Carbon Credits to be issued upon the project's implementation. Moreover, the contract must specify the following details:</p> <ul style="list-style-type: none"> • The project name and designated unique identification code. • Name of the VCR in which Carbon Credits were registered. • Geographical location of the project. • Description of the project. • Number of Carbon Credits to be issued annually. • Contract and delivery conditions. • Quantities, price and payment methods, including also the cases of non-delivery or non – payment. • Confidentiality clauses.
18. Carbon Credits Trading Rules	<p>The FRA set out in the VCM regulations and resolutions the Carbon Credits trading rules as follows:^[17]</p> <p><u>Disclosure of CERP:</u> Following its entry into the CERP database, the holder of Carbon Credits must upload the CERP data to the website designated by the Egyptian Exchange (EGX), in line with FRA Decree No. 31 of 2024. Moreover, with prior approval from the Financial Regulatory Authority (FRA), the EGX may authorize the trading of Carbon Credits registered in a Verified Carbon Registry (VCR) that has received initial clearance from the FRA.</p>
	<ul style="list-style-type: none"> • Electronic Trading Systems: Market participants must operate in accordance with the electronic trading systems and mechanisms established by the EGX for the trading of Carbon Credits and their Forward Contracts. These systems include the display of bid and offer requests, the request-for-quotation (RFQ) process conducted by Brokerage Firms on behalf of their clients, and the related execution procedures, including: <ul style="list-style-type: none"> a. Pre-arranged deals. b. Single auction mechanism, whether using the English auction or Dutch auction mechanism. c. Continuous auction mechanism.

[17] https://fra.gov.eg/wp-content/uploads/2024/09/trading_rules_carbon_jul_2024.pdf

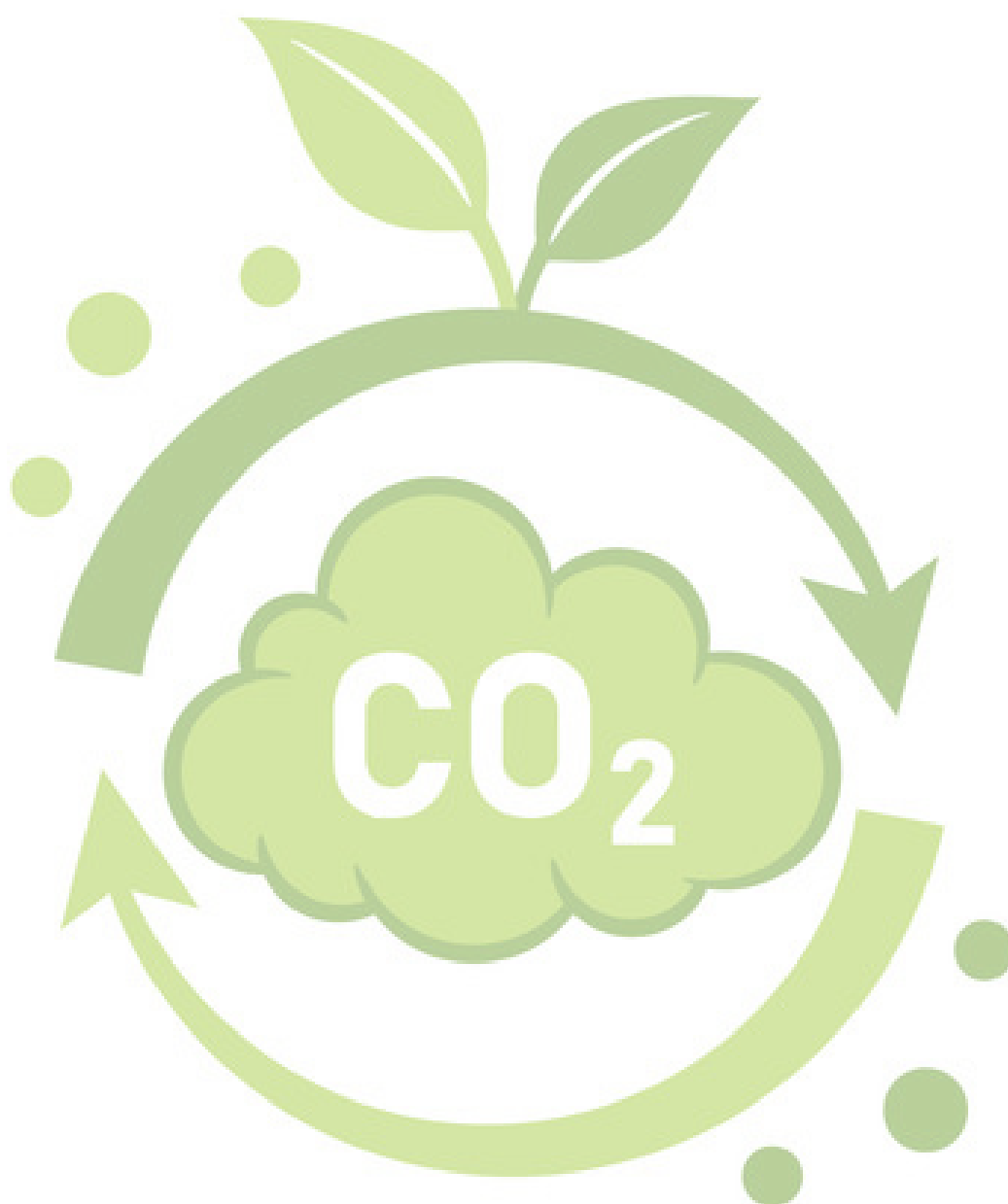
MATTER	DESCRIPTION
<p>18. Carbon Credits Trading Rules</p>	<ul style="list-style-type: none"> • <u>Trading Mechanism for Listed and Unlisted Carbon Credits and their Forward Contracts:</u> <p>The trading mechanism for listed Carbon Credits and their Forward Contracts may be determined by any of the following methods, depending on the case:</p> <p>a. Pre-arranged Deals Mechanism: In cases where the transaction terms, including price and quantity, have been predetermined by the parties, pre-arranged mechanisms shall be in place.</p> <p>b. English Auction or Dutch Auction Mechanism: Where a single buyer or seller transacts with multiple counterparties, then trading would be executed via an auction mechanism.</p> <p>c. Continuous Auction Mechanism: When multiple parties are involved on both the buy/ sell sides, a continuous auction mechanism is employed.</p> <p>However, unlisted Carbon Credits and their forward contracts are traded only through pre-arranged deal mechanisms, provided the trading party adheres to cash and paper settlement of the transaction, with the Exchange or settlement company not being responsible. That is to be based on a request from the parties of the brokerage firms, and after submission to the competent committee at the Exchange.</p>
	<ul style="list-style-type: none"> • <u>Trading Session:</u> The trading session(s) shall be determined by a decision of the competent committee at the EGX and posted on the website, including: <ul style="list-style-type: none"> a. The date and time of the trading session(s). b. The name of the project for which the trading Carbon Credits were issued. c. The electronic link to the project for which Carbon Credits were issued on the VCR's website. d. The number of Carbon Credits available for trading. e. The trading mechanism used during the session(s) f. Transaction data and statistics for the Carbon Credits and their Forward Contracts.

MATTER	DESCRIPTION
19. Carbon Credits Trading Benefits	<ul style="list-style-type: none"> • <u>Access global markets:</u> Meet your environmental targets through carbon market participation.
	<ul style="list-style-type: none"> • <u>Become an industry leader:</u> Engage stakeholders and position your company as a leader in sustainability.
	<ul style="list-style-type: none"> • <u>Become an industry leader:</u> Engage stakeholders and position your company as a leader in sustainability.
20. How the VCM Works?	<p>The FRA has released a roadmap outlining the phased implementation of the VCM, detailing its operational framework as follows:</p>
21. How Egypt is Performing on Mitigation and Emissions Reduction	<p>Egypt National Climate Change Strategy 2050 (“ENCCS”) sets goals and objectives that will have a great impact on the mitigation and reduction of GHG emissions and adaptation to climate change aspects as follows:</p> <p>Goal 1. Achieve sustainable economic growth through low-emission development across key sectors. In this regard, the Ministry of Electricity and Renewable Energy has implemented several measures aimed at increasing the contribution of new and renewable energy sources, utilizing low-carbon fuel alternatives, and maximizing energy efficiency.</p>

MATTER	DESCRIPTION
21. How Egypt is Performing on Mitigation and Emissions Reduction	<p>Goal 2. Strengthen the capacity to adapt to and withstand climate change through resilient infrastructure, while reducing its adverse impacts on citizens' health, the country's assets, ecosystems, and resources by implementing disaster risk reduction concepts as well as preserving and expanding green spaces.</p> <p>Goal 3. Reinforce governance mechanisms for climate change action by defining the goals and responsibilities of different stakeholders, promoting Egypt's position in the international climate change agenda, including the private sector in the execution of mitigation projects, and enhancing institutional, procedural, and legal arrangements.</p> <p>Goal 4. Enhance climate finance infrastructure, which underscores the banking sector's role in both the private and public sectors.</p> <p>Goal 5. Promote scientific research, technology transfer, knowledge sharing, and public awareness to address climate change, which can be attained through various means, such as strengthening its role, disseminating relevant information and knowledge in government institutions and among citizens, as well as raising awareness among stakeholders.</p>
22. The Chapter Zero Initiative	<p>During the COP 27 Conference, Chapter Zero (the "Association") was launched in Egypt in September 2023. The Association is committed to advancing efforts to reduce carbon emissions in Egypt through various strategies and initiatives, helping board members of companies address the challenges and opportunities presented by climate change. These include encouraging the adoption of energy-efficient technologies and practices to reduce energy consumption and emissions across industries and businesses. Additionally, the Association will promote the transition to renewable energy sources, such as solar, wind, and hydropower, as alternatives to electricity generation from fossil fuels. All of these measures will be enforced in collaboration with the relevant government authorities.^[18]</p>

[18] <https://www.dailynewsegypt.com/2023/10/03/chapter-zero-launched-activities-in-egypt-in-september-2023/>

MATTER	DESCRIPTION
23. Using Carbon Credits to Finance Further Emissions Reductions	<p>Purchasing Carbon Credits can serve as more than just a tool for achieving net zero targets. Carbon Credits also present a means to finance emissions reductions once a business has already met its net zero goals through direct action. Furthermore, some companies have established specific objectives beyond net zero, such as offsetting their entire historical emissions. In this respect, the ability to achieve this may differ between businesses, it is essential to view this option as an addition to systemic change within a company's own activities and as an opportunity to support or fund external emissions-reduction projects.^[19]</p>



[19] <https://chapterzero.org.uk/review-ambition/credible-net-zero-targets/carbon-offsetting-explained/#jargon-offsetting>.