



COMMONWEALTH OF THE BAHAMAS

CLIMATE CHANGE AND CARBON MARKETS INITIATIVES BILL, 2022

Presented to the Honourable Senate

by

**Senator The Honourable L. Ryan Pinder Q.C.
Attorney General and Minister of Legal Affairs**

on

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Introduction

Madam President, I rise to move for the second reading of the Climate Change and Carbon Markets Initiatives Bill, 2022. As The Bahamas is advancing its position with respect to the management of its natural resources for the benefit of its people and as this objective was identified in the BluePrint for Change the bill provides a framework for the research, verification and monetization of our blue carbon credits.

New Day Commitment to Climate Change

From before the general election when the PLP New Day Government took office, the Prime Minister, the Right Honourable Philip “Brave” Davis chose that a key plank in his New Day platform, and a focused policy priority of his Government was the advocacy for and development of key policy initiatives regarding Climate Change.

Upon coming into office in September 2021, our Administration immediately began to highlight issues connected to climate change and The Bahamas. Six days into office, the Prime Minister addressed the General Assembly of the United Nations. While many leaders were focused on the global pandemic, the Prime Minister wanted the world to remember that when COVID arrived on our shores, The Bahamas was still reeling from the catastrophic impact of Hurricane Dorian. Most importantly, the Prime Minister made it a priority to remind world leaders that the intensity of Dorian was almost certainly the result of climate change.

Two months later, at the World Leaders Summit during COP26 in Glasgow, the Prime Minister made this point to his colleagues: Small Island Developing States like ours, which are hit hardest by

the impact of climate change, are the least responsible. But as he does, the Prime Minister didn't just want to focus on the problem. He wanted to drive home the importance of the need for the world to act.

Our Administration has not been content to sit on the global sidelines, leaving our fate in the hands of others. Our New Day government will continue to make the case for urgent action. The world is noticing. The Bahamian people are more engaged around issues of climate change than ever before. And the voice of The Bahamas is now being heard more frequently and with more impact than ever before.

As the world moves forward to address the causes of climate change, we intend to play an active and powerful role in charting the way forward. The Climate Change and Carbon Markets

Initiatives Bill, 2022 is clear evidence of this distinct policy position of our Government and the Prime Minister. I am so proud of our leader, our Prime Minister, he has made the correct choice for our country, the right thing, the responsible thing, and those of us who really know the Prime Minister, when he knows it's the right thing to do, all of us want to work to make sure that vision is achieved. Today we achieve a fundamental component of his vision for all of us, for Bahamians throughout our country. I am very proud to be his attorney general.

Environmental Commitments and Carbon Credits

As a signatory to the United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement (PA), and as an output of its recent negotiations at the 26th Conference of the Parties (COP26) in Glasgow, Scotland, it is noted, that significant financial support is needed for the country to advance vital

climate change mitigation and adaptation actions and that an important tool to support these efforts is the engagement in carbon markets. Carbon markets, in simplest terms, price a unit of carbon dioxide (or carbon dioxide equivalent) for trade between a buyer and seller. And it was at COP26, where the Prime Minister, recently after elections, went and demonstrated the country's commitment to climate change, and after 6 years of negotiations, that countries finally agreed on rules for international cooperation through carbon markets. The new rules as outlined in Article 6 of the Paris Agreement, state that countries around the world could trade "units" (carbon credits) with one another in order to access more cost-effective emissions reductions, or, in the case of The Bahamas, to sell excess emissions credits.

While guidance on the implementation of Article 6 will take a few years to be rolled out, a vibrant voluntary carbon credit marketplace exists (in the short term), driven by private sector market forces. The economic value for the trade of carbon credits is significant. One ton of carbon credits in the voluntary marketplace is traded at an average of \$55 per ton, and has been as high as \$99 per ton (in the EU-ETS system). This value will only further increase as the Article 6 marketplace is advanced and as countries and private entities must swiftly determine how they will meet global emission targets and net-zero agreements. At present, the goal is to reach net-zero for all countries by 2050. This provides The Bahamas with essentially 28 years to optimally benefit from the carbon market initiatives.

The Bahamas has significant natural resources as a result of the country's unique flora and environmental protection efforts. The

sale of carbon credits can aid the country in further protecting and benefiting from its seagrasses, mangroves, forests, and coral reefs. Moreover, many businesses and multinational companies have been directed by their shareholders to engage in stronger environmental, social, and governance (ESG) practices. Therefore, the provision of Bahamian carbon credits would prove of mutual benefit for the country and these private sector entities. The vision by the Prime Minister has come to fruition in the Climate Change and Carbon Markets Initiatives Bill, 2022. This is the differentiating element between the New Day Government under the leadership of the Right Honourable Philip “Brave” Davis, we are doers – those others were just talkers.

Climate Change And Carbon Markets Initiatives Bill, 2022

This Bill shall apply to carbon credits in respect of anything done in, on, above or below the land and airspace of The Bahamas, including —

- (a) its internal waters, territorial waters and exclusive economic zone;
- (b) the seabed and subsoil underlying these waters;
- (c) its continental, coastal and marine ecosystems and related water;
- (d) its forests,

It is important to note that such carbon credits are deemed for the purposes of this Act to be the property of The Bahamas, in other words, carbon credits generated within The Bahamas belong to the sovereign, The Bahamas.

The objectives of the Bill are outlined in clause 4, which are —

- (a) to enable the Government to create incentives and implement initiatives to support the overall global target of greenhouse gas emissions reduction consistent with its Nationally Determined Contributions;
- (b) to ensure compliance by The Bahamas of its obligations under the Paris Agreement, taking into consideration the common but differentiated responsibilities, respective capabilities and flexibility provisions acknowledged under the UNFCCC for small island developing states to address climate change; and
- (c) to enable the establishment of a market in The Bahamas to trade in carbon credits.

Clause 5 of the bill allocates responsibility for administration of the carbon credit regime between The Prime Minister, who is responsible for the overall general oversight of the administration

of the Act; the Minister of Finance who is responsible for financial administration of this Act; and the Minister for the Environment who is responsible for the reporting obligations to the UNFCCC under this Act.

Clauses 6-8 provide for the appointment of a management company to manage the trade of carbon credits in The Bahamas in accordance with international standards and regulations. This includes responsibility for the scientific mapping, study, and verification of carbon sequestration in order to verify and value the Bahamas blue carbon credit. The management company may also be responsible for the management of all financial products or vehicles related to carbon assets in The Bahamas.

Clauses 9-10 provides for the establishment by the Prime Minister of an advisory council which is to serve as a technical advisory

body to the Management Company and to provide technical advice and recommendations to the Prime Minister on the trade of carbon assets in The Bahamas and the management of carbon assets in The Bahamas.

Part III and IV, Clauses 11-18 provides the framework for the fundamental principles governing trade in carbon markets which are required to meet the obligations of the United Nations Framework Convention on Climate Change (UNFCCC) and the necessary actions required for our obligations under the Paris Agreement to ensure an internationally recognized carbon credit marketplace, including:

- (a) all transactions in carbon trading as carried out under this Act must result in the additional effect of a reduction of greenhouse gas emissions;

- (b) all mitigation outcomes which are reported under the requirements of this Act are to be accounted for in tonnes of carbon dioxide equivalent;
- (c) all carbon offset projects should ensure that emissions are kept out of the atmosphere for a reasonable length of time;
- (d) all emission reductions must be carefully recorded and documented for every offset scheme, utilizing appropriate accounting terms, corresponding adjustments, and location of offset as required by the UNFCCC and other standard bodies.

I think it important in discussion these international commitments that we recognize that there are particular commitments and concessions provided to Small Island Development States – a designation that The Bahamas certainly maintains. Specifically in adopting and implementing the provisions of the Paris

Agreement, the common but differentiated responsibilities, respective capabilities and flexibility provisions acknowledged under the UNFCCC for small island developing states to address climate change shall be considered.

An important component of a successful carbon credit regime, and compliance with our international commitments, requires The Bahamas to put in place a framework for the reduction of emissions which is found in Part V, Clauses 19-21.

Part VI, Clauses 22-26 provides for three options for participation in an initiative authorizing trade in carbon credits, namely, participation —

- (a) as a result of a bilateral or multilateral trading agreement;
- (b) as a result of trading with a private entity;

(c) in a voluntary carbon market.

These are the designated participations that are accepted in the general framework for the carbon credit market established by the Paris Agreement.

Part VII, Clauses 27-29 provides for the establishment of the national emissions registry and the appointment of a Registrar to record in a register items material to the implementation of the Act and international obligations, including emissions, carbon credit inventories and emission allocations.

This is a piece of legislation that is trailblazing internationally. We are pioneering the blue carbon space, contributing to the design of the framework internationally. We as Bahamians should be proud by this piece of legislation, we are international

trailblazers, setting the pace, leading the charge. We should be proud of the Prime Minister and his New Day Government for being policy revolutionists.

New Day Economic Innovation and Diversification

The month of April, 2022 was a turning point in the economic innovation and diversification strategy of The Bahamas with the release of the government's White Paper on Digital Assets in conjunction with the tabling and debate on the Climate Change And Carbon Markets Initiatives Bill, 2022. On the heels of these transformational policy announcements was the successful hosting the Crypto Bahamas, presented by FTX and SALT where The Bahamas was meaningfully highlighted as the leading jurisdiction for economic innovation.

I mention this linkage because we don't necessarily do one thing in isolation of the other. We have a distinct and well thought out policy strategy where we can build off one innovation to advance another. This is the way the New Day government governs for the best interest of Bahamians. We look to create a digital asset market for carbon credits that would be traded on a digital asset exchange in The Bahamas. This would be the first NFT, or digital token tied to blue carbon credits in the world. We are leading the charge of innovation for the betterment of the Bahamian people.

Conclusion

It's an exciting time for our country. While we are at the very beginning of our journey in both carbon credits and digital assets, and we will likely contend with obstacles and uncertainties in both fields, we are optimistic that we are positioning The Bahamas to participate and lead in these rapidly changing

emerging industries. This last month, we have taken big and important first steps.

Madame President, I move for the second reading of the Climate Change And Carbon Markets Initiatives Bill, 2022.