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TREASURY CIRCULAR NO. 9/2011

TO ACCOUNTING OFFICERS

RE: CARBON PROJECTS PREPARATION AND CARBON CREDITS  
TRADING

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Since the publication of the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report in 2007, it is widely acknowledged that climate change is happening and that it is caused by human-induced greenhouse gas emissions (GHG). In order to prevent dangerous interference with the global climate system and avoid the negative impacts of climate change, the international community is taking far-reaching measures to curb the current carbon-intensive development pathway and use the full range of policy tools to achieve substantial emission reductions.

As a signatory and a party to both the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, Kenya has a commitment to the implementation of the Climate Change Convention. Kenya's participation in the implementation of the Convention is essential to attracting investments and low-carbon technologies necessary to promote sustainable development.

In an attempt to respond adequately to the climate change problem in the country, the Government has set a basic climate finance and carbon trading policy goal. The goal seeks to develop a strong carbon market which will benefit the people at all levels, reduce the country's overdependence on foreign economic assistance, and guarantee resource mobilization for recapitalizing investments in the country. This basic goal has four aspects. First, it aims at facilitating resource mobilization and enhancing the country's capacity to effectively tap into the carbon markets. Second, it aims at attracting international climate change finance from the carbon markets. Third, it aims at reducing Kenya's dependence from foreign-aid and strengthens the country position in international climate change. Finally, it aims at achieving sustainable growth by making use of carbon revenues while safeguarding the integrity of these markets.

In recent years, awareness about carbon market opportunities has rapidly gained momentum and more and more people have started to venture into the carbon business. Currently, 5 projects have been registered with UNFCCC CDM Executive Board and 20 projects are in the pipeline. Therefore in order enhance our efforts in the carbon business, the following guidelines are hereby provided.

- All new carbon eligible projects (e.g. in energy, environment, forestry, local government, transport, agriculture, Tourism, Industrialization and Livestock Development etc) must be implemented following the Clean Development Mechanism (CDM) to facilitate approval by the CDM Executive Board of UNFCCC;
- The projects must be prepared in consultation with the Treasury; and
- All CERs will be use for recapitalization of the projects and can only be transacted with direct approval of the Treasury.

To oversee smooth implementation of these guidelines, a Task Team comprising of key ministries will be established charged with the responsibility of appraising and evaluating viable projects.

Please disseminate the document widely to the relevant staff in your Ministry. Copies of the document are also available from the Ministry of Finance Website – [www.treasury.go.ke](http://www.treasury.go.ke).

JOSEPH K. KINYUA, CBS  
PERMANENT SECRETARY/TREASURY

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                  Head of Public Service  
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