

Insights on Carbon Markets in Tanzania

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Background and Purpose

In August 2025, ClimateFiGS and Mzumbe University brought together experts and practitioners in Dar es Salaam, Tanzania, for a climate finance co-design workshop. Participants discussed topics related to the quality, quantity, and effectiveness of climate finance, as well as the extent to which it aligns with the needs of its intended beneficiaries. The workshop featured five roundtables focused on different aspects of climate finance. This brief summarizes the insights from the session on **carbon markets**, which brought together 16 participants.

The aim of this brief is to present key themes and insights from the discussion and to highlight the most pressing research areas identified. We hope it can help guide researchers, policymakers, and other stakeholders toward areas where attention and contributions are most needed.



The Tanzanian Context

Tanzania is emerging as a significant player in voluntary and mandatory carbon markets in Africa, with an evolving regulatory framework aimed at attracting investment, ensuring environmental integrity, and supporting sustainable development. The government's 2023 Carbon Trading Regulations and related guidelines provide a legal basis for domestic and international carbon trading activities, including cooperative approaches under Article 6 of the Paris Agreement¹.

Tanzania hosts a mix of Clean Development Mechanism (CDM) legacy projects and new initiatives registered under Verra, Gold Standard, and other voluntary standards (Box 1).

Box 1. Examples of Carbon Market Projects in Tanzania

Tanzania's project portfolio is diverse, with activity in compliance and voluntary markets, such as:

- **CDM legacy:** Hydro, biomass, landfill gas recovery, and small-scale solar projects.
- **Verra:** Large-scale REDD+ initiatives, cookstove distribution programmes, renewable energy deployment.
- **Gold Standard:** Off-grid solar, water purification, efficient cookstoves, and community reforestation.
- **Plan Vivo:** Smallholder agroforestry schemes.

¹ Article 6 of the Paris Agreement enables countries to voluntarily cooperate in achieving their national climate goals through both market-based and non-market approaches.

Key Themes

The roundtable discussions centered on five broad themes regarding carbon markets in Tanzania: Implementation challenges, distributional concerns, standards, the private sector, and stakeholder dynamics. The sections below outline the main insights emerging from each theme.

“Carbon trading projects should go beyond afforestation or renewable energy and become transformative rather than extractive.”

Implementation challenges

As a regional frontrunner in carbon markets, Tanzania has developed regulations, registration procedures, and benefit-sharing rules, yet implementation and enforcement challenges remain. Among these, participants highlighted capacity and awareness gaps at the subnational level, particularly related to many local officials and community managers having limited understanding of carbon market mechanisms. For example, they described how local officials may be instructed not to cut down trees without receiving a clear explanation of the underlying carbon trading project that relies on forest conservation.

Distribution of costs and benefits

Several themes emerged during discussions related to participation, consent, and how costs and benefits are distributed among stakeholders. Participants noted persistent knowledge gaps among communities regarding their role in carbon trading projects, as well as concerns about the fairness of benefit-sharing between local governments and communities. A broader lack of trust also emerged, driven by perceptions of extractive practices in which carbon credits often leave host countries by being sold abroad - often to developed countries - while local communities see little tangible benefit.

Participants stressed that carbon trading projects should go beyond afforestation or renewable energy and become transformative rather than extractive, for example by building local resilience. They highlighted the importance of foreign actors engaging African countries as equal partners and investing in trust-building. To strengthen credibility, participants emphasized the need for transparent and enforceable benefit-sharing mechanisms that deliver tangible community benefits and are clearly defined in project documents. They also underscored the importance of explicit community consent and participatory design to prevent repeating past harms.

Standards and safeguards

Standards are essential for ensuring the integrity of projects but are not a panacea. Participants discussed current voluntary standards including Verra, CCBA, and REDD+ and how they establish rules for additionality, baseline setting, preventing leakage (deforestation shifting elsewhere), species selection, monitoring, and third-party verification. These were seen as critical for integrity and credibility. Yet, despite being strong on paper, these safeguards are often not effectively translated into practice. For instance, while most standards require community participation and net-positive social outcomes, participants noted that these safeguards are frequently poorly implemented and monitored, causing negative impacts, especially for communities.



Role of the private sector

Participants noted that the private sector plays a crucial role in Tanzania's carbon market but highlighted the tension between creating incentives for investors and ensuring fairness for communities. An ongoing debate in this regard concerns the distribution of benefits, particularly how earnings should be shared among local governments, communities, the central government, and project developers. Participants also raised concerns about the upfront registration or cofinancing fee, which currently requires projects to pay 1% of estimated revenue at registration. This was seen by some as a potential barrier for project developers, particularly given uncertainty around price and volume estimates. Finally, participants raised questions about pricing and valuation standards, emphasizing the need for greater transparency and clearer communication around carbon market processes.

Stakeholder dynamics

Participants identified several core stakeholders in Tanzania's carbon market. These include the central government, responsible for policy and registry oversight; local governments, which manage forests and reserves; communities and landowners, who serve as hosts and beneficiaries; project developers from both public and private sectors; consultants, who design projects and estimate revenues; and standards bodies or verification agencies, such as Verra and REDD+.

However, discussions emphasized the gaps in local capacity and inclusion since local authorities and communities are often excluded from negotiations. To address these challenges, participants suggested strengthening the role and voice of communities in negotiations and establishing legal requirements for community consent and clear beneficiary identification in project registration documents.



Looking Ahead

Throughout the discussion, several key areas for future research emerged (Box 2). We encourage researchers to investigate these priorities to enhance the effectiveness, transparency, and equity of carbon markets in Tanzania.

Box 2. Key Areas for Research

- What are the institutional and practical barriers to implementing Tanzania's carbon market frameworks effectively?
- How are the costs and benefits of carbon market projects distributed among local communities, governments, and developers? And how is this negotiated?
- What mechanisms can ensure equitable and transparent benefit sharing in carbon market projects?
- When and how can projects deliver transformative rather than extractive outcomes (e.g., building local resilience)?
- To what extent do existing standards ensure environmental and social integrity in practice?
- How do power asymmetries among national, local, and private actors shape decision-making in Tanzania's carbon market?