

Overview of the Nepal Carbon Trading Regulation, 2082 (2025 A.D.)

The Government of Nepal, through the Ministry of Forests and Environment (MoFE), has enacted the Carbon Trading Regulation, 2082 (2025 A.D.) on 8th of December 2025 under the authority of the Environment Protection Act, 2076 (2019 A.D.). This regulation provides a structured framework for the development, approval, implementation, and management of carbon trading projects in Nepal. Further, it addresses the development and implementation of the Non market based Carbon Projects, and introduces the framework for domestic and international carbon trading mechanism in order to participate in both international and national carbon market.

1. Carbon Trading Procedure

1.1. Eligibility

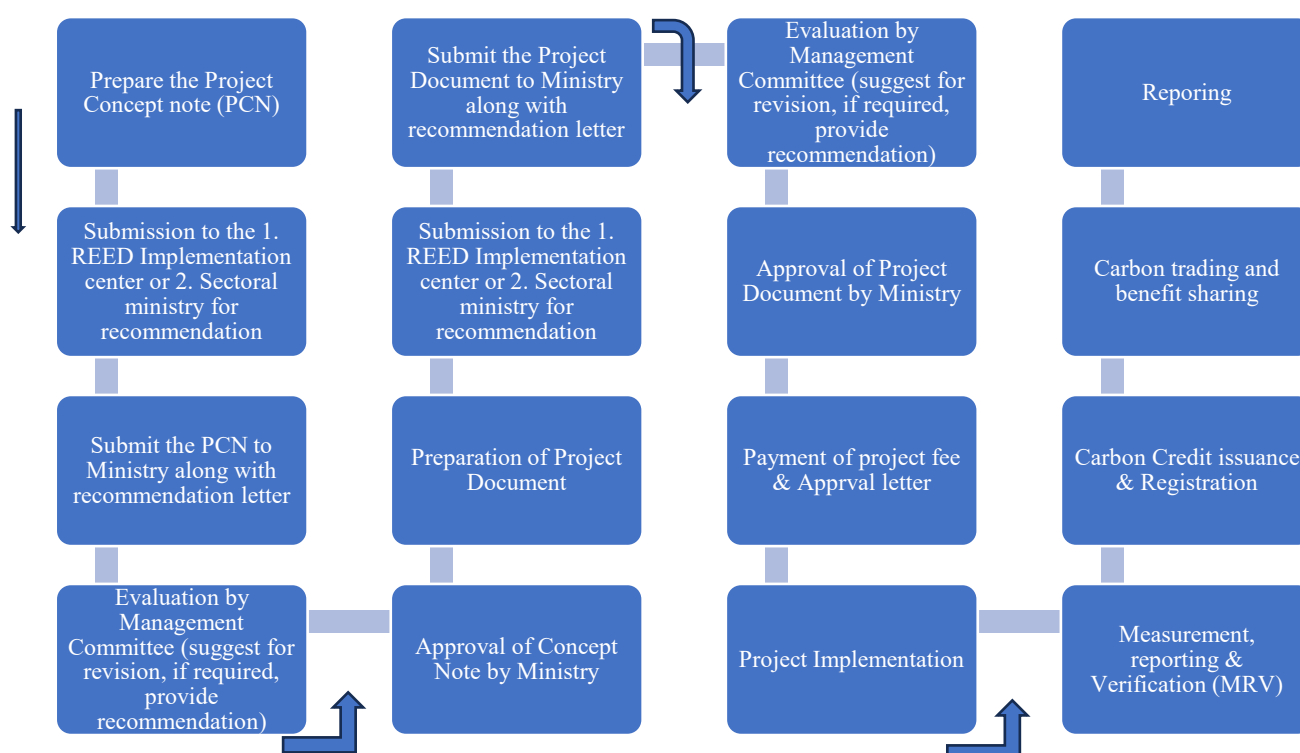
- *Bilateral Agreement with international Mechanism:* The Government of Nepal may participate in carbon trading by entering into bilateral agreements with mechanisms established under international treaties, or with foreign governments, institutions, commercial entities, or the private sector.
- *Bilateral G2G Agreement for Cross Border Trading:* Where the Government of Nepal has entered into a bilateral agreement with a foreign government enabling carbon trading between commercial institutions or entities of the respective countries, such commercial institutions or entities may engage in carbon trading in accordance with that agreement
 - i. *Proposal Submission by GoN under the bilateral agreement with international mechanism:* Where any mechanism, government, institution, commercial entity, or private sector that has entered into an agreement calls for the submission of proposals for carbon trading, the Government of Nepal may submit a proposal and participate in carbon trading in accordance therewith.
 - ii. *Benefits Sharing:* The sharing of benefits derived from carbon trading shall be as specified in the relevant agreement.
 - iii. *Fund management:* Any benefits obtained by the Government of Nepal from carbon trading shall be deposited into the Government of Nepal's consolidated fund, or into a fund specified in the agreement, and shall be expended in accordance with the provisions of that agreement.
 - iv. *Project Approval:* In the case of projects developed by the Government of Nepal, the Ministry (MoFE) shall issue an approval letter in accordance with the agreement.
 - v. *Carbon Credit Handling:* While conducting carbon trading, the transfer of ownership of carbon credits and the arrangement for corresponding adjustments shall be as specified in the agreement.

1.2. Participation via Government

- *Channel for participation:* Proponents may participate in carbon trading through the Government of Nepal.
- *"Proponent" means a company, institution, or entity registered to develop a project for participation in carbon trading, which includes:*
 - i. A company registered in Nepal;

- ii. *A joint venture between a foreign company and a company registered in Nepal; or*
- iii. *Public/ Government Entity:*
 - *An institution or entity established in accordance with prevailing federal laws, or*
 - *An institution or entity under the Government of Nepal, Provincial Government, or Local Level, or*
 - *A government institution or entity owned by the Government of Nepal, Provincial Government, or Local Level.*
- *Deemed trading via GoN:* If carbon credits generated from a project developed by the proponent are recorded in the registry and are sold and transferred, it shall be deemed that carbon trading has taken place through the Government of Nepal.
- *Eligible Sectors and projects:* The sectors and projects are listed in Schedule-1 including following:
 - i. Renewable Energy Development Sector
 - ii. Energy Conservation, Efficiency, and Clean Energy Transition Sector:
 - iii. Agriculture, Forestry, and Other Land Use Sector
 - iv. Waste Management Sector
 - v. Transport sector
 - vi. Adaptation and resilience benefit Sector

1.3. Project Development:



Project development Process chart

1. Project Concept Note

- Proponents prepare a **Project Concept Note** as per Schedule 2 and submit to following entity
 - a) Forestry related projects: The REDD Implementation Center under the Ministry.
 - b) Other projects: The concerned sectoral ministry.
- The REDD Implementation Center and Concerned sectoral ministry shall provide the recommendation within 15 days of receiving the application.
- Along with project Concept Note, proponents shall submit the following documents:
 - a) If the proponent is a company, a certified copy of the company registration certificate;
 - b) If the proponent is a joint venture of a foreign company and a Nepali company, details thereof and a certified copy of the company registration certificate of the company established in Nepal by such foreign company;
 - c) A certified copy of the Permanent Account Number (PAN) or Value Added Tax (VAT) registration certificate;
 - d) A certified copy of the tax clearance certificate of the immediately preceding fiscal year, or documents, receipts, or evidence showing submission of tax return or extension of the deadline for submission of the tax return;
 - e) If the United Nations Framework Convention on Climate Change (UNFCCC) and the agreements or mechanisms thereunder require submission of any other particulars or documents, such particulars and documents as determined by the Ministry on that basis;
 - f) A recommendation letter from the concerned local level where the project is to be implemented; and
 - g) Documents relating to any other particulars regarding the project that the proponent wishes to disclose.

2. Evaluation and Approval of the Project Concept Note:

- Submit the Project Concept Note along with Recommendation letter to the Ministry for approval and to prepare the project document.
- Ministry shall forward it to the Carbon trading Management Committee for evaluation.
- If the Management Committee deems it necessary to further clarify the necessity and justification of the project, it may require the proponent to make a presentation on the Project Concept Note.
- The Management Committee shall evaluate the Project Concept Note, ensuring that there is no duplication of projects, on the following bases:
 - a) The commitment made by the Government of Nepal toward carbon reduction;
 - b) Details of the proposed geographical area for project implementation and details of beneficiaries;
 - c) Social, economic, and environmental aspects;
 - d) Alignment with the Nationally Determined Contribution and the Sustainable Development Goals; and

- e) Matters clarified through the presentation made, if such presentation was required.
- If the Management Committee finds that improvements are required, it shall specify the areas requiring improvement and grant the proponent a period not exceeding 15 days to make such improvements.
- *Recommendation to Ministry:* The Management Committee shall recommend to the Ministry, for approval to prepare the project document, those Project Concept Notes that are found eligible or those that become eligible after improvement.
- *Ministry Approval:* The Ministry shall, within 15 days, approve the Project Concept Note recommended by the Management Committee and provide the proponent with a letter of approval to prepare the project document.

3. Preparation of the Project Document

- Proponents shall prepare a Project Document as per Schedule 3 and submit to following entity for recommendation within 1 year from receipt of the approval letter to prepare the project document.
 - a) Forestry related projects: The REDD Implementation Center under the Ministry.
 - b) Other projects: The concerned sectoral ministry.
- Along with project document, proponents shall submit the following documents
 - a) Tax Compliance Proof
 - b) Ministry approval letter to prepare the Project Document
- *Extension of time:* If the proponent is unable to prepare the Project Document within the 1 year, the Ministry may, upon a request for additional time stating the grounds and reasons, extend the time period up to 1 year based on justification. The failure to submit within or extended period results to automatic cancellation of the approval letter.
- *Recommendation letter:* The REDD Implementation Center and Concerned sectoral ministry shall provide the recommendation relating to project document within 15 days. The proponent shall submit the project document along with recommendation letter to the ministry for evaluation and approval.

4. Evaluation and approval of the Project Document

- *Evaluation by Management committee:* Ministry forwards the project document with recommendation letter to the management committee for evaluation. The evaluation ensures the no duplication of projects, on the following bases:
 - a) Alignment and relevance with the commitments made by the Government of Nepal toward carbon reduction;
 - b) The volume of carbon credits and the applicable time period;
 - c) Details of the geographical area;
 - d) The benefits to be received by climate vulnerable areas, the project implementation and operational areas, and the communities in those areas;
 - e) The impacts and effects of project implementation on social, economic, and environmental aspects;
 - f) Alignment with the Nationally Determined Contribution and the Sustainable Development Goals; and

- g) Any direct or indirect costs, liabilities, or other impacts that may fall upon the State and the community
- *Consultation*: The Management Committee may invite up to 2 subject matter experts and may seek opinions or consultations from the ministry related to the area in which the project is to be developed.
- If the Management Committee finds that improvements are required, it shall specify the areas requiring improvement in writing.
- *Recommendation and approval*: The Management Committee shall recommend to the Ministry for approval. Based on the recommendation, The Ministry shall approve within 15 days.

5. Project Fee and Approval letter

- Fee based on project size:

Type of Project	Project Size	Fees (NPR)
Micro Project	<20,000 estimated annual tCO ₂ e	25,000
Small and Medium Project	20,000 to 60,000 estimated annual tCO ₂ e	50,000
Large Project	>60,000 estimated annual tCO ₂ e	100,000

- Within 7 days of the proponent paying the fee, the Ministry shall issue an approval letter,
- Approval letter validity: 5 years (Renewable up to 15 years with additional fees).
 - i. First renewal (additional 5 years): Pay double the prescribed fee.
 - ii. Second renewal (additional 5 years): Pay triple the prescribed fee.
- *Emission Reduction means the process or activity of reducing greenhouse gas emissions or increasing carbon sequestration in the atmosphere.*

6. Register the project

- *Registration*: Where the proponent who has received the approval letter intends to trade carbon credits under a carbon crediting mechanism in accordance with the Paris Agreement,
 - The proponent shall register the project under such mechanism and
 - The proponent shall inform the Ministry accordingly.
- *Registration Number*: Upon receipt of the information regarding registration, the Ministry shall provide the proponent with a project registration number.

7. Project Implementation

- Projects must commence within 1 year of approval. Extension may be granted up to 1 year upon receipt of an application supported by evidence justifying the inability to commence the project, and based on the recommendation of the Management Committee.
- Failure to commence the project or submit progress report on project implementation may lead to cancellation of the project approval.

8. Agreements with stakeholders and buyers:

- Proponents shall enter into agreements with
 - the relevant individuals, institutions, or communities contributing to carbon emission reductions.
 - National and international buyers purchasing such carbon credits.

9. Measurement, Reporting, and Verification (MRV):

- The measurement, reporting, and verification of carbon emission reductions shall be carried out in accordance with the standards of entities accredited under the Paris Agreement or mechanisms established thereunder.
- Carbon reductions are measured and reported by the proponent and verified by accredited independent entities.
- The verification report shall be submitted to the Designated National Authority (DNA). DNA shall ensure that there is no double counting of carbon credits.

10. Monitoring and Compliance:

- Annual progress reports must be submitted to the Designated National Authority within 3 months from the end of the fiscal year.
- The Designated National Authority shall submit a report, including details of corresponding adjustments, to the Secretariat of the United Nations Framework Convention on Climate Change in every two years.

1.4. National Carbon Registry:

- The ministry shall function as the central authority of the National Carbon Registry. It shall maintain records of carbon trading. Other responsible units for maintain the carbon registry are:
 - REDD Implementation Centre under the Ministry for the forestry sector
 - Relevant Sectoral Ministries
- Until the National Carbon Registry is established, the Ministry may use the international registry made available to Nepal under the Paris Agreement or mechanisms established thereunder to maintain records of carbon credits and the sale and transfer of carbon credits.
- *Carbon Credit means a unit used to measure the amount of greenhouse gas emission reduction, and the term also denotes the reduction of one metric ton of carbon dioxide or an equivalent amount of other greenhouse gases per carbon credit.*

1.5. Carbon credit Allocation to NDC:

- 5% of verified and issued carbon credits are counted toward Nepal's Nationally Determined Contribution (NDC).

1.6. Carbon Credit Sale Fee

- The proponent may sell or cause to sale of the remaining carbon credits upon payment of a fee at the rate of NPR 100 per ton.

Total Carbon credit (Verified and issued)	*****
Less 5% carbon credit allocation to NDC	(****)
Remaining Carbon Credit	*****

- Institutions or bodies under the Government of Nepal, Provincial Governments, or Local Levels, or owned by the Government of Nepal, Provincial Governments, or Local Levels, shall sell carbon credits only with the consent of the concerned ministry, and institutions or bodies or the executive body of the concerned Local Level.

1.7. Corresponding Adjustments:

- The Designated National Authority ensures no double counting of carbon credits.

1.8. Pricing of Carbon Credits:

Seller	Buyer	Pricing Method
GoN	Foreign Government	As per Carbon trading agreement.
GoN	Any international treaty, mechanism or institution established thereunder, commercial entity, or private sector	Bilateral negotiation
Government / Public Entities (Federal, Provincial, Local)	International buyers	International open competitive bidding (Via Electronic Means)
Private Sector (Privately developed projects)	International buyers	Market based Pricing
Voluntary Carbon Market Projects	Voluntary market buyers	Mutually agreed price

1.9. Benefit Sharing:

- Benefits from carbon trading are shared according to the approved project's benefit sharing plan.
- Private sector projects allocate 10% of benefits to the Government of Nepal.
- Government owned or co invested projects' benefits are deposited into respective government's consolidated funds.
- The sharing of benefits obtained from carbon trading related to national forests shall be governed by prevailing federal forestry laws.
- In the case of projects receiving carbon credits as co-benefits, benefit sharing shall be carried out in accordance with the project development agreement, and where such agreement does not specify benefit sharing, it shall be carried out as decided by the Council of Ministers of the Government of Nepal.
- For the projects with foreign investments, the proponent may repatriate foreign currency equivalent to the return corresponding to the proportion of such foreign investment, in accordance with prevailing laws on foreign investment.

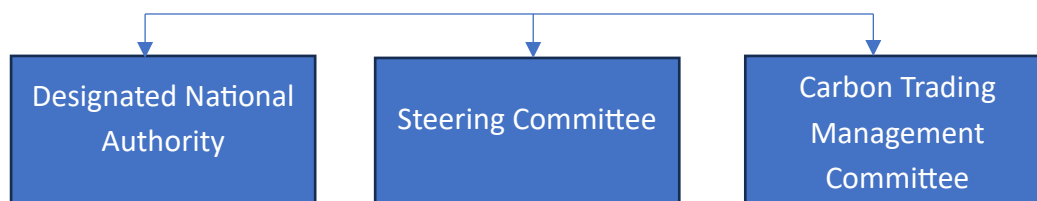
1.10. Cancellation of Approval Letter:

The Ministry may cancel the approval letter issued if the proponent commits any of the following acts:

- a) Violates the provisions of this Regulation while developing the project;
- b) Fails to comply with the United Nations Framework Convention on Climate Change or agreements and mechanisms related thereto; or

- c) Submits false reports or forged documents to the Ministry or the Designated National Authority.

2. Institutional Structure



Key Institutional Players

2.1. Designated National Authority:

- The Ministry of Forests and Environment acts as Designated National Authority and carry out the work of regulating and managing carbon trading.
- The Climate Change and Management Division under the Ministry shall function as the Secretariat of the Designated National Authority

2.2. Steering Committee:

For providing policy guidance, coordination, and facilitation in relation to carbon trading, a Steering Committee shall be constituted as follows:

a) Secretary, Ministry	Chairperson
b) Joint Secretary, Ministry of Finance	Member
c) Joint Secretary, Ministry of Energy, Water Resources and Irrigation	Member
d) Joint Secretary, Ministry of Industry, Commerce and Supplies	Member
e) Joint Secretary, Ministry of Agriculture and Livestock Development	Member
f) Joint Secretary, Ministry of Law, Justice and Parliamentary Affairs	Member
g) Joint Secretary, Ministry of Physical Infrastructure and Transport	Member
h) Joint Secretary, Ministry of Urban Development	Member
i) Joint Secretary, Ministry of Federal Affairs and General Administration	Member
j) Chief, REDD Implementation Centre	Member
k) Director, Nepal Rastra Bank	Member
l) Executive Director, Alternative Energy Promotion Centre	Member
m) Chief, Climate Change Management Division	Member Secretary

The functions, duties, and powers of the Steering Committee in relation to carbon trading shall be as follows:

- To provide policy guidance;
- To determine national priorities;
- To coordinate among concerned stakeholders;
- To provide necessary directives to the Management Committee;
- To recommend to the Ministry the approval of guidelines prepared by the Management Committee;
- To approve the roster of experts; and
- To recommend to the Ministry the formulation of necessary policies.

2.3. Carbon Trading Management Committee:

For the management of carbon trading, a Carbon Trading Management Committee shall be constituted under the Ministry as follows:

- | | |
|--|------------------|
| a) Chief, Climate Change Management Division | Chairperson |
| b) Under Secretary, Ministry of Finance | Member |
| c) Under Secretary, Ministry of Law, Justice and Parliamentary Affairs | Member |
| d) Under Secretary, REDD Implementation Centre | Member |
| e) Under Secretary, concerned project-related ministry | Member |
| f) Deputy Director, Nepal Rastra Bank | Member |
| g) Under Secretary level representative from the Alternative Energy Promotion Centre | Member |
| h) Under Secretary, Ministry responsible for carbon trading | Member Secretary |

The functions, duties, and powers of the Management Committee shall be as follows:

- a) To prepare guidelines related to carbon trading and submit them to the Steering Committee;
- b) To provide technical support to the Designated National Authority during the course of carbon trading;
- c) To prepare a roster of experts based on subject matter expertise related to carbon trading and submit it to the Steering Committee for approval;
- d) To prioritize carbon projects;
- e) To conduct or cause to be conducted studies and research related to carbon trading and submit such research reports to the Steering Committee.

3. Other Matters

3.1. Non market based Carbon Projects

- Government bodies, non-governmental organizations (NGOs), and private-sector companies may develop non-market-based carbon projects.
- For NGO led projects, the Management Committee evaluates proposals, and the Ministry grants approval in line with the Social Welfare Council Act, 1992.
- Private sector led Non market based Carbon Projects are approved according to the standard project evaluation procedures.
- Voluntary carbon market projects by NGOs or private entities must also obtain prior approval from Ministry.

3.2. Domestic Carbon Trading

- Government entities, local bodies, and private companies can participate in the domestic voluntary carbon market within Nepal by completing the procedures prescribed under the regulation.

3.3. Carbon Projects under the Clean Development Mechanism (CDM)

- Carbon projects under the Clean Development Mechanism that were approved and are under implementation in accordance with prevailing laws prior to the commencement of these Regulations shall be deemed to have been approved under

these Regulations. Carbon credits generated from projects may be transferred or conveyed with the consent of the Designated National Authority. Projects shall pay the fees and charges prescribed by these Regulations to the Ministry

3.4. Compliance with International Agreements

- When engaging in international carbon trading pursuant to these Regulations, the proponent shall comply with the United Nations Framework Convention on Climate Change and the agreements and mechanisms established thereunder.

3.5. Coordination and Facilitation

- The Designated National Authority shall carry out necessary coordination and facilitation with concerned ministries, bodies, and proponents in relation to carbon trading.

3.6. Monitoring

- The Ministry, sectoral ministries, or concerned bodies or levels may conduct necessary monitoring of projects. The monitoring report shall be submitted to the Designated National Authority.

3.7. Prohibition on Unauthorized Projects

- No person shall develop a project for carbon trading or sell carbon credits without obtaining an approval letter from the Ministry.
- If a project is developed for carbon trading or carbon credits are sold without obtaining an approval letter from the Ministry, the movable and immovable property associated with such project shall be confiscated in accordance with prevailing law.

Schedule 1: Sectors in which projects may be developed

1. Renewable Energy Development Sector:

- (a) Hydropower, solar, wind, and bioenergy projects proposed under clean energy with the objective of reducing carbon emissions;
- (b) Small and medium size energy systems proposed through initiatives of rural communities that are not connected to the national transmission grid.

2. Energy Conservation, Efficiency, and Clean Energy Transition Sector:

- (a) Industrial energy efficiency programs that are useful in reducing carbon emissions during the production and processing of goods and services;
- (b) Projects such as improved cookstoves related to urban and rural energy consumption and energy savings.

3. Agriculture, Forestry, and Other Land Use Sector:

Projects based on agricultural and forestry promotion programs, afforestation programs in vacant areas, natural regeneration programs, and sustainable forest management programs, with the objective of increasing carbon sequestration through the use of national forests, private forests, agricultural land, and other land uses.

4. Waste Management Sector:

Projects for generating energy from waste and waste management systems implemented at landfill sites to reduce emissions, with the objective of mitigating greenhouse gas emissions.

5. Transport Sector:

Proposed electric vehicles and related infrastructure, as well as sustainable public transport systems with the objective of reducing the use of fossil fuels and preventing capital outflow.

6. Adaptation and Resilience benefit Sector:

Projects that contribute to climate change adaptation and carbon emission reduction such as those related to food security, water security, health security, biodiversity conservation, air pollution control, and sustainable management of natural resources and that support the green economy and circular economy.

Prepared by:

Dipendra Shrestha
MA (Eco), MBS, LLB
CA, Advocate

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