

# CRACKING THE CODE: THE ABC OF CARBON TRADING IN TANZANIA.



Environmental pollution has become one of the greatest challenges facing our planet today. With rapid industrial growth touching every aspect of human life, finding solutions to this issue is more urgent than ever.

But does tackling pollution mean abolishing industries or halting motorized transport, which are major contributors to environmental degradation? One innovative approach that has been introduced is carbon credit markets rather than eliminating these vital systems. This system seeks to balance the scales—allowing controlled pollution while rewarding those who actively conserve the environment.

**Prepared by.**



**Adv. Simon Patrick**  
**Partner at SVTL Advisory**



**Warren Mnzava**

***Disclaimer.***

*This article is for informational purposes only and does not constitute legal or professional advice.*

In this context, Tanzania presents a unique opportunity for carbon credit investments. With its vast forest reserves and blue resources, the country is well-positioned to tap into the carbon credit market, benefiting both the environment and its economy. This article explores the legal framework in Tanzania.

## **PROCEDURES FOR ESTABLISHING CARBON TRADING PROJECT.**

To establish a carbon trading project in Tanzania, the process begins with the submission of an application of the project idea to the Designated National Authority (DNA) or National Focal Point accompanied by payment of a non-refundable application fee.

The DNA or National Focal Point shall process the application within 30 days and respond, where the requirements are met the proponent will be directed to develop a detailed Project Concept Note (PCN) within ninety days. The PCN must outline key elements such as project description, location, activities, stakeholders, and financial details. Once completed, it is submitted for review alongside proof of payment of the registration fee and formal consent from the managing authority. The DNA or National Focal Point may either approve the PCN or provide recommendations for improvement within 30 days.

**Note; The Carbon Trading registration project is subject to the payment of 18% VAT, since the current National Focal Point despite being a public body is a taxable item.**

Following approval of the PCN, the proponent must develop a comprehensive Project Document within 12 months, adhering to international standards and incorporating detailed project descriptions, baseline methodologies, and monitoring plans.

Extensions of up to six months may be granted for valid reasons. Upon submission and review, the DNA or National Focal Point recommends the project to the Minister for endorsement if it meets the required standards. Once endorsed, the project must begin implementation within two years, and all parties collaborating on the project are required to formalize agreements through contracts that outline legal, financial, and operational details.

Failure to comply with prescribed timelines or project requirements can result in cancellation of the endorsement. Verification, certification, and issuance of carbon credits must align with internationally accepted carbon trading standards.

### **Revenue Allocation for Carbon Trading in Tanzania.**

Stakeholders in carbon trading who may incur various costs or benefits include the proponent, Managing Authority, regulatory authority, and local communities. Cost and benefit-sharing schemes consider capital invested and stakeholder roles.



For land-based projects, the Managing Authority receives 61% of gross revenues from the sale of Certified Emission Reductions (CERs); if under the council, 10% of this 61% is allocated to the council for conservation activities, while 51% is allocated to village governments or mtaa for community development.

If the Managing Authority is not under the council, 10% of the 61% is allocated to community activities, with 6% going to adjacent villages or mtaa, 4% to local government councils, and 51% retained by the Managing Authority. Of the remaining 39%, the proponent pays 9% to the Designated National Authority (DNA) or National Focal Point, which allocates 2% to the National Environmental Trust Fund, 1% to the energy agency for subsidizing cooking energy costs, and 6% for carbon trading project management.

For high-investment projects, benefit-sharing arrangements are negotiated between the Managing Authority and the project proponent, with the DNA ensuring equitable sharing. Additionally, project proponents must fulfill corporate social responsibility in their areas of operation as required by national laws.

## **CARBON TRADING AND LAND RIGHTS.**

In Tanzania land rights are derived from two categories, the granted right of occupancy and the customary right of occupancy, the granted right of occupancy governs land that falls under general land and reserved land. In contrast, the customary rights govern land under village land.

Local Investments that fall under general or reserve land shall obtain a certificate of occupancy or occupy land through leases as prescribed by the law, Foreign investments that fall under general or reserve land shall obtain a derivative right of occupancy through the Tanzania Investment Center (TIC) which serves only for investment purposes.

**Note: reserved areas with specific managing authorities such authorities have to be consulted for approval, for example, areas falling under national parks or game reserve-specific managing authorities must issue requisite approval according to the law governing such areas.**

When it comes to areas under village authorities, technical matters may arise. In the case of a local company, the law permits it to apply for a customary right of occupancy, which will be determined by the village council. Once the village council has given due consideration to the application, it may provide an offer. If the offer is accepted, the village council will then issue a customary right certificate of occupancy.

In the case of a foreign company, the law does not recognize foreign entities in the occupation of village land, for a foreign entity to occupy village land such land has to be transferred to general land to allow the foreign entity to obtain a derivative right through the TIC for investment purposes.

**Note; If a foreign company fails to meet the conditions of investment agreed upon on the grant of Derivative rights, the TIC can re-acquire the land. However, the foreign company will be entitled to compensation for any developments that have been made on the**

## **THE ROLE OF CARBON TRADING IN UPHOLDING THE PRINCIPLE OF PERMANENT SOVEREIGNTY.**

The principle of permanent sovereignty over natural resources protects the rights and interests of native communities in managing and benefiting from their natural resources. Carbon trading projects, which often affect access to these resources, must respect this principle by ensuring thorough consultations with affected communities to obtain informed consent.

If any property is taken, fair compensation must be provided, and the benefits of the projects must be shared equitably between the native communities and the state. While these projects can contribute to environmental sustainability, they risk violating this principle if proper safeguards are not in place.

Therefore, it is crucial to design and implement carbon trading initiatives that respect the rights, livelihoods, and sovereignty of native populations while achieving environmental goals.

### **In Conclusion.**

Carbon trading in Tanzania offers a promising avenue for balancing environmental sustainability and economic growth. By leveraging the country's blue and green resources, Tanzania has the potential to become a key player in the global carbon credit market. However, the success of this initiative depends on adherence to legal frameworks, equitable benefit-sharing, respect for land rights, and the principle of permanent sovereignty over natural resources. Proper implementation of carbon trading projects can contribute significantly to combating climate change, empowering local communities, and fostering sustainable development. Through informed planning, robust oversight, and collaboration among stakeholders, investing in Tanzania can harness the opportunities presented by carbon trading to achieve its environmental and economic objectives.

**Your Trusted Partner in Carbon Trading and Environmental Sustainability,** SVTL Advisory brings a wealth of experience and a proven track record in guiding both local and foreign companies through the complexities of carbon trading and environmental sustainability. Our expertise extends beyond navigating intricate legal frameworks governing carbon markets, land rights, and benefit-sharing mechanisms—we also provide comprehensive support in corporate compliance, financial advisory, human resource services, and insurance solutions. By addressing all aspects of project development, regulatory compliance, and risk management, we ensure that our clients achieve sustainable and impactful results. Trust SVTL Advisory to leverage its extensive experience and commitment to excellence, making your carbon trading investments a success every step of the way.



— A D V I S O R Y —

### *Contact Us*

✉ [info@svtl.co.tz](mailto:info@svtl.co.tz)

☎ +255 763 406 162

📍 Mezzanine Floor, EY Building Plot No 162/1  
Mzingaway, Oysterbay Dar es Salaam,  
Tanzania

📍 House No. 10, Atlantis Estate Mawalla  
Road, Burka Area Arusha, Tanzania