

Letter from Iraq

Dear Sir/Madam,

We have through media and industry contacts been informed about a draft amendment to the Upstream Emission Reduction Ordinance (UERV). We have studied the proposed amendments, and it is with great regret that we must draw the conclusion the UERV will not be a market outlet from carbon credits pilot project currently under planning in Iraq.

Ministry of Oil, has with interest followed the UERV since the scheme became operation in 2020. The plan has been to make use of this mechanism to get more engaged in carbon finance to accelerate climate mitigation efforts and provide critically needed sustainable development benefits for its population. This process has taken longer than expected but some decisive steps have now been taken which implies that Iraq will start developing projects which can generate revenues in carbon markets which can help finance projects which currently are faced with insurmountable implementation barriers.

Among the first projects to be pursued are flare and methane reduction projects. As you will know Iraq has, for historic reasons, large GHG emissions from flaring and methane. Several large investments are underway to tackle it but the process could be accelerated through carbon finance. This was extensively covered at COP 28, including during several side-events at the Iraqi Pavilion. The UERV scheme at several of the presentations highlighted as an important vehicle to kick start flare and methane emission reduction projects.

Government institutions and companies in Iraq are aware of the stated expiry date for UERV (end 2026) and have planned accordingly. The plan has been to prioritize quick to implement methane emission reduction projects under the UERV which can earn credits for the vintage years 2025 and 2026. This would represent a highly valuable and effective “learning-by-doing experiences” in support of Iraq’s endeavors to scale up carbon finance for climate mitigations. Subsequently, Iraqi companies would seek market outlets for carbon credits under Article 6 of the Paris Agreement and through the voluntary carbon market. However, as you are probably aware, these alternatives are currently not mature enough to offer the incentives needed.

With the draft amendment to the UERV being adopted, the essential catalytical role of this scheme would be lost. This would represent a significant setback in our current plan to attract carbon financing for Iraq.

Minister Advisor for energy Affairs

Ministry of Oil