



RCC LATIN AMERICA

CASE STUDY: PANAMA – DEVELOPING PARIS-ALIGNED CARBON MARKETS INSTRUMENTS UNDER CiACA

With support from the Collaborative Instruments for Ambitious Climate Action (CiACA) initiative implemented by the UNFCCC Regional Collaboration Centre for Latin America (RCC LatAm), and with financial contribution from the Government of Germany, Panama advanced the development of Paris-aligned carbon market instruments to support the implementation of its Nationally Determined Contribution (NDC).

Since 2017, CiACA support has followed a phased and learning-by-doing approach (see Figure 1), evolving from early assessments of carbon pricing options and institutional readiness to targeted capacity-building and technical assistance for the design and operationalization of market-based instruments. A key milestone in this process has been the “Reduce Tu Huella” programme, which has successfully engaged the private sector in measuring, reporting, reducing, and offsetting emissions, laying the groundwork for market-based approaches.

Figure 1. Key milestones and outputs from CiACA Panama 2017-2026



Source: UNFCCC

Building on this foundation, CiACA supported the development of the Panama Carbon Market Roadmap, which provided a strategic framework to guide the country’s carbon



market development and identify potential linkages with Article 6 of the Paris Agreement. This was followed by support for the development of the National Carbon Market System (SNMCP), including the preparation of a draft Executive Decree and the implementation of a national public consultation process.

The consultation process mobilized 290 stakeholders from over 50 organizations from 7 key sectors, through 12 in-person workshops and sessions held in seven provinces across the country. This inclusive process strengthened Panama's readiness to engage with international carbon market mechanisms under Article 6 of the Paris Agreement, including the Paris Agreement Crediting Mechanism (PACM).

Panama's experience demonstrates how a phased and learning-by-doing approach can support the development of domestic carbon markets and offers relevant lessons for countries in Central America and Latin America exploring market-based mitigation instruments and Article 6 cooperation.

Context and background

Panama is committed to ambitious climate and environmental goals under its Nature Pledge, including Panama's NDC 3.0, an integrated national framework that brings together climate, biodiversity, land and ocean commitments.

Accordingly, the Ministry of Environment of Panama identified the need to develop market-based mitigation instruments and reinforce the institutional foundations for carbon markets. Together with the CiACA initiative, Panama received technical assistance to advance a Paris-aligned national carbon market framework, supporting the country's broader environmental and climate policy agenda.

Support design

The support followed a phased and "learning-by-doing" approach, combining technical assistance, capacity-building and stakeholder engagement to progressively design Panama's National Carbon Market System (SNMCP).

Between 2020 and 2024, support focused on fortifying the foundations for carbon market development, encompassing technical assessments, institutional coordination, capacity-building activities and the development of the Panama Carbon Market Roadmap, which provides a strategic pathway for the development of market-based mitigation instruments and identifies potential connections with international carbon markets under Article 6 of the Paris Agreement.



Between 2025 and 2026, the support shifted to regulatory development and policy validation. RCC LatAm supported the preparation of the draft Executive Decree establishing the National Carbon Market System, as well as the organization of a national public consultation process to gather feedback from key stakeholders.

The support was implemented through the CiACA initiative, in collaboration with the Ministry of Environment of Panama, combining policy advice, technical analysis and participatory processes.

Results and outcomes

The support contributed to enhancing Panama's institutional and technical capacity to develop carbon market instruments aligned with the Paris Agreement.

Key results and outcomes include:

- Development of the [Panama Carbon Market Roadmap](#), providing a strategic framework for carbon markets development and potential engagement under Article 6.
- Advancement of the regulatory framework through the draft Executive Decree establishing the National Carbon Market System.
- Implementation of a [national public consultation process](#), including a consolidated report of stakeholder inputs. Broad stakeholder participation supporting the development of the regulatory framework.
- Increased institutional coordination among national authorities involved in climate policy and market instruments.
- Strengthened technical understanding of carbon markets and Article 6 opportunities.

These results showcase Panama's preparation to develop domestic carbon market instruments and explore participation in international carbon markets under Article 6, including the Paris Agreement Crediting Mechanism (PACM).

Lessons learned and follow-up

Panama's experience highlights the value of a phased and learning-by-doing approach to developing carbon market instruments. Early investments in institutional strengthening, technical capacity and stakeholder engagement helped create the conditions necessary for advancing regulatory development.

The process also demonstrated the importance of inclusive consultation processes, which strengthened transparency and stakeholder ownership of the proposed policy framework.



Panama's experience shows that domestic carbon market development can serve as a foundation for future engagement with international carbon markets under Article 6. The approach and tools developed through CiACA support, particularly the carbon market roadmap and regulatory framework development process offer useful lessons for other countries in Latin America exploring similar policy instruments.