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Key Contacts



**Desmond Ogba**  
Partner,  
Finance, Energy &  
Projects  
[desmond.ogba@templars-law.com](mailto:desmond.ogba@templars-law.com)



**Joshua Olorunmaiye**  
Associate,  
Finance, Energy &  
Projects  
[joshua.olorunmaiye@templars-law.com](mailto:joshua.olorunmaiye@templars-law.com)



**Nabila Gaduya**  
Associate,  
Energy & Projects  
[nabila.gaduya@templars-law.com](mailto:nabila.gaduya@templars-law.com)

TEMPLARS ThoughtLab

# From Ideation to Operationalisation: *The Evolution of a Fully Structured Carbon Market in Nigeria*<sup>1</sup>

## Introduction

As global efforts continue to address greenhouse gas (GHG) emissions, Nigeria has set an ambitious target to achieve net zero by 2060, aiming to equalise the amount of GHG emitted with the amount removed. The country's Energy Transition Plan ("ETP") provides a tailored, phased approach to reach this objective.<sup>2</sup> However, the scale of financial capital required to achieve this target is substantial, estimated at \$410 billion above business-as-usual spending, with significant front-loaded investments needed by 2040.

In response, Nigeria, as a party to the Paris Agreement,<sup>3</sup> is moving away from traditional funding models and adopting economic strategies to unlock and access new climate finance sources and support emission reduction in its Nationally Determined Contribution ("NDC") priority sectors, such as agriculture, power, industry, oil and gas, and transport.<sup>4</sup> The evolution of a carbon market in Nigeria is one of such strategies being adopted.

The enactment of the Climate Change Act 2021 (the "CC Act"), the launch of the Carbon Market Activation Plan ("CBAP"), the operationalisation of the Climate Change Fund ("CCF"), the restoration of the National Council on Climate Change ("NCCC") to the budget line,<sup>5</sup> and the recent approval by the Federal Government of Nigeria of the adoption of a National Carbon Market Framework ("NCMF"), collectively transition the national carbon market from ideation to operationalisation.

<sup>1</sup> Click [here](#) to see our initial article, "The Nigerian Carbon Market: Still in Ideation?", where we highlight some of Nigeria's efforts and initiatives towards the establishment of a carbon market.

<sup>2</sup> The ETP was issued in 2022 and is anchored on five key sectors: Power, Transport, Cooking, Industry, and Oil & Gas, all of which collectively account for approximately 65% of the nation's total GHG emissions.

<sup>3</sup> The Paris Agreement is a legally binding international treaty on climate change. It was adopted by 195 Parties at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015. It entered into force on 4 November 2016.

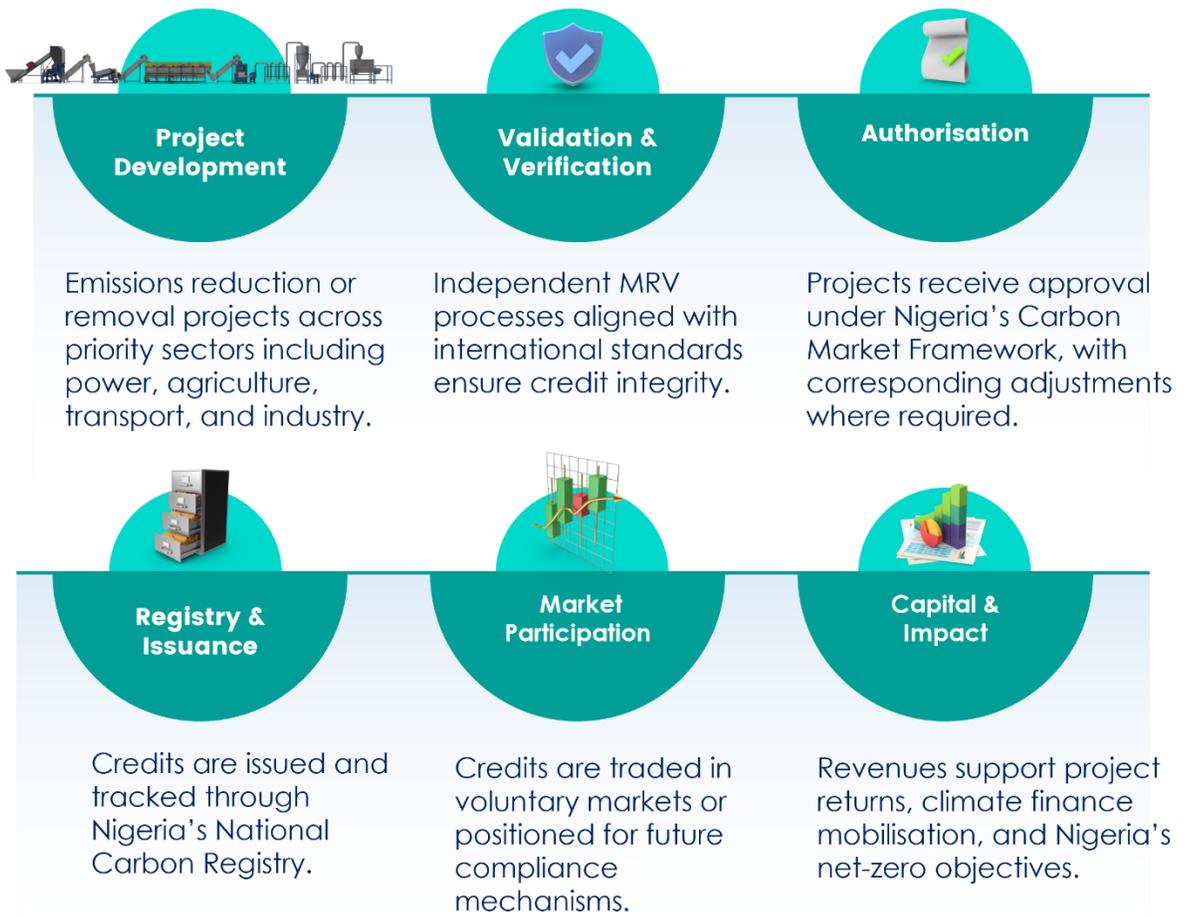
<sup>4</sup> The NDCs are commitments made by countries to reduce greenhouse gas emissions and adapt to climate change.

<sup>5</sup> Punch Newspaper, FG Approves National Carbon Market Framework to Unlock \$3bn Annually. Available at <https://punchng.com/fg-approves-national-carbon-market-framework-to-unlock-3bn-annually/>. Accessed 18 December 2025.

Although the NCMF had been under development prior to its public unveiling by the Federal Government of Nigeria at the Abu Dhabi Sustainability Week 2026,<sup>6</sup> its presentation served as the first major international articulation of Nigeria's structured carbon market architecture, thereby positioning Nigeria within the evolving global carbon finance ecosystem and signalling to international investors, host governments, and carbon market intermediaries, of Nigeria's sovereign commitment, regulatory intent, and institutional preparedness to participate in international cooperative approaches for climate change frameworks.

Taken together, these developments represent a significant turning point in Nigeria's climate policy trajectory. With comprehensive legislative and institutional structures established, Nigeria is positioned to advance from theoretical dialogue to tangible action. By activating these frameworks, Nigeria seeks to enhance investor confidence and attract the necessary green capital to support its energy transition and broader climate objectives, and to establish itself as a trusted participant in the evolving international carbon market framework.

This article examines the emerging carbon market architecture in Nigeria and outlines the obligations and opportunities for project developers and investors operating within this framework.



<sup>6</sup> The Abu Dhabi Sustainability Week 2026 held from January 11 to 17, 2026. The theme, "The Nexus of Next: All Systems Go," focused on collaboration across various sectors to drive sustainable development globally.

## The Global Carbon Market Architecture

Carbon markets are structured trading systems designed to facilitate the reduction of GHG emissions through measurement, pricing, and exchange mechanisms. The global carbon market structure is designed to create financial incentives that make emission reductions economically attractive, by assigning a price to GHG emissions generated by operators in the industrial sector, and encouraging innovation, efficiency and the deployment of cleaner technologies in operational carbon markets.

These markets take two primary forms: (i) mandatory or compliance systems; and (ii) voluntary market systems. The former requires regulated entities to participate and meet legally established reduction targets, while the latter allows organisations to purchase credits, to compensate for emissions beyond regulatory requirements. Carbon markets also vary in scope, with some operating at the regional or national level,<sup>7</sup> while others facilitate cross-border or international trading under frameworks such as Article 6 of the Paris Agreement. Although their structures differ, all carbon markets serve the same overarching purpose of reducing GHG emissions by directing capital toward mitigation activities.

They also comprise a network of public and private actors involved in the development, certification, trading, and oversight of carbon credits. Key participants include **project developers** who originate emissions reduction or removal projects; **independent validators and verifiers** responsible for measurement, reporting, and verification (MRV); **registry operators** that issue, track, and retire carbon credits; and **buyers**, such as corporations and financial institutions, seeking credits for compliance or voluntary climate commitments. Intermediaries, such as **brokers, exchanges, and aggregators** help facilitate market liquidity and price discovery, while **regulators and designated national authorities** provide policy direction, licensing, and compliance supervision. Supporting actors such as **host communities, financial service providers, and international standard-setting bodies** further shape the ecosystem by ensuring project bankability, social safeguards, and alignment with national and international climate frameworks.

## The Nigerian Carbon Market Framework

The regulation of Nigeria's carbon market is now primarily premised on compliance mechanisms provided under the NCMF, aimed at ensuring transparency in carbon credit issuance and transactions, accountability of market participants for accurate reporting and regulatory compliance, and environmental integrity through the verification of genuine, additional, and non-duplicative emissions reductions in a manner that is consistent with Nigeria's climate commitments.

The NCMF is designed to establish a coherent legal and institutional framework for the generation, authorisation, transfer, and accounting of carbon credits for qualified projects in Nigeria. It is structured to mobilise climate finance at scale by providing regulatory clarity and predictable procedural pathways capable of unlocking private capital flows into priority sectors identified under Nigeria's NDCs. Beyond market activation, the NCMF adopts a phased design, using voluntary market participation as an entry point, while signalling a progressive transition toward a domestic compliance regime, including the potential development of an emissions trading system and carbon pricing instruments.

The NCMF consists of the recently released Nigerian Carbon Market Activation Policy and Manual of Procedures, with some key investor provisions discussed below:

### A. Nigeria's Carbon Market Activation Policy

The Nigeria Carbon Market Activation Policy (the "**Policy**") is the strategic blueprint under the NCMF that operationalises the Nigerian carbon market and seeks to accelerate the growth of the carbon market. Salient points of the Policy include:

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<sup>7</sup> For example, the Lagos State Carbon Exchange, which was unveiled in March 2025.

- i. **Climate Change Act, 2021 and International Climate Agreements:** The Policy importantly recognises the pre-existing legislative mechanism under the CC Act and provides the legal basis to achieve a low-carbon, climate-resilient economy and the integration of climate change mitigation and adaptation across all sectors. The CC Act lays the foundation for a robust carbon market as envisioned by Article 6 of the Paris Agreement and independent carbon programs. It also establishes the NCCC,<sup>8</sup> as the primary statutory body responsible for leading Nigeria's climate change policies and regulating Nigeria's carbon market. It explicitly mandates the NCCC to collaborate with relevant ministries (such as the Federal Ministry of Environment and the Federal Ministry of Trade) to develop mechanisms for a carbon emissions trading system ("ETS") in Nigeria.<sup>9</sup> This responsibility includes designing the detailed regulations that will govern the ETS, alongside the applicable sectoral scope, allowance allocation, and robust MRV protocols, that underscore Nigeria's commitments to implementing market-based mechanisms to achieve its climate targets and attract green investment. To this end, revenues actualised from the carbon market, carbon tax, and emission trading system, will be deposited in the CCF to support intervention projects and help to stimulate research and development in green technologies across the different sectors. It also mandates the NCCC Secretariat to establish a National Carbon Registry ("**Registry**"),<sup>10</sup> which serves as the central, authoritative database for recording, tracking, and verifying all carbon credits generated from projects within Nigeria.
- ii. **The Voluntary Carbon Market:** The Voluntary Carbon Market (VCM) is the main market leveraged by the Policy to immediately attract investment in sustainable projects that can generate real, verifiable, high integrity and high-quality carbon credits aimed at driving GHG emissions reduction and accelerating deployment of climate-aligned projects. As such, private individuals, corporations, and other non-state actors can effectively begin to generate, purchase, and trade carbon credits in order to meet self-imposed or voluntary climate and sustainability commitments, independently of statutory or mandatory carbon pricing regimes established under law or regulation.
- iii. **Emissions Trading System and Carbon Tax:** The Policy conceptualises a 5-year roadmap that will support and enhance Nigeria's effective participation in the global carbon market, through an ETS and carbon tax regime. These instruments will first target high-emission sectors identified in Nigeria's NDCs. Generated revenues will flow into the CCF and must not be passed through to consumers, ensuring economic balance while reinforcing decarbonisation incentives. Furthermore, covered entities are required to report annual emissions in CO<sub>2</sub>-equivalent terms,<sup>11</sup> with mandatory independent verification to ensure credibility and enable international recognition of Nigerian-origin credits. The government will also impose stringent, deterrent penalties on entities that fail to meet reporting deadlines or payment obligations, with all fine revenues directed into the CCF for reinvestment in national resilience.
- iv. **The Carbon Market Regulations:** To advance Nigeria's carbon market activation policy, a transparent and well-defined regulatory framework will be established for carbon market operations. This regime will facilitate the creation and exchange of high-integrity carbon credits, promote efficient carbon transactions, and provide regulatory certainty to investors. The framework will include rigorous accounting and registry mechanisms to prevent double counting and uphold environmental integrity.

<sup>8</sup> Section 3(1) CC Act.

<sup>9</sup> Section 4(j) CC Act.

<sup>10</sup> The National Carbon Registry website can be accessed at: <https://nigeriacarbonregistry.com>.

<sup>11</sup> This is a metric used to compare the emissions of various greenhouse gases based on their global warming potential (GWP) relative to carbon dioxide (CO<sub>2</sub>). Understanding CO<sub>2</sub>e is essential for effective climate strategy and policymaking, as it helps in setting reduction targets and tracking progress toward decarbonisation.

- v. **Adherence to International Standards:** To ensure the generation of high-quality carbon credits as well as integrity and transparency in the Nigerian carbon market, participants will be required to adhere to recognised international carbon standards, such as the Verified Carbon Standard (VCS),<sup>12</sup> Gold Standard,<sup>13</sup> and the Climate, Community & Biodiversity (CCB) Standards.<sup>14</sup> In addition to these standards, all projects must comply with national guidelines set forth by the NCCC and obtain the necessary approvals. This dual alignment ensures that projects not only gain international recognition but also comply with Nigeria's legal, environmental, and social standards. This harmonisation enhances market credibility and allows for seamless trading of credits both regionally and globally, while safeguarding the integrity of Nigeria's NDC through corresponding adjustments.
- vi. **Fiscal Policies and Incentives:** The Policy contemplates the creation of a green fiscal and tax incentive structures that will support the growth of carbon market activities through the provision of: (i) value added tax and tax exemptions on carbon credits and income generated from the sale of carbon credits for up to ten (10) years; (ii) accelerated capital allowances for businesses investing in low-carbon technology; and (iii) tax deductions for research and development activities that are directly linked to emission-reduction projects. These fiscal incentives are designed to attract investors and position Nigeria as a leader in African carbon trading, and when fully developed, will align with Nigeria's existing tax laws and tax structures to avoid implementation bottlenecks.

## B. Nigeria Carbon Market Manual of Procedures, 2025

Nigeria's Carbon Market Manual of Procedures, 2025 ("**Manual**") serves as the country's first comprehensive operational framework for engagement in international carbon markets. It addresses participation under Article 6.2 of the Paris Agreement, which outlines provisions for international cooperation, as well as Article 6.4, which establishes a centralised mechanism (the Paris Agreement Crediting Mechanism (PACM))<sup>15</sup> under the United Nations Framework Convention on Climate Change (UNFCCC).

The Manual also encompasses guidelines for involvement in the VCM and serves as a guide on the procedures that are necessary for the development and implementation of carbon market activities in Nigeria. It translates the legal and policy foundations of the CC Act and the Policy into a detailed procedural framework that governs how mitigation activities are conceived, approved, credited, and transferred. The Manual positions carbon markets as a strategic instrument for mobilising climate finance, maintaining environmental integrity, and supporting delivery of Nigeria's NDCs. It covers the following:

- i. **Governance and Institutional Framework:** At the institutional level, the Manual consolidates governance through a dual structure. The NCCC assumes the role of Designated National Authority for all carbon market engagements requiring international cooperation under the Paris Agreement. On the other hand, a Carbon Market Office ("**CMO**")<sup>16</sup> performs technical and administrative functions, including eligibility screening, methodology assessment, verification oversight, and registry management. The CMO also operationalises the Registry, which is utilised for tracking every carbon unit issued or transferred and for recording authorisations and corresponding adjustments.

<sup>12</sup> This is one of the most widely used carbon offset standards in the world and aims to ensure that carbon offset projects are both effective and credible.

<sup>13</sup> The Gold Standard certifies carbon offset projects with a focus on both environmental and social benefits.

<sup>14</sup> Evaluates land management projects that deliver significant benefits for climate change mitigation, local communities, and biodiversity conservation.

<sup>15</sup> Under this Agreement, the UNFCCC oversees the entire cycle of activities, including the development and approval of methodologies, the validation of activity designs and the verification of mitigation.

<sup>16</sup> The Carbon Market Office Nigeria is a pivotal agency within the Ministry of Finance, responsible for implementing Nigeria's fiscal policies and ensuring the efficient collection of taxes.

- ii. **Participation under Article 6.2 Mechanism - Cooperative Approaches for Internationally Transferred Mitigation Outcomes:** Under Article 6.2 of the Paris Agreement, mitigation activities must progress through a sequenced approval pathway, beginning with the submission of a Mitigation Activity Idea Note, followed by eligibility assessment, preparation and validation of a Mitigation Activity Design Document, and final approval and authorisation by the NCCC though the issuance of a letter of 'Approval and Authorisation.' Mitigation outcomes must also undergo accredited verification. Once verified, they can be issued as Internationally Transferred Mitigation Outcomes (ITMO),<sup>17</sup> authorised for international use, transfer, and reporting. Only verified mitigation outcomes may be issued as internationally transferable units, and every authorised first transfer requires a corresponding adjustment to ensure the credibility of Nigeria's accounting against its single-year NDC target. These activities must demonstrate alignment with national priorities, conformity with established safeguards, and measurable contributions to sustainable development.
- iii. **Participation under Article 6.4 Mechanism - UN-supervised Global Carbon Crediting Framework:** Article 6.4 mirrors the project cycle and methodological direction of the UNFCCC. Under this mechanism, projects require prior notification and domestic authorisation before registration, and authorisation of emission reductions follows the same principles applied to ITMOs, reinforcing consistency across instruments.
- iv. **Participation under the Voluntary Carbon Market:** For voluntary projects, project developers are required to submit a Project Idea Note based on the CMO's template, and obtain a letter of no objection from the CMO, while only those seeking international use of credits require full authorisation and corresponding adjustments. Voluntary activities without corresponding adjustments may continue to generate credits for voluntary purposes, provided they comply with recognised standards and Nigeria's sustainability and integrity requirements. This bifurcated approach gives developers flexibility while preserving the integrity of nationally accounted emissions.

Across all mechanisms, the Manual embeds sustainable development and environmental integrity as non-negotiable conditions. Projects must provide evidence of contributions to the Sustainable Development Goals,<sup>18</sup> comply with social and environmental safeguards, address gender and human rights considerations, and meet rigorous MRV requirements using accredited verification bodies.

Finally, the Manual introduces early financial and policy instruments that clarify how Nigeria will capture value from mitigation activities. These include arrangements for share of proceeds, mitigation outcome sharing, administrative fees, sanctions for non-compliance, and contributions to buffers designed to support NDC implementation. Collectively, these mechanisms ensure that project-level activity translates into national climate ambition and provides a predictable pathway for capital deployment.

## Conclusion

Nigeria has now entered a decisive phase in its energy transition; moving beyond strategic intent into the operationalisation of market mechanisms capable of mobilising climate finance at scale. The combined framework of the Climate Change Act, the Carbon Market Activation Policy, and the Carbon Market Manual of Procedures creates a unified legal and procedural system that connects national decarbonisation goals with global carbon markets. Together, these instruments clarify institutional mandates,

<sup>17</sup> Internationally Transferred Mitigation Outcomes (ITMOs) are emissions reductions or removals that one country can transfer to another under Article 6.2 of the Paris Agreement to help meet climate targets.

<sup>18</sup> The Sustainable Development Goals (SDGs) are a set of 17 global development objectives adopted by all United Nations Member States in 2015 under the 2030 Agenda for Sustainable Development. They provide a universal framework for addressing economic, social, and environmental challenges.

embed internationally recognised accounting rules, and provide the procedural pathways required to will necessitate that project developers, financiers, and regulators convert this framework into financially viable generate, authorise, and trade high-integrity mitigation outcomes. Nonetheless, effective implementation projects, robust credits, and quantifiable emissions reductions that further both national and international climate objectives.

In this context, the African Carbon Market Initiative (“**ACMI**”) serves as a continental reference point that reinforces principles of integrity, transparency, and alignment with international best practices that the NCMF is built to reflect. While Nigeria’s framework operates at the national level, the broader agenda of ACMI helps signal to investors and multilateral partners that Africa’s carbon markets, including Nigeria’s, are part of a coordinated effort to develop credible supply of high-quality credits and connect to larger regional and global demand.

As implementation of the NCMF progresses, attention will turn to the practical aspects of market operation, including the development of monitoring, reporting, and verification systems, the creation of sector-specific guidelines, and capacity building for local stakeholders. These steps will be crucial in ensuring that Nigeria’s carbon market achieves both environmental integrity and economic impact, ultimately reinforcing the country’s leadership in climate innovation across Africa.

***If you are interested in discussing this further or require any clarification, do not hesitate to contact the authors using their email addresses above.***