

ANALYSIS OF NIGERIA'S DRAFT NATIONAL CARBON MARKET FRAMEWORK



INTRODUCTION

Nigeria's National Carbon Market Framework (**NCMF**) was approved by President Bola Ahmed Tinubu on 31 October 2025, marking Nigeria's coordinated effort to promote carbon credit use, strengthen emissions-reduction systems, and position the country as a key player in Africa's carbon market industry. This follows years of fragmented voluntary carbon market activity and reflects the need for a unified national policy in this regard.

A major trigger for the framework was the domestication of Article 6 of the Paris Agreement (Article 6), which Nigeria signed on 22 September 2016 and ratified on 16 May 2017. The Paris Agreement is a global climate treaty under the United Nations Framework Convention on Climate Change (**UNFCCC**), adopted in 2015. The agreement requires countries to set up and implement national climate commitments and promote international cooperation to limit global warming.

The approval of the carbon market framework positions Nigeria alongside countries such as Kenya, South Africa, and Ghana in operating structured carbon markets, enabling Nigeria to attract investment, generate climate finance, and participate credibly in global emissions-trading mechanisms.

The institutional foundation for the NCMF was laid by the Climate Change Act 2021, which created the National Council on Climate Change (**NCCC**) and empowered it to coordinate national climate policy, implement emissions-trading mechanisms, and administer the Climate Change Fund. However, following the enactment of the Act, the NCCC did not immediately set up a carbon market framework, leaving Nigerian project developers to navigate international carbon mechanisms, e.g. under Article 6 of the Paris Agreement and independent carbon programmes in the voluntary carbon market. Over time, the government introduced the Carbon Market Activation Policy to guide the development of priority sectors, accelerate the establishment of national monitoring, reporting, and verification systems, and create a clear and predictable environment for investors and project developers.

The approval of the NCMF now provides clarity and structure for effective participation in international carbon markets, ensures environmental integrity, prevents double-counting by ensuring that each emission reduction is only claimed once, and offers transparency to stakeholders. It positions Nigeria alongside countries such as Kenya, South Africa, and Ghana in operating structured carbon markets, enabling Nigeria to attract investment, generate climate finance, and participate credibly in global emissions-trading mechanisms.

This article analyses the draft version of the NCMF by examining its key provisions and their implications for Nigeria's climate economy.



KEY PROVISIONS

Scope and Administration: The draft framework adopts the four major methods of engaging in the international carbon markets, which are:

- The method under Article 6.2 of the Paris Agreement that enables countries to trade carbon emissions reduction credits bilaterally in exchange for investments, capacity building support and technologies. The credits are called Internationally Transferred Mitigation Outcomes (**ITMOs**), and the buying country purchases them to count toward their own Nationally Determined Contributions (**NDCs**).
- The method under Article 6.4 of the Paris Agreement that enables project developers to generate carbon credits and trade through a system facilitated by the UNFCCC.
- The voluntary carbon market, which is a decentralised carbon market facilitated by various organisations that enable project developers, companies, governments, and individuals to buy and sell carbon credits.
- The non-market approaches under Article 6.8 of the Paris Agreement that parties are encouraged to undertake. These include capacity building programmes, development of clean energy technologies, and issuing of grants, concessional loans, or other funds to support climate-resilient development initiatives.

The draft framework also provides for the establishment of a Carbon Market Oversight Body (**CMOB**), designated as the Intergovernmental Committee on Carbon Market Activation (**IGCCMA**), which will provide strategic guidance and supervision for Nigeria's participation in international carbon markets, ensure alignment with Nigeria's NDCs, and promote long-term climate goals and the provisions of the Paris Agreement.

The IGCCMA will be constituted by regulators, the private sector, consultants, civil society organisations, subnational entities, and international institutions. The draft framework also states that there shall be a Carbon Market Office (**CMO**), housed within the Secretariat of the NCCC, created to review and approve carbon projects and the crediting period within which they are allowed to generate and sell carbon credits, support project developers, and accredit independent project assessors, amongst other functions. It also provides that the Federal Ministry of Industry, Trade and Investment shall act as the Signing Entity for cooperative approaches under Article 6.2. This means that the ministry will sign bilateral agreements with partner countries, following the approval of the CMOB.



GUIDING PRINCIPLES

The draft framework also states that Nigeria will operate with the following guiding principles for its participation in international carbon markets:

- **Sovereign Control and Approval:** All carbon-market activities under Article 6.2 and 6.4 require government approval. Nigeria will retain full discretion on how to participate in these mechanisms and ensure decisions are in alignment with national interest. It also provides that Nigeria retains sole discretion on the terms upon which the country will participate in Article 6 mechanisms.
- **Manual of Procedures and Authorisations:** The draft framework also provides for a Manual of Procedures, which sets out the rules for project approval, letters of No Objection, and authorisation processes. The Manual of Procedures is a standalone document outlining relevant procedures relevant to the development and implementation of carbon market activities in Nigeria. The draft framework provides that non-market approaches proposed for official recognition must obtain a letter of No Objection.

Also, both non-market and voluntary market projects must meet these standards, including those seeking corresponding adjustments. Corresponding Adjustment refers to mechanisms under Article 6 of the Paris Agreement designed to prevent double-counting of ITMOs by ensuring each emission reduction is claimed only once. For example, if Country A implements a project that reduces 100 tonnes of carbon dioxide and transfers the resulting carbon credits to the acquiring Country B for use towards its NDC, Country A must subtract or deregister those credits from its balance.

- **Mitigation Outcomes and Alignment with NDC:** The draft framework states that the mitigation outcomes from projects developed in Nigeria can only be used internationally with the approval of the government. Outcomes that are not transferred abroad will count toward Nigeria's own NDC, thereby supporting the country's climate commitments.

- **Flexible Project Scope:** The draft framework provides that mitigation outcomes can come from projects, programmes, sectoral approaches, or jurisdictional approaches, which will offer flexibility in how emissions reductions can be achieved. Such programmes, sectoral or jurisdictional approaches, may include programmes for distributing energy-efficient appliances, establishing national energy efficiency or emissions reduction targets, and initiatives across various sectors or regions within the country.
- **Participation in International Markets:** According to the draft framework, Nigeria plans to engage in both Article 6 cooperative approaches and the voluntary carbon market, including corporate-led projects. It also provides that where project developers opt to participate in the voluntary carbon market, they can either claim corresponding adjustments before project implementation or after the emission reductions have been verified, but before credits are issued in the registry of the independent carbon programme. If claim is made before project implementation, the project must comply with national eligibility, approval and authorisation rules and procedures defined in Article 6.2, and if it is made after, the developer must request a letter of authorisation for the corresponding adjustment.
- **Raising Climate Ambition:** In addition, the draft framework states that Nigeria intends to utilise the Article 6 mechanisms and the voluntary carbon markets to enhance its climate targets. For unconditional NDC targets, which are emissions reduction targets that Nigeria has indicated its ability to achieve using its own resources, the country would rely on domestic initiatives and voluntary market activities without corresponding adjustments. For conditional NDC targets, which are higher emissions reduction targets that Nigeria has indicated that it requires adequate external support to achieve, the country would leverage international support. This includes mitigation outcomes, voluntary carbon market activities with adjustments, non-market approaches under Article 6.8, and projects funded through contributions to Nigeria's NDC implementation fund.



COMMENTARIES AND ANALYSIS

The draft framework states that Nigeria will retain full sovereign control over all Article 6 activities to ensure alignment with national priorities and its NDCs. This approach is critical to preventing double-counting and strengthening oversight. The Manual of Procedures is expected to provide clarity on approvals, letters of No Objection, and authorisation processes, promoting transparency and predictability for developers and foreign investors. Voluntary projects are also expected to contribute to sustainable development outcomes, reinforcing national goals. However, efficient procedures and clear communication between relevant stakeholders will be essential to avoid bureaucratic delays, which remain a key concern.

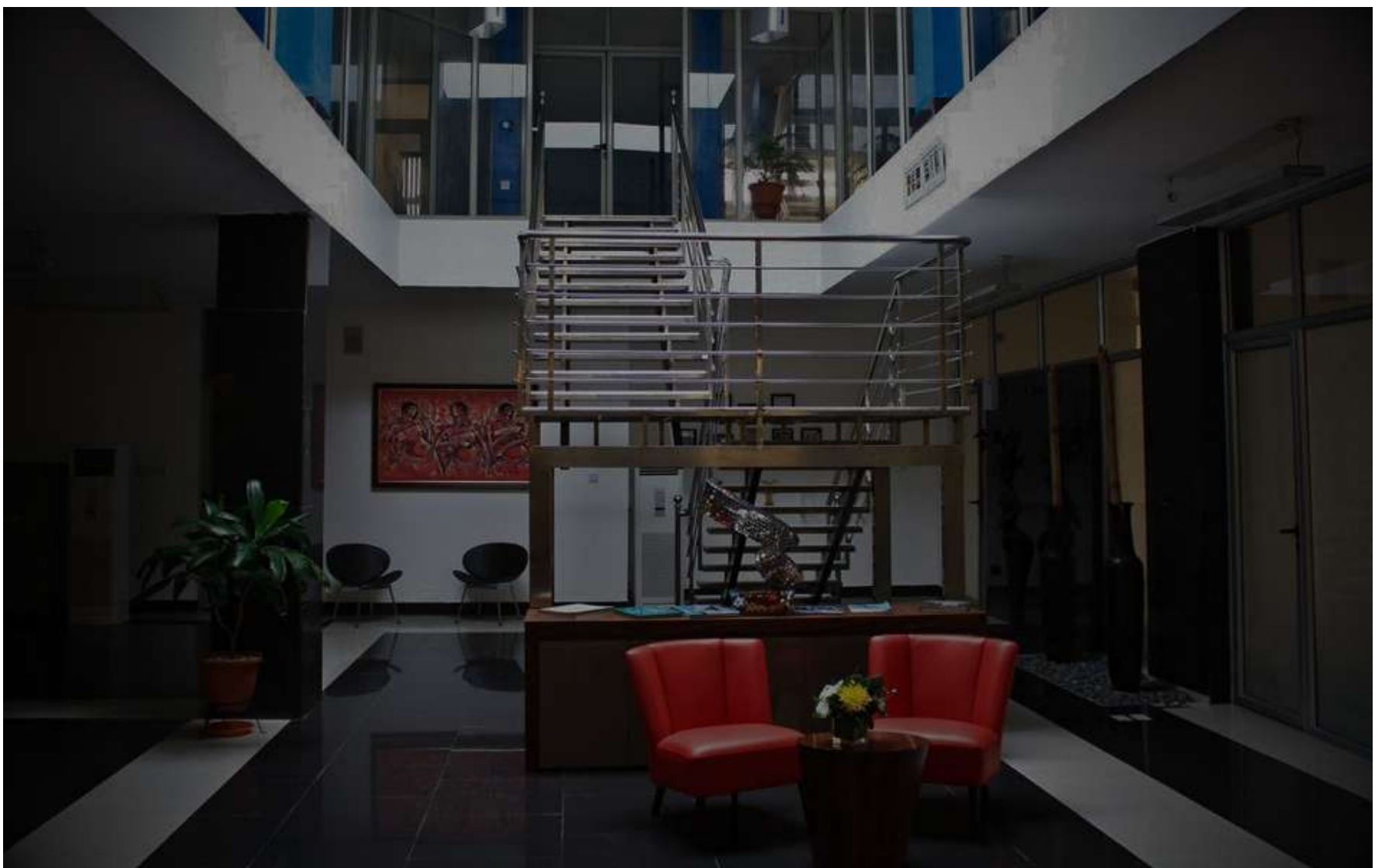
From the draft framework, it can also be deduced that mitigation outcomes generated in Nigeria can either be authorised for international use or counted toward the country's NDCs, thereby safeguarding integrity and preventing double-counting. While these requirements strengthen accountability, they also introduce additional administrative complexity that stakeholders will need to navigate carefully. For example, there may be difficulty in keeping track of deductions and additions of carbon credits between two countries that are trading credits from a project.

The draft framework allows mitigation outcomes to be generated from projects, programmes, sectoral initiatives, or even jurisdictional programmes, promoting innovation and enabling scaled-up emissions reductions. This flexibility, however, will demand tailored monitoring and verification to ensure credibility. Nigeria intends to participate in both cooperative approaches with counterpart countries to reduce carbon emissions and voluntary carbon markets, offering attractive opportunities for investors, but clear rules, timelines, and oversight will be critical to avoid implementation challenges.

Finally, the draft framework distinguishes between unconditional NDC targets, which are supported primarily by domestic initiatives, and conditional NDC targets, which rely on international support and carbon market mechanisms. This distinction allows Nigeria to optimise domestic resources while using carbon markets to enhance climate ambition, ensuring credible participation in global markets while maintaining sovereignty and strong governance. Nonetheless, the success of the draft framework will hinge on efficient procedures, robust communication, and careful management of administrative and operational complexities.

CONCLUSION

In conclusion, the draft framework outlines a clear and focused approach for Nigeria's entry into the international carbon markets. By combining sovereign oversight, flexible project options, alignment with Article 6 of the Paris Agreement and implementation procedures, the framework seeks to position the country to generate high-integrity mitigation outcomes, attract investment, and strengthen its climate governance. It aims to balance domestic priorities with international engagement to enable Nigeria to achieve its climate ambition, contribute to sustainable development, and participate credibly in the global carbon market.



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