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Nigeria's National Carbon Market Framework:

Prospects and Challenges

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Introduction

Nigeria has emerged as a leading African jurisdiction developing a national carbon market to support its climate commitments under the Paris Agreement and attract climate finance. The Climate Change Act 2021 established the legal foundation by creating the National Council on Climate Change (NCCC), with responsibility for formulating climate policy and coordinating implementation.

This article examines the concept and operation of carbon markets and assesses Nigeria's emerging carbon market framework, with particular focus on its legal and regulatory foundations, key features and institutional governance arrangements. It further identifies the principal challenges to effective implementation and considers the extent to which the Framework can support a transparent, credible and internationally recognised carbon market in Nigeria.

The Concept of Carbon Markets

Carbon markets are market-based mechanisms that seek to reduce greenhouse gas (GHG) emissions by assigning an economic value to carbon emissions and verified emission reductions. They operate on the premise that reductions or removals of GHGs can constitute measurable environmental assets capable of being verified and traded among market participants.[1]

The principal objective of carbon markets is to provide a flexible and cost-effective approach to addressing climate change. Rather than relying exclusively on conventional environmental regulation, they use economic incentives to encourage governments, businesses and project developers to reduce emissions, adopt cleaner technologies and invest in sustainable development projects.[2]

Carbon markets are broadly divided into compliance markets and voluntary markets. Compliance markets arise from legal or regulatory obligations requiring regulated entities to meet prescribed emission limits, either by reducing their emissions or acquiring eligible carbon credits. The European Union Emissions Trading System (EU ETS) is a leading example. Voluntary markets, by contrast, enable organisations to purchase carbon credits without a statutory obligation, often to support sustainability strategies, ESG commitments and net-zero targets.[3]

The credibility of a carbon credit depends on the integrity of the underlying emission reduction or removal. Carbon projects are therefore expected to satisfy recognised principles to promote transparency such as additionality, permanence, measurability, reporting, and verification (MRV). Proper MRV, including independent verification, is essential to ensure that issued credits represent genuine, credible environmental benefits and limits the incidence of double counting.

Legal and Regulatory Framework

The international legal framework governing carbon markets were substantially strengthened by the Paris Agreement, particularly Article 6, which provides a framework for carbon trading and sets out mechanisms for international cooperation in achieving emissions reductions. The Paris Agreement permits countries to trade internationally transferred mitigation outcomes while establishing safeguards intended to prevent double counting and ensure environmental integrity.[4]

The Climate Change Act is the principal legislation governing climate change in Nigeria.[5] It establishes the NCCC and provides for national climate action, carbon

[1] United Nations Framework Convention on Climate Change (UNFCCC), "What are Market and Non-Market Mechanisms?", https://unfccc.int/topics/what-are-market-and-non-market-mechanisms (accessed 14 August 2026).
[2] UNFCCC, "About Carbon Pricing", https://unfccc.int/about-us/regional-collaboration-centres/the-ciaca/about-carbon-pricing (accessed 14 August 2026).
[3] UNFCCC, "Introduction to International Voluntary Carbon Markets", p. 2, https://unfccc.int/sites/default/files/resource/Session%204%20Introduction%20to%20International%20VCMs.pdf (both accessed 14 August 2026).

budgeting and implementation of Nigeria's Nationally Determined Contributions (NDCs). The Carbon Market Activation Policy (CMAP) complements the Framework by outlining implementation priorities such as expansion of the voluntary carbon market, management of bilateral transfers, participation in centralised crediting mechanism, development of carbon market regulations and a national carbon registry, an emissions trading system and carbon taxation in selected sectors, ensuring credits are internationally aligned with global standards.[6]

Key Features

The Framework establishes the legal, institutional and operational structure for developing a transparent, credible and internationally recognised carbon market. It provides a basis for the generation, registration, transfer and trading of carbon credits in line with Nigeria's climate objectives and obligations under the Paris Agreement. The Framework also creates a national governance structure that assigns responsibilities for policy formulation, project approval, market supervision and compliance monitoring, thereby promoting accountability and regulatory oversight.

It introduces a standardised process for developing carbon projects, requiring eligible projects to demonstrate measurable GHG emission reductions or removals before credits may be issued. Qualifying projects may arise from sectors such as renewable energy, forestry and afforestation, sustainable agriculture, waste management, industrial energy efficiency, clean transportation and methane capture. To protect environmental integrity, the Framework adopts an MRV system under which project developers must measure and report emissions reductions using recognised methodologies, while independent verification bodies assess project performance before certification.

Further, the Framework provides for a national carbon registry to record projects, credit issuance, transfers, retirements and ownership. This is intended to reduce fraud, double counting and competing claims over the same emissions reductions. Double counting occurs where the same emissions reduction or removal is counted or claimed more than once, for example, where both the country in which the reduction occurred and another country acquiring the corresponding ITMO count it towards their climate targets. Accurate registry records and corresponding accounting adjustments are therefore important to ensure that each mitigation outcome is uniquely tracked and used only once. It also aligns Nigeria's carbon market arrangements with the Paris Agreement, enabling participation in international carbon markets and the trading of ITMOs.[7] Overall, the Framework is designed to strengthen the credibility, transparency and global acceptability of Nigerian carbon credits while supporting cross-border climate cooperation.

Institutional Governance

The implementation of the Framework is anchored on a coordinated institutional governance structure designed to ensure accountability, transparency and effective regulation of carbon market activities.

At the centre of this governance structure is the National Council on Climate Change (NCCC), established under the Climate Change Act 2021.[8] The Council serves as the principal coordinating authority for Nigeria's climate policy and is responsible for overseeing the implementation of the Framework. Its

[4] Paris Agreement, art. 6, particularly arts. 6.2-6.4; UNFCCC, "Article 6 of the Paris Agreement", https://unfccc.int/process-and-meetings/the-paris-agreement/article6 (accessed 14 August 2026).
[5] Climate Change Act 2021, ss. 3-4, 9(1)(b), 19-20 and 32, https://ossapcfse.org/wp-content/uploads/2025/03/Climate-Change-Act-2021-Gazette-Version.pdf (accessed 14 August 2026).
[6] National Council on Climate Change, Nigeria Carbon Market Framework (October 2025), Executive Summary, paras. 7-18 and Parts IV-VI, https://csdevnet.org/wp-content/uploads/1-Nigerias-Carbon-Market-Framework_print-version_251031_031718.pdf (accessed 14 August 2026).

responsibilities include developing national carbon market policies, approving implementation strategies, coordinating stakeholder engagement and ensuring compliance with Nigeria's international climate obligations.

The NCCC works in collaboration with the Federal Ministry of Environment, which continues to play a significant role in environmental regulation and climate policy implementation. Other Ministries, Departments and Agencies (MDAs) also contribute within their respective sectors, particularly in areas such as forestry, agriculture, energy, petroleum resources, transportation and waste management. Serving as the principal coordinating institution, the NCCC works with relevant ministries and stakeholders to ensure transparent implementation of the Framework and compliance with national climate objectives.

Challenges

Although Nigeria has made significant progress in establishing the Framework, several legal, institutional and operational issues remain to be settled through detailed implementing rules. For investors and project proponents, material areas of uncertainty include the legal character of carbon credits and ownership of carbon rights; project eligibility and development requirements; procedures for authorisation, transfer, corresponding adjustments and any revocation or change of authorization, registry and reporting obligations; benefit-sharing arrangements; environmental and social safeguards; applicable fees and levies; tax treatment of carbon credits, project revenues and investments; grievance and dispute-resolution procedures; and measures for managing overselling risk.[9] Until these matters are fully specified, they may affect transaction structuring, due diligence, pricing, revenue allocation and the timing and certainty of credit issuance or trade.

Institutional capacity also remains a major concern, as effective carbon market regulation requires specialised expertise in GHG accounting, emissions measurement, project validation and MRV. Uncertainty surrounding carbon rights may also give rise to disputes where projects involve communal land, government-owned forests or land held under customary tenure. Greater regulatory clarity, stronger institutional capacity and clearer rules on carbon ownership are therefore necessary to promote market credibility and investor confidence.

Nigeria will therefore need to continually update its laws and policies to reflect emerging international standards, technological developments and changing climate obligations.

Conclusion

The Framework provides a promising legal and institutional foundation for the country's participation in the evolving global carbon economy. By establishing an organised system for carbon market participation and aligning domestic legislation with international climate obligations, Nigeria has positioned itself to contribute meaningfully to global climate action while advancing its own sustainable development objectives. As implementation continues and the regulatory framework matures, the Framework has the potential to become one of the most significant instruments for mobilizing climate finance, supporting emissions reduction initiatives and strengthening Nigeria's leadership in Africa's

[7] Nigeria Carbon Market Framework (October 2025), Part III, paras. 32-35, pp. 26-30, particularly the provisions on corresponding adjustments, the national carbon registry and mechanisms to prevent double counting.
[8] Nigeria National Carbon Market Framework (October 2025) https://csdevnet.org/wp-content/uploads/1-Nigerias-Carbon-Market-Framework_print-version_251031_031718.pdf
[9] Nigeria Carbon Market Framework (October 2025), Part IV, paras. 1-4, pp. 34-37, and Part V, paras. 1-8, pp. 37-38, addressing legal treatment and ownership of carbon credits, project rules.

emerging carbon markets. The Framework represents a significant step towards developing a credible carbon market that supports climate action while strengthening the country's participation in international carbon trading mechanisms.

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