THE CARBON MARKET FRAMEWORK 2025: PIONEERING CLIMATE ACTION AMIDST NIGERIA'S CLIMATE VULNERABILITIES

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INTRODUCTION

In October 2025, the National Council on Climate Change ("**NCCC**") unveiled Nigeria's Carbon Market Activation Policy and Manual of Procedures (the "**Framework**"). The Framework seeks to position Nigeria as Africa's emerging hub for carbon market investments and reflects Nigeria's commitment to reduce global warming to below 2 degrees celsius above pre-industrial levels. In furtherance of this commitment, Nigeria submitted the third iteration of its Nationally Determined Contributions (NDC3.0) in September 2025 to the United Nations Framework Convention on Climate Change (UNFCCC), outlining strategies to reduce its Greenhouse Gas (GHG) emissions by 2035. This briefing note seeks to examine how the Framework will aid Nigeria's drive towards tackling the ravaging effects of climate change and catalyse the commercialization of carbon credits.

OBJECTIVES OF THE FRAMEWORK.

The Framework articulates a clear vision; to establish Nigeria as Africa's hub for high quality carbon market investments, setting the benchmark for low-carbon, climate-resilient socio-economic development. The Framework estimates annual carbon market value of approximately USD 736 million with potential to reach USD 2.5 billion by 2030 as well as emission reduction potential of 87.2 to 124.7 Metric tons of Carbon dioxide - Equivalent ($MtCO_2e$).[1] Beyond revenue generation, the Framework emphasises environmental integrity, green job creation, innovation in clean technologies, and strengthened global collaboration. The objectives of the Framework may be broadly categorized into: (i) Strategic; (ii) Regulatory; (iii) Economic; (iv) Environmental; and (v) Institutional goals. These objectives are discussed in further detail below:

1. Active Participation in the Paris Agreement Crediting Mechanism (PACM)

The Framework expresses a clear intention for Nigeria to actively participate in the Paris Agreement Crediting Mechanism ("**PACM**")[2] established under Article 6.4 of the Paris Agreement.[3] This objective reflects Nigeria's broader strategy to integrate its domestic

[1] Paragraph 6: Executive Summary- Nigeria Carbon Market Framework 2025.
[2] Paragraphs 14&15 Executive Summary – Nigeria Carbon Market Framework 2025.
[3] 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.

climate mitigation activities with international carbon market mechanisms while ensuring that such participation supports national development priorities and emissions reduction commitments. The Framework recognises the PACM as an important multilateral system that enables countries and project developers to generate tradable carbon credits from verified emission reduction activities. By engaging with this mechanism, Nigeria seeks to unlock international climate finance and expand the opportunities for domestic mitigation projects to access global carbon markets.

2. Implementation of Nigeria's Climate Commitments under the Global Climate Regime

The Framework also aims to support the implementation of Nigeria's climate commitments under the global climate regime, particularly the country's Nationally Determined Contributions (NDCs).[4] By establishing a structured carbon market system, the Framework provides mechanisms through which measurable emission reductions can be generated, verified, and accounted for in accordance with international standards. This ensures that Nigeria's carbon trading activities remain aligned with its national emissions reduction targets while preventing the risk of double counting when mitigation outcomes are transferred internationally. In this regard, the Framework integrates carbon market participation into Nigeria's broader climate governance structure, ensuring that market-based mitigation activities contribute directly to national climate objectives and the country's long-term net-zero ambition.

3. Establishment of a Clear and Predictable Legal and Regulatory Architecture for Carbon Markets.

Another critical objective of the Framework is to establish a clear and predictable legal and regulatory architecture for carbon market operations in Nigeria. The Framework seeks to provide regulatory certainty by defining the processes, institutional responsibilities, and

[4] Paragraph 11: Part II - Role of the carbon market in supporting Nigeria's NDCs

authorisation procedures that will govern carbon market participation. By clarifying issues such as ownership of mitigation outcomes, approval procedures for carbon credit transactions, and dispute resolution mechanisms, the Framework reduces regulatory ambiguity and strengthens investor confidence. This objective is particularly important in emerging carbon markets where unclear governance structures can discourage investment and undermine market credibility. Through a well-defined regulatory framework, Nigeria aims to create a stable and transparent environment that facilitates efficient participation by project developers, investors, and other stakeholders.

4. Safeguarding Environmental Integrity and Promoting Sustainable Development Outcomes.

The Framework further seeks to safeguard environmental integrity and promote sustainable development outcomes. Carbon market activities under the Framework are expected to adhere to robust monitoring, reporting, and verification standards to ensure that emission reductions are genuine, measurable, and permanent. In addition to environmental integrity, the Framework emphasises the importance of social safeguards and sustainable development co-benefits. Carbon projects are expected to contribute positively to local communities by supporting job creation, protecting biodiversity, and enhancing livelihoods. By integrating environmental and social safeguards into the design and implementation of carbon market mechanisms, the Framework ensures that climate mitigation activities deliver broader developmental benefits for Nigeria.

5. Development of Domestic Carbon Pricing Mechanisms.

The development of domestic carbon pricing mechanisms also forms part of the long-term objectives of the Framework. While the immediate focus is on voluntary carbon markets and international cooperation mechanisms under the global climate framework, the Framework signals Nigeria's intention to gradually introduce structured carbon pricing instruments such as emissions trading systems and carbon taxation in high carbon emitting sectors.[5] These mechanisms are intended to internalise the environmental cost of carbon emissions and incentivise businesses to adopt cleaner technologies and more sustainable production practices. Over time, carbon pricing is expected to play a significant role in driving behavioural change across industries and aligning economic activity with Nigeria's climate commitments.

6. Fiscal Incentives and Policies.

The Framework recognises that the successful development of a domestic carbon market requires a supportive fiscal environment that encourages investment, provides clarity on taxation, and aligns financial incentives with Nigeria's broader climate, hence the

[5] Paragraph 38: Part III – Nigeria Carbon Market Framework, 2025;
The high carbon emitting sectors in Nigeria's Nationally Determined Contributions (NDC) include: Energy sector, Oil & gas, Aviation, Food security sector, Housing.

collaboration with the Nigeria Revenue Service.[6] The fiscal incentives and policies outlined in the Framework are designed to create an enabling financial environment that encourages participation in carbon markets while supporting the country's broader economic and environmental objectives.

CONCLUSION

Nigeria's Carbon Market Framework 2025 represents a comprehensive, and strategically structured approach to climate change mobilisation. Nigeria aims to transition from a fossil fuel dependent society to a low carbon growth pathway.

The Framework does not merely establish a trading platform for carbon credits; it builds an ecosystem integrating fiscal policy, environmental integrity, and socio-economic development. If effectively implemented, Nigeria is well-positioned to become Africa's leading carbon market hub, while advancing toward its climate change ambition.

Please do not treat the foregoing as legal advice, as it only represents the public commentary views of the authors. All enquiries on this should be directed to the key contacts.

[6] Page v: Foreword – Nigeria Carbon Market Framework 2025