



EXAMINING THE EVOLUTION AND DEVELOPMENT OF CARBON CREDIT MARKETS IN NIGERIA



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Background

In 2015, the world reached a defining moment in its collective response to climate change. Through the Paris Agreement, 196 countries committed to limit the rise in global temperatures to well below 2°C above pre-industrial levels, while pursuing efforts to cap warming at 1.5°C.^[1] This marked the first universal accord to bind both developed and developing nations to a shared pathway of emission reduction and climate adaptation. Embedded in that commitment was an understanding that economic growth and environmental protection must no longer exist in opposition.

Complementing this global pledge, the United Nations Sustainable Development Goals (SDGs) - particularly Goals 7, 12, and 13 on affordable clean energy, responsible consumption, and climate action, set the moral and developmental tone for a transition toward sustainability. Yet, achieving these aspirations demands unprecedented financing. According to estimates by the World Bank and UN Climate bodies, developing economies will require trillions of dollars annually by 2030 to meet mitigation and adaptation targets.^[2] For most African countries already burdened by limited fiscal space, high debt, and growing social demands, this financing gap has emerged as one of the defining challenges of our century.

It is within this context that the carbon market was conceived as a practical mechanism to channel private capital toward climate solutions. The idea is simple yet transformative: by putting a price on carbon emissions, those who pollute pay, and those who preserve or remove carbon from the atmosphere can earn. This transactional logic creates a new class of tradable instruments known as carbon credits, each representing one tonne of carbon dioxide (or its equivalent) either reduced, avoided, or sequestered.

For developing nations, particularly across Africa, this mechanism offers a dual dividend: it attracts international investment into green projects while helping build the institutional architecture for long-term climate resilience.

Nigeria contributes less than 3% of global greenhouse gas emissions, a modest share compared to the industrial giants whose growth has historically depended on heavy fossil-fuel use.^[3] Yet, its government has chosen not to stand idle. Recognizing that environmental leadership can also be economic strategy, the country has adopted policies that go beyond compliance, investing in renewable energy and sustainable land use.^[4]

[1] Paris Agreement, art 2.1(a), United Nations Framework Convention on Climate Change, adopted 12 Dec 2015, entered into force 4 Nov 2016. The Paris Agreement | UNFCCC (accessed: November 18, 2025).

[2] Independent High-Level Expert Group (IHLEG), Raising Ambition and Accelerating Delivery of Climate Finance, Third IHLEG report (2024) 4–5, 8. Available at: [Raising-ambition-and-accelerating-delivery-of-climate-finance_Third-IHLEG-report.pdf](#) (accessed: November 18, 2025).

[3] Rob Boyle, "Greenhouse Gas Emissions In Nigeria," Emission-Index, 16 July 2024 (reporting that Nigeria produced 0.71 % of global GHG emissions in 2021).

[4] Nigeria Approves National Carbon Market Framework, Eyes \$3bn Annual Revenue Ahead of UN Climate Conference in Brazil, Arise News (31 October 2025). Available at: [Nigeria Approves National Carbon Market Framework, Eyes \\$3bn Annual Revenue Ahead of UN Climate Conference in Brazil – Arise News](#)

To illustrate, imagine Nigeria accelerating its shift from diesel-powered generators to solar mini-grids deployed across rural communities. Each solar installation replaces carbon-intensive energy with a clean alternative. The difference between the emissions avoided and what would have been produced under conventional systems can be measured in tonnes of carbon dioxide equivalent (tCO₂e). Those avoided emissions are then certified as carbon credits.

Once verified, these credits become tradable on the international carbon market. Countries or corporations operating under mandatory emission reduction regimes, for example, Germany, Japan, or global airlines under the CORSIA scheme, may then purchase these credits to offset their excess emissions. In doing so, they effectively pay Nigeria for its environmental stewardship.

What is Carbon Market?

A carbon market refers to the platform where carbon credits are traded. A credit represents a reduction of one metric ton of carbon dioxide emissions.^[1] Currently, there are two main types of carbon markets:

1. Compliance Markets

This arises from legal or regulatory obligations imposed by governments or regional blocs. Entities operating within these jurisdictions must limit their emissions in line with legislated caps or targets and may trade allowances or credits to meet these requirements.

2. Voluntary Markets

Voluntary carbon markets, in contrast, are not driven by regulation but by the climate commitments of private entities seeking to offset emissions beyond what they can reduce internally.^[1] These markets are especially significant for developing regions, where nature-based solutions, renewable energy expansion and land-use projects hold immense potential for generating high-quality carbon credits.

The Nigerian Carbon Market and the Legal/Policy Landscape

In every market, confidence is the currency that sustains value. For the carbon market, that confidence comes not only from credible emission data but from the strength of a country's legal and institutional foundation. Nigeria's potential engagement in carbon trading therefore rests on how well its laws can translate global climate commitments into enforceable rights, measurable outcomes, and transparent governance. Over the past few years, Nigeria has begun to assemble the legal scaffolding required to move from aspiration to operation crafting statutes and

[5] UNDP Climate Promise. (2022, May 18). What are carbon markets and why are they important. Climate Promise. Retrieved from <https://climatepromise.undp.org/news-and-stories/what-are-carbon-markets-and-why-are-they-important>.

[6] Ibid.

policies that connect its domestic ambitions to international frameworks under the Paris Agreement.

1. The Climate Change Act, 2021

This landmark legislation is the cornerstone of Nigeria's climate governance. It provides a comprehensive legal framework for reducing emissions, enhancing resilience, and mobilising climate finance.

At its core, the Act establishes the National Council on Climate Change (NCCC), a high-level body chaired by the President to coordinate and supervise all climate actions across ministries and sectors.^[7]

It also mandates the development of a National Climate Change Action Plan, sets up a National Climate Fund to channel both public and private investments, and introduces the concept of a carbon budget, a cap on the total volume of permissible emissions within a specified period.^[8]

Importantly, the Act empowers the NCCC to “mobilise resources for carbon trading and related mechanisms,” thereby giving statutory legitimacy to carbon markets as part of Nigeria's emission-reduction strategy.^[9]

2. Nigeria's Nationally Determined Contributions (NDCs)

Under the Paris Agreement, every country defines its own emission-reduction targets through NDCs. Nigeria's updated NDC, submitted in 2021, commits to an unconditional 20% reduction in greenhouse gas emissions by 2030, and a conditional 47% reduction subject to external financial and technical support.

Although these targets are voluntary, they form the strategic foundation for Nigeria's participation in both voluntary and compliance-linked carbon markets. Where Nigeria reduces emissions beyond its pledged limits, those additional reductions can be converted into carbon credits and traded internationally under Article 6 of the Paris Agreement.

3. The National Carbon Market Framework (2025)

The most recent and decisive policy milestone came with the approval of the National Carbon Market Framework (NCMF) in 2025.^[10] Building on the Climate Change Act, 2021 and the Carbon Market Activation Plan, the Framework consolidates Nigeria's regulatory architecture for carbon trading and participation in global carbon markets. It majorly seeks to position the country as a leading

[7] ss 3-6

[8] ss. 7-12

[9] S.20(1)(g) Climate Change Act, 2021.

[10] Nigeria Launches National Carbon Market Framework to Unlock US\$3 Billion in Annual Climate Finance, Market News NG (31 October 2025) <https://marketnewsng.com/2025/10/31/nigeria-launches-national-carbon-market-framework-to-unlock-3-billion-in-annual-climate-finance/>

African hub for carbon finance, capable of attracting between US \$2.5 billion and US \$3 billion annually in carbon-related investments.

Anchored on the statutory mandate of the National Council on Climate Change (NCCC), the Framework delineates institutional roles across the Federal Ministry of Environment, the Ministry of Finance, and other relevant agencies. It establishes the procedures for project registration, validation, verification, and credit issuance, as well as the authorization of internationally transferred mitigation outcomes (ITMOs) under the Paris Agreement. It also provides for the creation of a national carbon registry to track credits, prevent double counting, and interface with international registries.

Equally important, the NCMF aligns Nigeria's domestic carbon market with global best practices by adopting integrity standards such as the Core Carbon Principles (CCPs) of the Integrity Council for the Voluntary Carbon Market (IC-VCM). These principles ensure that Nigerian-issued credits meet international benchmarks for quality, additionality, transparency, permanence, and social safeguards, thereby enhancing investor confidence and market credibility.

The Framework further integrates benefit-sharing mechanisms to guarantee equitable participation of host communities and fiscal incentives including tax and VAT exemptions to stimulate private-sector engagement.

4. The Electricity Act, 2023

The Electricity Act, 2023 reinforces Nigeria's low-carbon pathway by financially incentivizing renewable-energy integration into the national grid. Sections 164–171 specifically promote investments in solar, wind, and other clean technologies, with fiscal and regulatory benefits designed to accelerate the decarbonization of Nigeria's power sector.

Other supporting policies are the National Industrial Decarbonization Programme (NIDP) 2025^[11] and the National Environmental (Energy Sector) Regulations, 2014. The former, NIDP Programme, essentially promotes the deployment of cleaner and more energy-efficient technologies; supports the retrofitting of existing industrial facilities and introduces mechanisms for generating verifiable carbon credits from emission reductions achieved through industrial reforms. It also seeks to align domestic industrial standards with Nigeria's net-zero by 2060 commitment under the Paris Agreement, while fostering public–private collaboration in research, financing, and capacity development.

On the other hand, NESREA addresses pollution control and energy efficiency across the energy value chain. For instance, Section 2 mandates the use of energy-efficient and green technologies consistent with the Kyoto Protocol. Still, the

[11] Federal Government Pledges Support for Industries as Nigeria Launches Decarbonization Programme, NESREA (5 May 2025) <https://nesrea.gov.ng/federal-government-pledges-support-for-industries-as-nigeria-launches-decarbonization-programme/>

current penalty framework - a fine of ₦200,000 or a one-year sentence for individuals, and ₦1,000,000 for corporate offenders remains insufficient to compel compliance.

Recent Deal-Based Developments in Nigeria's Carbon Market

1. Co2carboncredit Technology & Federal University of Agriculture, Abeokuta (FUNAAB) Forest Carbon Project

In August 2025, Co2carboncredit Technology, in partnership with the Federal University of Agriculture, Abeokuta (FUNAAB), launched Nigeria's first large-scale voluntary carbon market forest project.^[12] The initiative is focused on the conservation and digital verification of three million indigenous fruit trees, with an estimated generation of approximately 300,000 tonnes of forest carbon credits. So far, 1000 tonnes of carbon credits have been achieved.

From a legal and investment perspective, the initiative underscores the importance of securing land-use and tenure rights, obtaining community consent, and adhering to recognised verification methodologies. The digital registry system provides investors with assurance regarding the quality of credits while the project's status as an early-mover establishes precedent for future forest-based carbon credit generation.

Notwithstanding these advances, the current scale remains modest, and any expansion will necessitate robust measurement, reporting, and verification (MRV) protocols, as well as guarantees of permanence

2. Orteva Carbon Project (Federal Government & Delta State)

In October 2025, the Nigerian Federal Government, in partnership with the Delta State Government, Orteva, and Eighth Versa, announced the Orteva Carbon Project, a US\$100 million initiative aimed at generating substantial carbon-credit revenue through mangrove conservation and bio-char production.^[13] The project is projected to generate between US\$350 million and US\$2.8 billion in revenue over its lifecycle.

However, the Orteva project exemplifies the need for carefully structured agreements, including offtake contracts and revenue-sharing arrangements, to secure investor returns. Also, the projected revenues depend on a range of factors, including carbon credit pricing, access to national registries and regulatory oversight.

[12] Co2carboncredit Technology & Federal University of Agriculture, Abeokuta (FUNAAB) Forest Carbon Project. (n.d.). Bing. Available at: [https://www.bing.com/search?q=1.+Co2carboncredit+Technology+%26+Federal+University+of+Agriculture%2C+Abeokuta+\(FUNAAB\)+Forest+Carbon+Project](https://www.bing.com/search?q=1.+Co2carboncredit+Technology+%26+Federal+University+of+Agriculture%2C+Abeokuta+(FUNAAB)+Forest+Carbon+Project) (accessed: November 18,2025)

[13] Orteva partners FG & Delta State on \$100 million carbon project. (2025, October 8). Nairametrics. Available at: <https://nairametrics.com/2025/10/08/orteva-partners-fg-delta-state-on-100-million-carbon-project/> (Accessed; November 18, 2025)

3. Lagos State Carbon Exchange / Sub-National Carbon Initiative

Likewise, Lagos State announced the launch of a sub-national carbon exchange, targeting the generation of approximately 1.2 million carbon credits over a fifteen-year period, with projected revenues of US\$1 billion. The initiative, described as the “80 million Credit Float Project,” encompasses multiple pathways for carbon-credit generation, including clean cookstoves, tree planting, and renewable energy projects.

Mainly, this project introduces a decentralized structure that allows for regional project origination and trading, while simultaneously presenting operational and infrastructural risks associated with the establishment of a new exchange. As a pioneering sub-national initiative, the project benefits from potential regulatory flexibility, but also requires careful legal evaluation to address ambiguities inherent in early-stage carbon-market mechanisms.

Recent Deal-Based Developments in Nigeria’s Carbon Market

The recent approval of Nigeria’s National Carbon Market Framework represents a transformative milestone in the country’s climate policy and sustainable development agenda. By establishing a structured and regulated voluntary carbon market, the Framework provides a formal mechanism for the quantification, certification, and trade of carbon credits.

From an environmental perspective, the Framework reinforces Nigeria’s commitment to its Nationally Determined Contributions under the Paris Agreement. It incentivizes the reduction of greenhouse gas emissions across sectors such as energy, agriculture, and forestry, while simultaneously promoting the conservation of biodiversity and the restoration of degraded ecosystems.

Economically, the Framework introduces a market-based approach that can mobilize private sector investment into low-carbon projects. Investors and businesses alike can now diversify their revenue streams while driving developments in renewable energy, and sustainable agriculture. Moreover, the Framework lays the groundwork for Nigeria to engage competitively in global carbon markets.

Legally and institutionally, the Framework establishes a clear regulatory architecture, including the roles of oversight bodies, standards for project validation, and mechanisms for dispute resolution. This clarity is expected to mitigate risks associated with carbon trading, and foster investor confidence.

Conclusion

Africa, particularly Nigeria is fast becoming a strategic destination for global carbon trading. This is underpinned by the availability of affordable land and labour, as well as comparatively low industrial emissions that make its reduction targets largely voluntary. Also, this new asset class has presented Nigeria a huge opportunity to diversify its revenue base and reduce dependence on crude oil for foreign exchange supply. As a result, its debt burden will gradually ease off. Beyond fiscal benefits, the sector would catalyze infrastructural growth, expand renewable energy deployment, and promote sustainable land-use practices.

Finally, as the world moves toward the 2030 and 2050 climate milestones, Nigeria's carbon market is expected to deepen in sophistication and scale, to be driven by rising global demand, stronger regulatory alignment, and increased private-sector participation.



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