

TOWARDS BUILDING A RESILIENT CARBON MARKET IN NIGERIA: APPROVAL OF THE NIGERIA'S CARBON MARKET

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In a significant development for Nigeria's climate finance and sustainability agenda, the President has formally approved the execution and practical application of Nigeria's Carbon Market Framework (the “**Framework**”). The approval was announced by the Director-General of the National Council on Climate Change (NCCC) and marks a significant step in Nigeria's climate action strategy, which commits to emissions reductions by 2035 and achieving net zero by 2060.

The Framework contains largely the plans, policies and actions to be taken to activate Nigeria's carbon market and enhance the country's participation in not just local, but also regional, continental and international carbon markets. It is expected that with the right implementation of the Framework, the Nigeria's carbon market will generate at least US\$3 billion annually from 2030.

Overview of the Framework

The Framework sets the tone for the establishment of a comprehensive regulatory structure for carbon trading in Nigeria, allowing both domestic and international participation in carbon credit transactions. This will include issuance of regulations by appropriate regulatory bodies to govern the carbon markets and set standards for market participants.

The Framework sees the Voluntary Carbon Market (VCM) as the best route for Nigeria to unlock its carbon credit potential.¹ As such, the Framework contains action plans to scale activities in the VCM and help Nigeria tap into the growing global demand for carbon credits. To achieve this, the following actions will be taken:

1. Designing and implementing Fiscal and Economic Incentives.

This will be done by the Nigerian Revenue Service (NRS). The tax and fiscal incentives contemplated are along the following:

- tax exemptions on carbon credit revenue for up to a decade for qualifying projects;
- accelerated capital allowances for investments in low-carbon assets;

¹ The VCM is a widely used term for market-based mechanisms where private individuals, corporations and other actors issue, buy and sell carbon credits for voluntary commitments. The VCM operates outside of regulated or mandatory carbon pricing instruments.

- research and development (R&D) deductions for projects tied to emissions reduction; and
- other incentives as may be prescribed by relevant authorities.

2. Launching a National Carbon Registry

A national carbon registry will be established to track and record all carbon credit transactions, ensuring transparency and accountability in the market. The registry will serve as the central repository for all carbon projects, credits issued, and transactions completed within Nigeria's carbon market. In establishing this registry, consideration will be given to ensuring its compatibility with international standards and protocols guiding the VCM, to facilitate cross-border transactions and ensure that credits are recognised globally.

3. Capacity Building and Awareness

The NCCC as the oversight body of the Nigeria's carbon market, will carry out public awareness and education programs to educate potential investors, developers, government officials and verifiers to build expertise in the VCM mechanisms, project development and implementation.

4. Fostering Public-Private Partnerships (PPP)

Nigeria will leverage PPP opportunities to develop and finance GHG emissions reductions thereby sharing risks and rewards and attracting more investment into VCM activities.

5. Fostering International Partnerships

Nigeria will also engage with international bodies and participate in global carbon market initiatives, forums and roadshows to gain technical support, access finance and stay abreast of market trends.

Opportunities for Investors

1. Project Development

The Framework will create opportunities for investors to develop carbon reduction projects across multiple sectors:

- Renewable Energy Projects: Solar, wind, and hydroelectric power installations that reduce reliance on fossil fuels;
- Forestry and Land Use: Reforestation, afforestation, and sustainable forest management projects;
- Agriculture: Sustainable farming practices, methane reduction from livestock, and soil carbon sequestration;

- **Waste Management:** Landfill gas capture, waste-to-energy projects, and improved waste management systems;
- **Industrial Efficiency:** Energy efficiency improvements and fuel switching in industrial operations.

2. Carbon Credit Trading

Investors will have the opportunity to participate in the buying and selling of carbon credits generated from Nigerian projects. With international quality standards enforced, Nigerian carbon credits will be positioned to attract premium prices from corporate and sovereign buyers seeking high-integrity offsets.

3. Technology and Service Provision

The Framework will also create opportunities for companies and individuals to provide the following services, effectively enhancing job creation:

- Carbon measurement, reporting, and verification (MRV) services;
- Carbon registry and trading platform technology;
- Consulting services for project development and certification;
- Carbon credit trading services.

Key Considerations for Market Participants

While the VCM is largely voluntary, the Framework provides for certain guiding principles for participation in the VCM. As such, market participants, particularly project/mitigation activity developers, project owners, buyers and investors, must pay attention to the following considerations.

1. Adherence to International Standards

The Framework requires all VCM projects in Nigeria to follow recognised global carbon credit standards. This is meant to ensure high-integrity, verifiable, and globally tradable credits, and to align Nigeria's market with international quality benchmarks. Failure to meet quality standards could result in credits being rejected by international buyers or not recognised in compliance markets.

2. Compliance with Local Laws and Regulations

Even though the VCM is voluntary, projects must comply with Nigerian legal requirements including environmental permits, impact assessments, land-use permissions, and other sector-specific regulations. In addition, project owners or project activity developers may be required to incorporate a company in Nigeria to be able to participate in this regard.

3. Adherence to Best Practices

Project developers must demonstrate responsible practices such as community engagement, do-no-harm principles, and contributions to sustainable development. Projects must show how they support local livelihoods and follow recognised development and ESG best practice.

4. Transparency and Disclosures

The Framework expects robust monitoring, reporting and verification, clear disclosure of methodologies, regular updates on project performance, and credible third-party verification. This is central to preventing double counting and strengthening investor confidence.

5. Integrating Environmental and Social Safeguards

Projects must incorporate safeguards to prevent environmental harm, minimise social risks, and protect affected communities. Safeguards must be embedded in project design and implementation, ensuring climate gains do not come at social or ecological cost.

6. Fair and Equitable Benefit Sharing

The Framework emphasises fair allocation of revenues and non-monetary benefits among stakeholders, especially host communities. Benefit-sharing arrangements must be transparent, equitable and linked to each stakeholder's contribution to emissions reduction or removal.

7. Risk Mitigation for Investors

Global carbon markets have experienced significant volatility in recent years. The market contracted by approximately two-thirds between 2022 and 2023 due to concerns over project quality and reduced corporate climate commitments. Potential investors in the VCM should:

- conduct thorough due diligence on potential buyers and off-take agreements;
- consider entering into long-term purchase agreements to mitigate price volatility;
- diversify across project types and buyer markets;
- stay informed about evolving international standards and market sentiment.

Conclusion

The approval of the Framework marks a transformative step in the country's climate action journey. By establishing a clear roadmap to achieving a global carbon market, built on clear regulatory standards, incentivising investment, and enabling participation in global carbon markets, Nigeria is poised to attract significant capital while advancing emissions reductions. For investors, project developers, and stakeholders, the Framework provides a glimpse of potential opportunities across different sectors in the carbon market space. Strategic engagement, robust compliance, and adherence to quality standards will be critical to maximising the economic, environmental, and social benefits of this emerging market.

Further reading

1. [Unraveling the dynamics of carbon price volatility: A comprehensive analysis of impacts from climate policy, fossil fuel and renewable energy shocks - ScienceDirect](#)
2. [1-Nigerias-Carbon-Market-Framework_print-version_251031_031718.pdf](#)
3. [NCCCC-Regulatory-Guidance-on-Nigerias-Carbon-Market-Approach.pdf](#)
4. [scaling-the-global-carbon-markets-a-way-forward-for-the-vcn-and-paris-mechanisms.pdf](#)
5. [https://unfccc.int/sites/default/files/2025-09/Nigeria%20NDC%203.0%20-%20Transimission%20Version%202.pdf](#)
6. [Nigeria | NDC Partnership](#)
7. [Nigeria Unveils its NDC Climate Action 3.0 at UNGA: The Real Work Begins | United Nations Development Programme](#)

Parsons: What We Do

At Parsons, our lawyers have expertise advising on climate finance, environmental law, and regulatory compliance. We have experience guiding clients through complex regulatory frameworks and are well-positioned to assist investors, project developers, and other stakeholders in navigating Nigeria's carbon market.

To explore opportunities in Nigeria's carbon market, reach out to us at info@parsons-legal.com.



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