



FEDERAL REPUBLIC OF NIGERIA

Carbon Market Activation Policy



September 2024

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List of Abbreviations

Terms	Definitions
A6.4ER	Article 6.4 Emission Reduction Unit
Article 6	Article 6 of the Paris Agreement
AFOLU	Agriculture, Forestry and Other Land Use
BaU	Business as Usual
BRT	Bus Rapid Transport
BTR	Biennial Transparency Report
CMAB	Carbon Market Advisory Body
CMO	Carbon Market Office
COP26	Twenty-Sixth Conference of the Parties to the UNFCCC
COP28	Twenty-Eighth Conference of the Parties to the UNFCCC
DNA	Designated National Authority
ERRs	GHG Emissions Reductions and Removals
ESG	Environmental Social and Governance
ETF	Enhanced Transparency Framework
ETS	Emissions Trading Scheme
EU	European Union
FIRS	Federal Inland Revenue Service
FMBNP	Federal Ministry of Finance, Budget, and National Planning
FME	Federal Ministry of Environment
FMF	Federal Ministry of Finance
FMITI	Federal Ministry of Industry, Trade and Investment
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GW	Gigawatts
ICP	Independent Carbon Program
IGCCMA	Intergovernmental Committee on Carbon Market Activation
IPPU	Industrial Processes and Other Product Use
ITMO	Internationally Transferred Mitigation Outcome
LULUCF	Land Use, Land-Use Change and Forestry
MADD	Mitigation Activity Design Document
MAP	Mitigation Activity Proponent
MDAs	Ministries, Departments and Agencies
MRV	Monitoring, Reporting and Verification
MtCO ₂ e	Metric tons of Carbon dioxide - Equivalent
MSME	Micro, Small and Medium Enterprises
NbS	Nature-based Solutions
NCCC	National Council on Climate Change
NCMAP	National Carbon Market Activation Plan
NDC	Nationally Determined Contribution

Terms	Definitions
NGO	Non-Governmental Organization
NSIA	Nigeria Sovereign Investment Authority
OIMP	Other International Mitigation Purposes
OMGE	Overall Mitigation of Global Emissions
PACM	Paris Agreement Crediting Mechanism
PD	Project Developers
PDD	Project Design Document
REDD+	Reducing Emissions from Deforestation and Forest Degradation plus the sustainable management of forests, and the conservation and enhancement of forest carbon stocks
SDG	Sustainable Development Goal
SOP	Share of Proceeds
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar
VCM	Voluntary Carbon Market
VVB	Validation and Verification Body

Foreword

FIRS

Dear Reader,

I am pleased to present this Foreword on the role of the Federal Inland Revenue Service (FIRS) in the National Carbon Market Activation Policy. As a key agency within the Ministry of Finance, the FIRS plays a pivotal role in implementing Nigeria's fiscal policies and ensuring the efficient collection of taxes.

The FIRS, in collaboration with the National Council on Climate Change (NCCC), will be instrumental in implementing matters related to the carbon tax and associated taxes or incentives for the carbon market sector. This collaboration underscores the government's commitment to fostering a sustainable and equitable carbon market in Nigeria.

The FIRS' expertise in taxation and revenue administration will be invaluable in ensuring that the carbon market operates smoothly and efficiently. By providing clear guidelines and regulations, the FIRS will contribute to the growth and development of the carbon market, while also ensuring that the government's revenue targets are met.

I am confident that the FIRS will continue to play a vital role in supporting Nigeria's transition to a low-carbon economy.

Sincerely,

Dr. Zacch Adedeji, PhD,
Director,
Federal Inland Revenue Service (FIRS)

NCCC

Dear Reader,

I am pleased to present this Foreword to Nigeria's Carbon Market Activation Policy, a crucial document outlining the framework for the establishment and operation of a robust carbon market in Nigeria. As the National Council on Climate Change (NCCC), we recognize the pivotal role that a well-functioning carbon market plays in achieving our nation's ambitious climate goals. The policy aims to create a conducive environment for businesses, investors, and other stakeholders to participate in carbon emissions reduction activities. By providing clear guidelines and regulations, it will incentivize the adoption of sustainable practices, promote technological innovation, and contribute to the transition to a low-carbon economy.

The development of this policy aligns with Nigeria's commitment to the Paris Agreement and our Nationally Determined Contributions (NDCs). It also reflects our understanding of the urgent need to address the impacts of climate change and to secure a sustainable future for generations to come.

I am confident that the implementation of this policy will not only help Nigeria to reduce its greenhouse gas emissions but will also position the country as a leader in climate action on the African continent.

Thank you for your interest in Nigeria's climate change efforts.

Sincerely,

Dr. Nkiruka Maduekwe,
Director General,
National Council on Climate Change (NCCC)

Acknowledgement

We would like to express our deepest gratitude to the dedicated team of individuals who contributed to the creation of this document. Their expertise, passion, and commitment have been invaluable in shaping this comprehensive resource.

In particular, we would like to acknowledge the invaluable support and guidance provided by the Sustainable Energy for All (SEforALL) initiative. Their expertise in sustainable energy and climate action has been instrumental in informing the development of this document.

We also extend our sincere thanks to the Nigerian Government, whose unwavering support for climate action has made this work possible. Their commitment to a sustainable future for Nigeria has been a driving force behind this project.

Furthermore, we would like to express our appreciation to the National Council on Climate Change (NCCC) for their leadership and guidance throughout this process. Their expertise and insights have been invaluable in ensuring the relevance and effectiveness of this document.

Finally, we would like to thank all the individuals and organizations who have contributed to this work in any way. Your support and encouragement have been essential in bringing this project to fruition.

DR. ZACCH ADEDEJI
Director, Federal Inland
Revenue Service (FIRS)

DR. NKIRUKA MADUEKWE
Director General, National Council
of Climate Change (NCCC)

With support from



Executive Summary

Nigeria, one of Africa's largest economies and a major oil producer recognizes the need to address climate change and its impacts - in line with global climate change mitigation efforts.

In 2015, Nigeria joined 195 countries in adopting the Paris Agreement, with a commitment to limiting global warming to well below 2 degrees Celsius above pre-industrial levels. As part of this commitment, Nigeria submitted its Nationally Determined Contributions (NDCs) in 2021, outlining strategies to reduce its Greenhouse Gas (GHG) emissions by 2030 - by 20% unconditionally, and 47% conditional on international support.

In 2021, the country enacted its Climate Change Act, providing a regulatory framework for achieving a low-carbon, climate-resilient economy and providing for the integration of climate change actions into national development. This laid the groundwork for setting up a framework for carbon market activities and climate finance.

Nigeria is committed to contributing to discussions on international cooperation through Article 6 of the Paris Agreement and intends to incentivize climate change mitigation using market-based mechanisms (such as Article 6 of the Paris Agreement and VCM), allowing the government, businesses, non-governmental organizations and local communities to actively participate in the carbon markets.

Carbon Market Vision

The country's vision is to be a leading African hub for high-integrity carbon market investments, setting the benchmark for low-carbon, climate-resilient socio-economic development.

Nigeria has the potential to generate 87.2 to 124.7 MtCO₂e of GHG emissions reduction¹ through carbon market activities, which is estimated to have a cumulative carbon market potential value of between 736 million and 2.5 billion USD by 2030. This reflects a strategic vision to leverage market-based and non-market mechanisms to meet and exceed the country's NDC commitments. This ambitious target is underpinned by the potential for significant investments in low-carbon and clean energy projects, which will not only reduce emissions but also drive sustainable economic growth, create jobs, and provide new revenue streams for climate financing.

The Objective of the Carbon Market Policy

This Carbon Market Activation Policy is designed to bolster carbon market activities in the country. The Policy has been developed to provide the guidelines and procedures that will foster Nigeria's objective to reduce greenhouse gas emissions while promoting sustainable development (such as creating decent green jobs) through the carbon market mechanisms. This policy informs Nigeria's efforts to provide a well-defined system that will coordinate progress in greenhouse gas (GHG) emissions reduction, address fiscal-related issues (taxes, subsidies etc.), build investors' confidence, establish a detailed institutional arrangement that clearly defines the roles and responsibilities of key stakeholders and ensure the generation of high integrity carbon credits, while also safeguarding market transparency.

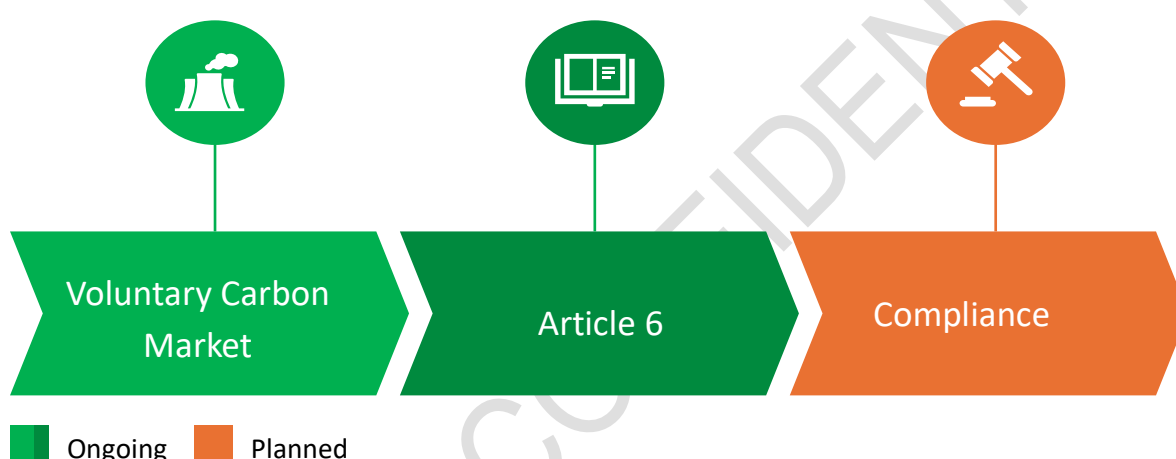
¹ Africa Carbon Market Initiative

A key objective of this policy is to facilitate Nigeria's participation in regional and international carbon markets. It will also enhance the development of governance and regulatory mechanisms that will encourage international and local investors to develop emission reduction projects to support their climate mitigation goals while availing funds for sustainable development in the country.

Nigeria's Position on Carbon Market Activities

This policy document provides context on Nigeria's position on the current and future blend of carbon market options that the country has considered for the activation of its market carbon.

Nigeria will prioritize engaging in carbon market mechanisms such as the VCM and Article 6. Nigeria will also prioritize working towards establishing a carbon tax, while a cap-and-trade system will be considered for a later date. ((Please confirm if this fine)



Voluntary Carbon Market (VCM)

Nigeria recognizes the potential of the VCM as a key instrument in mobilizing resources to combat climate change and contribute to its unconditional commitments.

The country will actively work towards expanding its participation in the VCM to tap into the growing global demand for carbon credits.

Nigeria will explore ways to accelerate its participation and maximize the benefits of the VCM. The objective will be to attract investment in sustainable projects that can generate verifiable carbon credits as well as leverage the VCM to implement additional climate actions that go beyond the country's current NDC commitments.

Article 6

Nigeria intends to enter into voluntary cooperation with other Parties under Article 6.2 of the Paris Agreement. This voluntary cooperation will be leveraged to foster its climate mitigation and adaptation activities.

Nigeria is also looking to become an active participant of the Paris Agreement Crediting Mechanism (PACM) under Article 6.4 of the Paris Agreement. Nigeria will cooperate with the UNFCCC and Article

6.4 Supervisory Body in implementing rules and procedures for ensuring diligent yet smooth authorization processes for mitigation outcomes under PACM.

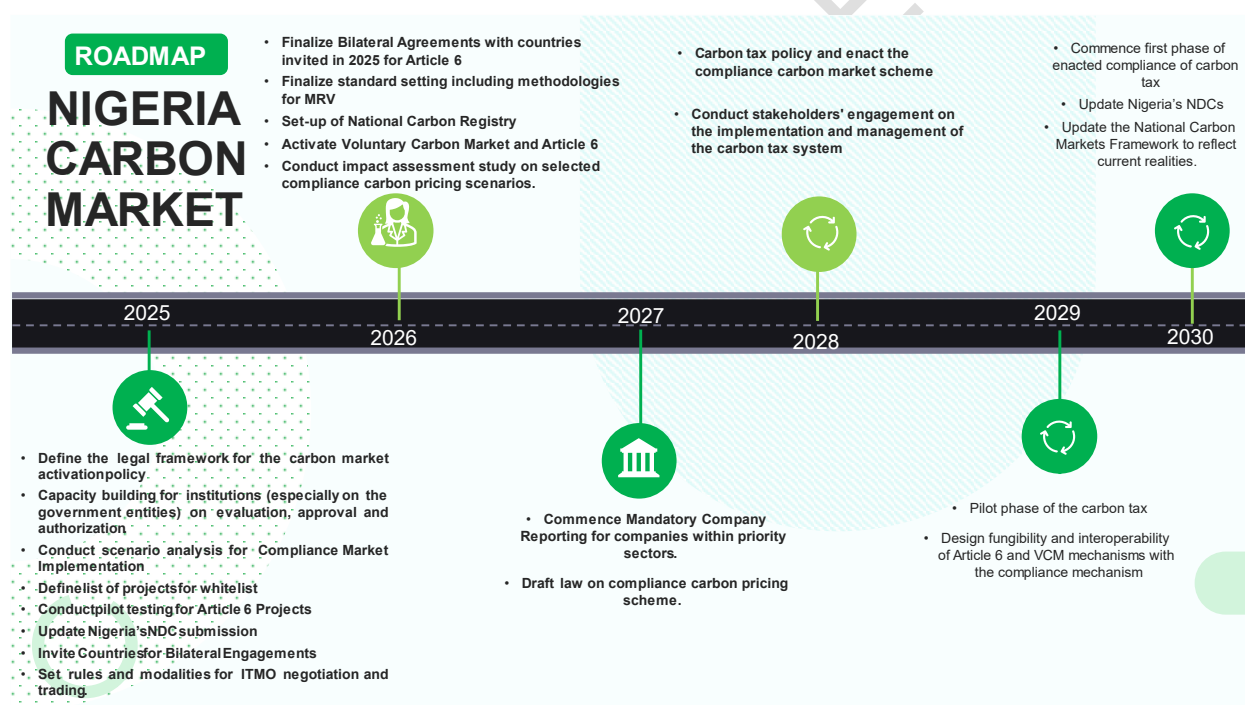
Nigeria will foster integrity, transparency and effective governance in its collaboration with other parties, and in the use of Internationally Transferrable Mitigation Outcomes (ITMO) towards the actualization of its NDCs. The country will apply a robust accounting architecture to forestall incidences of double counting in line with the requirements of the Paris Agreement and Decision 2/CMA.3 and other relevant CMA decisions.

Carbon Pricing Mechanism

Nigeria will consider implementing a carbon tax in the energy sector (Oil & Gas and Power) and selected industries based on consultations and defined GHG emissions thresholds.

Nigeria has conceptualized a 5-year roadmap that will support and enhance its effective participation in the global carbon market.

Figure 1: Nigeria's 5-Year Roadmap for Carbon Market Participation



Legal and Regulatory Status

As part of its activation policy, Nigeria intends to establish a clear legal framework governing carbon markets in a way that supports the scaling up of high-integrity carbon market activities and provides flexibility for carbon transactions. The legal framework will provide market participants with a predictable and stable regulatory environment for their investments. The legal framework will address the following:

- **Define the market mechanism that the government will promote and engage in.** Nigeria will engage in both VCM and Article 6, and therefore projects developed in the country can generate carbon credits to be traded via VCM and Article 6.

- **Institutional framework and responsibilities:** the framework will grant a legal mandate to institutions to perform responsibilities relevant to carbon market governance and clearly define the roles and responsibilities of each institution.
- **Change of use purpose:** clarifying instances when Nigeria would have the right to change the use purpose of ITMOs to ensure predictability for market participants and cooperating parties.
- **Ownership and rights to mitigation outcomes:** clarifying who holds the rights and title to emissions reductions and removals - and to the resulting carbon credits - is an essential aspect that we will leverage to encourage carbon investments.
- **Grievance mechanism, dispute resolution, remedies:** Nigeria will implement rules and procedures to enable carbon market participants, including communities affected by emission reduction, removal or avoidance projects, to appeal against government decisions on voluntary carbon credits or mitigation outcomes issuance, authorization or corresponding adjustment.
- **Benefit sharing:** The framework will establish guidelines for a fair and equitable benefit-sharing arrangement. It will specify the type of benefits subject to the mechanism, the procedure of allocation (e.g., direct payment for services or managed funds) and define carbon rights to projects.
- **Other issues** on which the legal framework will provide clarity will include **Environmental and social safeguards, fees and levies** applicable to carbon markets and **mitigation of overselling risk**.

Fiscal Incentives and Policy

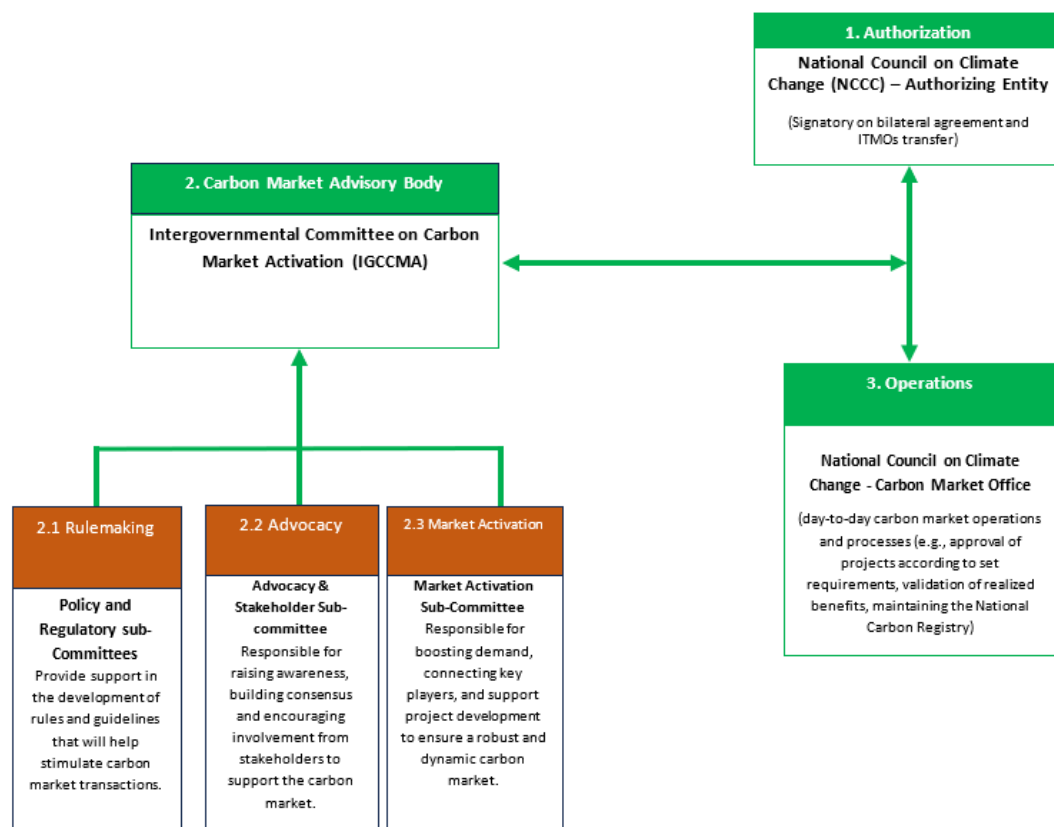
Nigeria intends to develop a clear green fiscal policy to encourage mitigation actions using tax incentives. The policy will inform market participants looking to invest in carbon market activities about the potential return on investment and other benefits accruable to them.

The country intends to adopt a clear green tax and fiscal policy to promote private entities' participation in the implementation of carbon market activities. The policy will provide clarity on direct and indirect tax treatment of carbon credits, associated revenues and investments. It will define the taxable events, the appropriate tax rates and possible refunds or exemptions.

Furthermore, it will provide considerations - such as exempting income generated from the sale of carbon credits from income tax for a specified period, and exempting carbon credits and related services from VAT - to encourage participation in carbon market activities.

Institutional Arrangement for Carbon Market Governance

Nigeria has put in place an institutional framework that will support the implementation of the carbon market in the country. This institutional framework provides clear roles and responsibilities for all the institutions that will be involved in carbon market activities concerning policy implementation and operationalization of the various market mechanisms. This will ensure that there are no overlaps or duplications of responsibilities.



This robust institutional framework will govern the country's participation in both Article 6 mechanisms under the Paris Agreement and the VCM. The institutional framework will be backed by the legal regulatory framework that the government intends to develop.

Manual of Procedures

Nigeria will develop a Manual of Procedures to facilitate its participation in the international carbon market, henceforth referred to as "the Manual". The Manual will delineate the operational implementation of the procedures described in the carbon market activation policy, and the Institutional, Legal and Regulatory framework. It will carefully consider the guiding principles that shape Nigeria's approach to participating in international carbon markets, including Article 6 and the voluntary carbon market. The procedure is intended to serve as a comprehensive guide to facilitate the implementation of the carbon market policy document by all the relevant stakeholders.

The manual of procedures will outline the rules and processes that govern the operation of the carbon market activities under Article 6 of the Paris Agreement and the Voluntary Carbon Market.

Monitoring and Evaluation of Policy Impact

Nigeria is committed to the effective implementation of its Carbon Market Activation Policy, ensuring alignment with the Nationally Determined Contributions (NDC) targets. To achieve this, the government will conduct regular monitoring and evaluation of the policy's impact.

Additionally, periodic evaluations will be carried out to assess the policy's overall effectiveness. Based on these evaluations, necessary adjustments will be made to optimize the policy and enhance its contribution to Nigeria's climate goals.

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Part I: Background

1. Nigeria, one of Africa's largest economies and a major oil producer recognizes the need to address climate change and its impacts in line with global climate change mitigation efforts. The country's energy sector produces the highest greenhouse gas (GHG) emissions, contributing 209 MtCO₂e (60%) of Nigeria's total emissions in 2018.
2. In 2015, Nigeria joined 195 countries in adopting the Paris Agreement, committing to limit global warming to well below 2 degrees Celsius above pre-industrial levels. As part of this commitment, Nigeria submitted its Nationally Determined Contributions (NDCs) in 2021, outlining strategies to reduce by 2030 its GHG emissions by 20% unconditionally, and 47% conditional² on international support.
3. In 2021, the Climate Change Act was enacted, providing a regulatory framework to achieve a low-carbon, climate-resilient economy and the integration of climate change actions into national development. This laid the groundwork for setting up a framework for carbon market activities and climate finance.
4. Nigeria's engagement in the carbon market (the market) is a crucial mechanism for achieving the country's NDCs as the market will create financial incentives to reduce emissions, encourage businesses in strategic sectors to adopt sustainable/innovative practices and activate non-governmental organizations and local communities for climate action.
5. The government aims to promote and ensure transparent and credible carbon market activities, ensuring that carbon markets contribute meaningfully to the country's NDC and Net Zero target.

Vision

To establish Nigeria as the leading African hub for high-integrity carbon market investments³, setting the benchmark for low-carbon, climate-resilient and socio-economic development. (Please confirm this position)

Objectives and Benefits

Nigeria is open to attracting investments for both VCM and Art. 6 project activities. Nigeria's participation in VCM and Article 6 will follow the standards of transparency and accountability. This will govern the market process from the selection of eligible projects to the creation, verification,

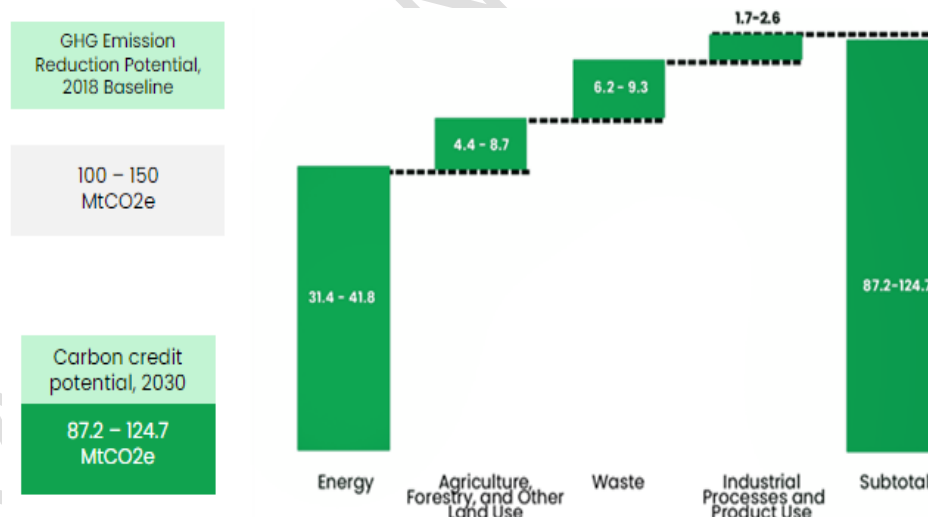
² An unconditional NDC target refers to the climate commitments that Nigeria pledges to achieve using its own domestic resources, without relying on external financial or technical support

³ High-integrity carbon market investments focus on ensuring that carbon credits and offsets are credible, transparent, and contribute meaningfully to climate goals.

trading, and eventual retirement of carbon credits to ensure the market operates efficiently and contributes to achieving the country's climate goals.

6. Nigeria will benefit from engaging in the international carbon markets, offering prospects for:
 - Environmental impact: the carbon markets will play a pivotal role in climate change mitigation, thereby accelerating Nigeria's progress towards achieving the NDC goal and net-zero target by 2060 and contributing significantly to global climate change mitigation efforts.
 - Investment opportunities: Nigeria has the potential to generate 87.2 to 124.7 MtCO₂e of GHG emissions reduction through carbon market activities.
 - Revenue generation: Generating revenues from carbon market activities can support the implementation of Nigeria's NDC and further enhance investments in climate change mitigation and adaptation.
 - Nigeria's cumulative carbon market potential value stands between 736 million and 2.5 billion USD by 2030⁴ (Figure 2).

Figure 2: Nigeria Carbon Market Potential



Source: ACMI

- Enhancing environmental integrity: Ensuring that emission reductions are real, measurable, and verifiable and that double counting is avoided.
- Promoting green investments and economic efficiency: Carbon markets offer industries a competitive pathway to lower emissions by encouraging investments in technology and nature-based solutions (NbS) that will support emission reductions,

⁴ Africa Carbon Market Initiative (ACMI)

removal and avoidance. The power sector for example could achieve significant fuel cost savings by considering a switch to 90% renewable energy sources⁵.

- Innovation and technology development: Nigeria intends to create a fund where taxes and revenues collected from carbon market activities can be deposited. The fund will help to stimulate research and development in green technologies across the different sectors, which will further support the transition to low-carbon technology.
- Job creation: Create new jobs, skills and economic opportunities in Nigeria's low-carbon and green economy. It is estimated that the shift towards a low-carbon economy, driven by investments in low-carbon and green technologies, could generate up to 840,000 net jobs by 2060⁶.
- Global collaboration: Nigeria's participation in international carbon markets will facilitate further international cooperation on climate action, access to international finance for mitigation projects and the transfer of technologies.
- Improved public awareness and participation: Engage and educate players in the carbon market ecosystem on the benefits of carbon reduction and the role of the carbon market in achieving these goals

Overview of the Carbon Market Ecosystem

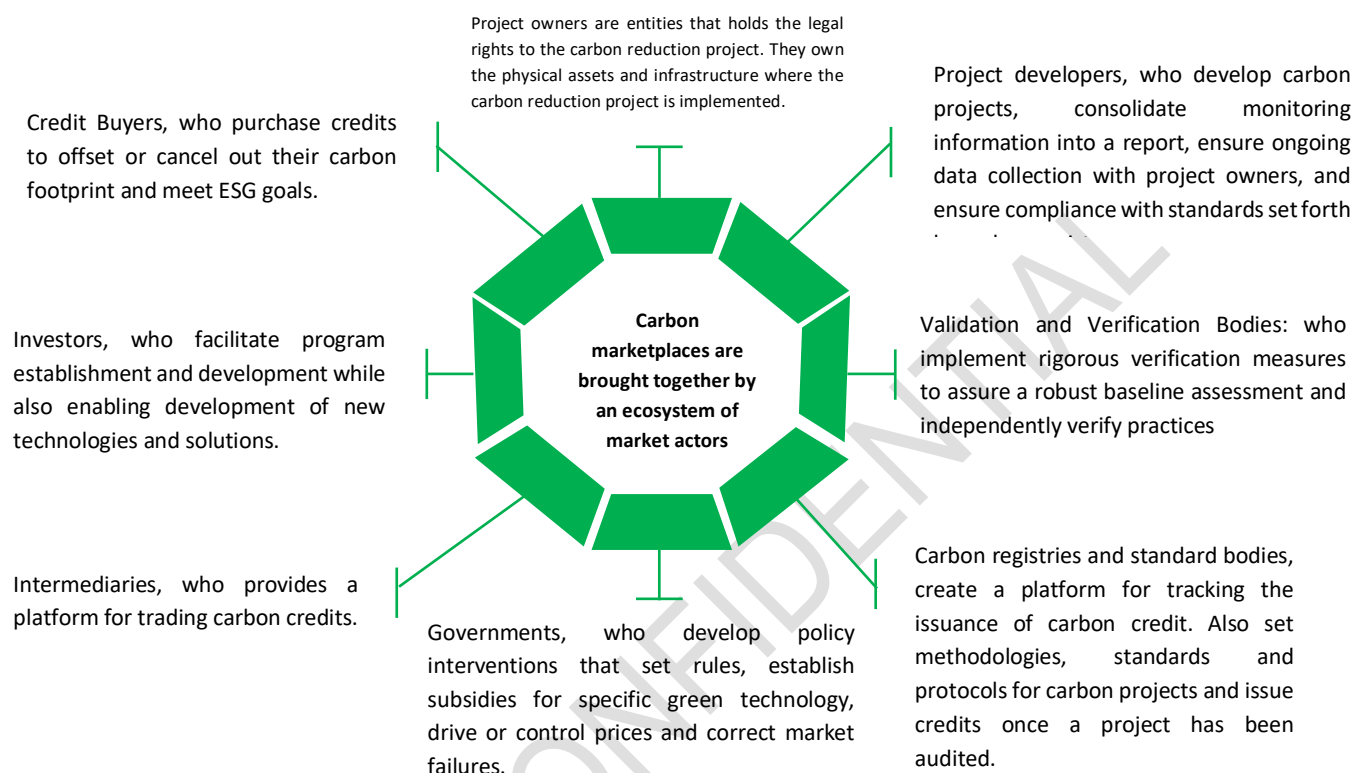
Defining the carbon market ecosystem is key to ensuring that all market players within the system are identified and their roles and responsibilities are clearly defined. This section provides insight into the various market players within Nigeria's ecosystem.

7. Nigeria's carbon market ecosystem consists of selected market participants as shown in Figure 3.

⁵ Nigeria Energy Transition Plan

⁶ Nigeria Energy Transition Plan

Figure 3: Carbon Market Ecosystem



*Others: Environmental NGOs, Trade Unions, Startups & Universities,

8. The market participants will include:

- **Project developers:** Project developers in carbon markets are entities—companies, NGOs, or even government-backed organizations—that design, implement, and manage carbon offset projects. Oftentimes, the project developers would also be the project owners.
- **Project Owners:** are entities that hold the legal rights to the carbon reduction project. They own and/or control the physical assets and infrastructure where the carbon reduction project is implemented. Project owners could be private entities, government, communities (especially for NBS) etc.
- **Validation and Verification Bodies:** These are independent third-party organizations that evaluate and validate the design of, and verify the mitigation and SDG impacts of, carbon projects to ensure compliance with the rules of a carbon standard and the criteria outlined in this policy document.
- **Buyers:** Carbon buyers are organizations, individuals, or countries that purchase carbon credits (or mitigation outcomes) to meet their mitigation targets (either voluntarily or in compliance with regulatory requirements) or to meet NDC targets.

- **Intermediaries:** provide platforms for trading carbon credits. They may be physical or virtual and will facilitate the trading of carbon credits among buyers and sellers.
 - **Carbon Registries and Standard Bodies:** these are platforms that track the issuance, transfer, and retirement of carbon credits. In some cases, they may track authorizations issued under Article 6 of the Paris Agreement. Registries provide a transparent and reliable tool for the tracking of carbon credits (mitigation outcomes) across the value chain and accounting for ERRs. The standard bodies help maintain the quality and reliability of carbon credits, which are essential for effective climate action.
 - **Governments and Regulators:** They play a crucial role in the development and regulation of carbon market activities. They set mitigation targets, establish regulatory frameworks, and create incentives to encourage the implementation of carbon market activities.
 - **Environmental NGOs:** Environmental NGOs play a vital role in advocating for strong climate action and providing guidance on best practices for carbon projects. They may also provide certification or endorsement for high-quality carbon projects.
 - **Investors⁷:** Investors provide financing for carbon projects and may also invest in the companies that participate in carbon markets.
 - **Startups and Universities:** Startups are at the forefront of developing new technologies and solutions. Universities conduct fundamental research that underpins new technologies and methodologies for carbon reduction and sequestration.
9. Overall, the collaboration and engagement of all participants across the full carbon markets' value chain will be key to the success and effectiveness of Nigeria's engagement in carbon markets.

Legal basis for Nigeria's participation in the international carbon market

10. Nigeria ratified the Paris Agreement, integrating its provisions, including those related to international cooperation under Article 6. This ratification makes the entire Paris Agreement legally binding for Nigeria and provides a basis for voluntary participation in market mechanisms under the Paris Agreement.
11. Nigeria's updated NDC was submitted by the Federal Government of Nigeria in 2021. The country also committed to the use of Article 6 in its updated 2021 NDC "*Nigeria is committed to contributing to discussions on international cooperation through Article 6 of the Paris Agreement*".

⁷ The investor may also be a co-beneficiary with the project owners of the carbon credits in return for their investment.

- 12.** In 2021, Nigeria submitted its GHG inventory report (covering the 2000 -2017 period) and will continue to provide the most recent national Inventory reports as specified in Articles 4 and 12 of the Paris Agreement and Decision 2/CMA.3.
- 13.** To ensure Nigeria achieves its climate obligations, Nigeria's Climate Change Act, 2021 (the Act) was passed into law. The Act serves as the overarching legal framework for promoting climate change actions, as it ensures that a system is put in place for Nigeria to achieve its climate goals, long-term social and economic sustainability, and resilience⁸.
- 14.** Sections 4(i) and 4(j) of the Act provide the legal basis for developing a carbon tax and setting up a mechanism for carbon emissions trading. Section 4(g) of the Act provides a basis for legislation, policies and other measures for climate change mitigation while Section 4(h) provides a basis to mobilize financial resources to support climate change actions. Carbon markets are examples of measures/instruments that can be used to mobilize resources for climate change mitigation and adaptation in the country-

Objectives and Scope of the Carbon Market Activation Policy

15. This Carbon Market Activation Policy will:

- Provide the guidelines and procedures that will enhance Nigeria's objective to reduce greenhouse gas emissions while promoting sustainable development (such as creating decent green jobs) through carbon market mechanisms.
- Inform Nigeria's efforts to provide a well-defined system that will enhance coordination on greenhouse gas (GHG) emissions reduction, address fiscal-related issues (taxes, subsidies etc.), build investors' confidence, establish a detailed institutional arrangement that clearly defines the roles and responsibilities of key stakeholders and ensure the generation of high integrity credit and enhanced transparency.
- Enhance Nigeria's ability to achieve its NDC by attracting investments in low carbon and clean energy, facilitate carbon financing, foster sustainable economic growth, and generate revenue for climate finance.
- Support Nigeria's broader climate goals, in line with the Paris Agreement and future Nationally Determined Contributions (NDCs) commitments.

16. Whereas carbon markets are recognized as a key instrument for attracting international climate finance into Nigeria, the Government recognizes that it is necessary to diversify climate finance sources. Therefore, the Government welcomes and will consider the use

⁸ Nigeria Climate Change Act (2021). <https://climate-laws.org/document/nigeria-s-climate-change-act> 5ef7

of other climate finance sources such as green bonds, concessional finance, public-private partnerships and international grants.

Structure of the Carbon Market Activation Policy

17. This Policy is structured into six (6) parts:

- **Part I: The Introduction** outlines the foundational components of the activation policy. This includes the country's rationale for participating in the international carbon market, its vision, objectives and benefits, an overview of the carbon market ecosystem, the legal basis for Nigeria's participation in the global carbon market as well as the objectives and scope of this policy document.
- **Part II: The National Context** summarizes Nigeria's GHG emissions by sector and NDC commitment, the current state of the voluntary carbon market in Nigeria and the role of carbon markets in achieving the NDC commitments.
- **Part III: Nigeria's Carbon Market Design Consideration** provides the context of the current carbon market regulatory landscape in Nigeria and what to expect in the future. It also states Nigeria's position on the market options for consideration.
- **Part IV: The Legal and Regulatory Framework** provides the legal and regulatory structures that should govern carbon market activities in Nigeria, with a focus on Article 6 of the Paris Agreement and VCM. Elements covered in this policy include:
 - Article 6 of the Paris Agreement
 - Voluntary Carbon Market
 - Carbon pricing (carbon tax and emissions trading scheme)
 - Mechanisms for ensuring Market Integrity, Transparency and Fraud Prevention
- **Part V: Fiscal Incentives and Policies** examines Nigeria's fiscal options and considerations for defining the fiscal nature of carbon credits and their tax treatment, such as tax breaks.
- **Part VI: The Institutional Arrangement** provides the detailed institutional arrangement that will govern carbon market activities and climate efforts, highlighting the roles and responsibilities of key entities in managing, coordinating, and implementing policies and market mechanisms.

Part II: The National Context

- 18.** Nigeria's national context is characterized by a rapidly growing population, increasing urbanization, and a need for sustainable economic development. The country's ambition on carbon markets is to harness these dynamics to create a green growth pathway that delivers both environmental and economic benefits. A carbon market is an important instrument for Nigeria to meet its commitment under the Paris Agreement and contribute to meeting its NDC, which outlines the country's efforts to combat climate change.

The potential to expand the carbon market activities in Nigeria to an estimated value of USD 2.5 billion per annum by 2030⁹ reflects a strategic vision to leverage market-based and non-market mechanisms to meet and exceed Nigeria's NDC commitments. This ambitious target is underpinned by the potential for significant investment in low-carbon and clean energy projects, which will not only reduce emissions but also drive sustainable economic growth, create jobs, and provide new revenue streams for climate finance.

Currently, the registered VCM projects in Nigeria are concentrated in sectors such as Household & Community, Renewable Energy, and Forestry & Other Land Use. These projects have laid the groundwork for the carbon market activities in Nigeria, demonstrating the viability of carbon credit generation and the potential for community-level benefits.

Nigeria seeks to grow the sectoral coverage to include Energy, Agriculture, Waste and Industrial Processes and Other Product Use (IPPU) sectors.

Current GHG profile per sector

- 19.** Nigeria's base year total GHG emissions assessment (2018) was estimated at 347 MtCO₂e¹⁰ and was estimated at 275 MtCO₂e in 2020¹¹. The base year total emissions are projected to increase under a business-as-usual scenario to 452.7 MtCO₂e by 2030 while the total energy-related emissions are projected to rise from the 2020 value to 216 MtCO₂e by 2030¹².
- 20.** The energy sector¹³ continues to be the highest source of emissions with a 60% contribution to national totals in the base year (209 MtCO₂e) and a 65% contribution in 2020 (179 MtCO₂e). Agriculture, Forestry and Other Land Use (AFOLU) is the second largest contributor to total GHG emissions, contributing approximately 25% of national total GHG emissions, followed by waste (9%), and Industrial Processes and Other Product Use (IPPU) (5%) in the base year (2018). This trend is expected to continue as Energy and

⁹ This is the value of the expected traded value from reduction or removal projects

¹⁰ Nigeria's Nationally Determined Contribution – 2021 Update

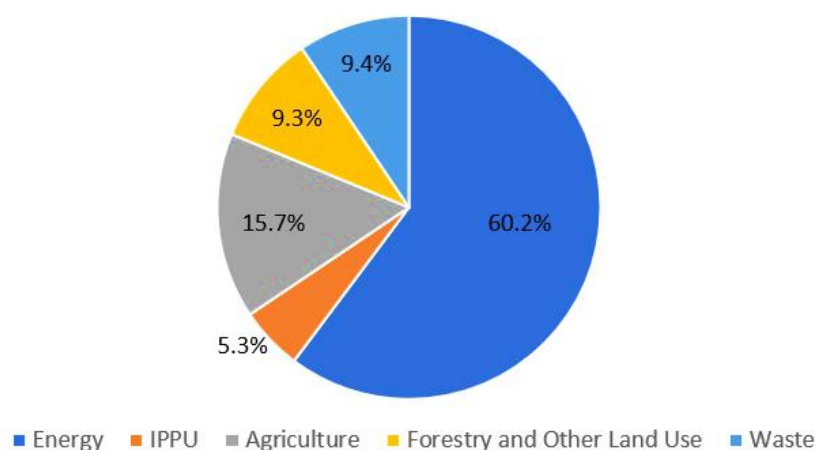
¹¹ Nigeria's Energy Transition Plan. This value excludes emissions from the Waste sector, livestock and agricultural soils, and Land Use, Land Use Change and Forestry (Other LULUCF).

¹² Nigeria's Energy Transition Plan.

¹³ Energy sector include oil and gas, transport, electricity generation (grid and off-grid), and residential and industrial energy consumption.

Agriculture, Forestry and Other Land Use continue to be the largest single sources of GHG emissions in 2030, contributing 51% and 33% to total GHG emissions respectively.¹⁴

Figure 4: Contribution to national total GHG emissions in Nigeria in 2018 (347 MtCO₂e)



Source: Nigeria NDC 2021

Nigeria's Ambition and NDC Commitments

- 21.** The Federal Government of Nigeria has committed to a reduction in greenhouse gas emissions below projected levels by 2030 and is actively interested in the use of market-based and non-market mechanisms to meet these targets.
- 22.** Nigeria's updated NDC represents a significant and proactive effort to align with the Paris Agreement. It aims for a substantial reduction (conditional) of around 100 MtCO₂e in GHG emissions, contributing to the 2060 vision of halving current emissions - and striving for net-zero emissions in the latter half of the century.

Nigeria's Sectoral NDC Commitment

- 23.** Achieving the set targets within the nine-year timeframe from 2021 to 2030 necessitates substantial measures across all sectors. The Energy and Agriculture, Forestry, and Other Land Use (AFOLU) sectors are prioritized due to their substantial contributions to total GHG emissions and the number of planned mitigation strategies in those sectors.

¹⁴ Nigeria's Nationally Determined Contribution – 2021 Update

Table 1. Nigeria's country profile and mitigation targets

Population (World Bank, 2023)	223,804,632
GDP (World Bank, 2023)	362.81 bn USD
Key climate risks (NDC 2021)	Agriculture and food security Water stress Floods and droughts Sea level rise Ecosystem stress
NDC Mitigation Targets (NDC 2021)	20% by 2030 below BaU unconditional 47% by 2030 below BaU conditional on international support
Priority mitigation sectors NDC (NDC 2021)	Energy (including electricity generation, oil and gas and transport) Land Use, Land-Use Change and Forestry (LULUCF). Waste and water Industrial Processes and Product Use
Governance	6 geopolitical zones 36 semi-autonomous states 774 Local level government areas
Sector	Energy and Agriculture (Priority Sectors)

Sector	Mitigation Measures
Energy	<u>Residential</u> 48 % of the population (26.8 million households) using LPG and 13 % (7.3 million households) using improved cooking stoves by 2030 Elimination of kerosene lighting by 2030
	<u>Energy Efficiency</u> 2.5% per year reduction in energy intensity across all sectors
	<u>Transport</u> 100,000 extra buses by 2030 Bus Rapid Transport (BRT) will account for 22.1 % of passenger-km by 2035 25 % of trucks and buses using CNG by 2030 All vehicles meet EURO III emission limits by 2023 and EURO IV by 2030
	<u>Electricity Generation</u> 30 % of on-grid electricity from renewables (12 GW additional large hydro, 3.5 small hydro, 6.5 GW Solar PV, 3.2 GW wind). 13 GW off-grid renewable energy (i.e., mini-grids 5.3 GW, Solar Home systems and streetlights 2.7 GW, self-generation 5 GW). Reduce grid transmission and distribution losses to 8% of final consumption of electricity in 2030, down from 15% In 2018 100% of diesel and single-cycle steam turbines are to be replaced with combined cycle. Elimination of diesel and gasoline generators for electricity generation by 2030

Sector	Mitigation Measures
	<u>Oil & Gas</u> Zero gas flaring by 2030 60% reduction in fugitive methane emissions by 2030
Agriculture, Forestry, Land and Other Land Use (AFOLU)	<u>Agriculture</u> Climate-smart agriculture — a range of measures taken forward as an integrated approach to managing landscapes (e.g. cropland, livestock, forests and fisheries) 50 % of cultivated land adopts intermittent aeration of rice paddy fields A 50 % reduction in the level of crop residues burnt by 2030
	<u>Forestry and Other Land Use</u> Improved natural forest management (128,528 ha of natural forests in the southern belt and southwest quadrant of the country) Forest restoration (115,584 ha of degraded forest area across the states in the southern belt, southwest quadrant and in states located in the savanna ecological zone of the country) Increased forest protection (46,219 ha of forest throughout the country) Reduced fuelwood harvest (Reduce the area of forestland used for fuelwood harvesting by 19,346 ha) Protection and restoration of mangrove forest ecosystems (13,012 ha of mangrove ecosystems across all the coastal states in the Niger Delta)

Role of the carbon market in supporting Nigeria's NDCs

24. Nigeria intends to use carbon finance (through Article 6 of the Paris Agreement, VCM and, in the future, carbon tax) to support the implementation of its NDC and raise its level of climate ambition. The role of the carbon market includes:

- Meeting unconditional and conditional NDC targets: The VCM will play a role in meeting Nigeria's unconditional targets. Nigeria's NDCs also include conditional targets that depend on international support. The carbon market can be a source of this support, enabling Nigeria to achieve more ambitious climate mitigation goals
- Supporting Nigeria's energy transition: Revenue from carbon credits can support Nigeria's transition from fossil fuels to renewable energy sources, aligning with its NDCs to increase the share of renewables in the energy mix.
- Mobilizing finance: A carbon market can attract domestic and international investment into low-carbon projects by providing financial incentives for emission reductions. This can help fund technology-based solutions (renewable energy projects, energy efficiency improvements, waste management, etc.) and Nature-based solutions (Forestry, Agriculture, land use, etc) that contribute to Nigeria's climate mitigation targets.

- Boost international cooperation: The carbon market provides a platform for international cooperation, allowing Nigeria to engage in carbon trading with other countries, which will lead to shared technology, knowledge, and best practices.

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Part III: Nigeria Carbon Market Design

Overview of current and future carbon market elements in Nigeria

A key objective of this policy is to facilitate Nigeria's participation in regional and international carbon markets. This involves establishing governance and regulatory frameworks that motivate project developers and owners to create mitigation projects, connect with global organizations and individuals to advance their climate change mitigation objectives, and access funding in return for promoting sustainable development within the country. This section provides context on Nigeria's position on the current and future blend of carbon market options that Nigeria has considered for the implementation of its market activation.

Nigeria will prioritize engaging in carbon market mechanisms such as the VCM and Article 6. Nigeria will also prioritize working towards establishing a carbon tax, while a cap-and-trade system will be considered for a later date. (Please confirm if this fine)

Figure 5: Nigeria's Engagement in Carbon Markets



25. Nigeria seeks to engage in a carbon market that is efficient and innovative by pursuing a blend that incorporates the VCM, Article 6 and compliance market. Immediate priorities include engaging in VCM and Article 6. The compliance market will be kept in view as the modalities to ensure the development of the market are currently being developed.

Article 6

26. Nigeria decided to use both market and non-market-based mechanisms under Article 6.
27. Nigeria, as a sovereign country, will have sole discretion over whether or when to participate in Article 6 approaches or mechanisms.

28. Nigeria will ensure that:

- Voluntary cooperation with other Parties under Article 6 will allow for higher ambition in mitigation and adaptation actions.
- Voluntary cooperation will promote sustainable development.
- Voluntary cooperation will promote environmental integrity and transparency.
- Voluntary cooperation, participating entities and the transfer of the units resulting from Article 6.2 and 6.4 activities will be authorized by Nigeria subject to them meeting the regulatory requirements and eligibility criteria established by the country.

29. Parties that engage in voluntary cooperation with Nigeria involving the use of ITMOs towards NDCs will ensure environmental integrity and transparency, including in governance and will apply robust accounting to ensure the avoidance of double counting in line with the requirements of the Paris Agreement and COP Decision 2/CMA.3¹⁵.

Guiding Principles: Article 6.2

- 30.** Article 6.2 introduces a framework for the transfer of ITMOs between governments towards achieving NDCs. It mandates robust accounting through the application of corresponding adjustments to prevent double counting of transferred mitigation outcomes:
- 31.** Article 6.2 Mitigation projects may be approved by the Government of Nigeria when the Government deems participation, development and registration of such mitigation activities within this approach and mechanism is in line with national obligations. The process for approval will follow the requirements as contained in the manual of procedures.
- 32.** Mitigation activities must contribute to the country's NDC and sustainable development in the country, as per the respective procedure detailed in the Manual of Procedures.
- 33.** Nigeria will authorize mitigation outcomes from activities developed in Nigeria before these are transferred toward the NDC of another Party or towards other international mitigation purposes (OIMP) if such authorization does not compromise the country's ability to meet its NDC. In cases where the mitigation outcomes are not authorized for international transfer, the underlying emissions reductions or removals will be counted

¹⁵ Decision 2/CMA.3 Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

towards Nigeria's NDC goals. Nigeria will ensure that participation in Article. 6 does not compromise its NDC achievement.

- 34. Nigeria will provide clear rules on the possibility of a change of use purpose of ITMOs authorized under Article 6.2.
- 35. On authorizing ITMOs, Nigeria will ensure that only mitigation outcomes originating from its conditional NDC target can be authorized. Nigeria may also authorize mitigation outcomes from activities outside the NDC if such activities are visible in the latest national GHG inventory.
- 36. Nigeria will develop an institutional arrangement in line with Part VI of this policy document for authorizing the use of ITMOs and will have arrangements in place for tracking ITMOs.

Guiding Principles: Article 6.4

- 37. Article 6.4 introduces a crediting mechanism aimed at reducing greenhouse gas emissions and promoting sustainable development. Article 6.4 creates a centralized mechanism under the UNFCCC (known as the Paris Agreement Crediting Mechanism or PACM), where the Article 6.4 Subsidiary Body oversees the entire cycle of activities, including the development and approval of methodologies, the validation of activity designs and the verification of mitigation outcomes.
- 38. Both private and public sector entities can implement activities that generate emissions reductions and removals (ERR) units under Article 6.4 or PACM. The ERR units generated under PACM are called A6.4ERs. Host countries can authorize A6.4ERs for transfer as ITMOs. It is highlighted as particularly beneficial for encouraging private sector engagement, producing purchasable credits for a wide range of stakeholders including governments. This mechanism centralizes most operational responsibilities within the UNFCCC, easing the implementation load on host countries.
- 39. Nigeria will consider approving activities for Article 6.4 mechanism for international cooperation.
- 40. Nigeria will provide clear rules on the possibility of a change of use purpose of ITMOs authorized under Article 6.4.
- 41. Article 6.4 activities, as stated in decision 3/CMA.3, will only be approved when the Nigerian government deems participation in this approach and mechanism will support achieving the country's NDC.
- 42. Mitigation Activities that will be considered for generating A6.4ERs will follow a comprehensive activity cycle and will be managed by the UNFCCC Article 6.4 Supervisory Body. This cycle will encompass all necessary steps from activity initiation to the issuance of emission reduction certificates.

43. In line with the requirement of Article 6.4's mechanism, Nigeria will designate a national authority (Designated National Authority) that will be responsible for communicating with the UNFCCC secretariat.

Guiding Principles: Article 6.8

44. Article 6.8 provides for a non-market approach framework within the broader climate action framework, setting it apart from the market mechanisms outlined in Articles 6.2 and 6.4.
45. The non-market approach will be defined as all instruments outside carbon credit generation. This non-market mechanism will involve strategies such as public and private sector initiatives focused on GHG reductions and policies that do not involve the buying and selling of ERR units.
46. Nigeria will keep the right to assess and confirm if any activity is to be publicly announced as a non-market approach. Activities proposed for official recognition as non-market approaches will obtain a letter of No Objection by Nigeria, as per its respective procedure detailed in the Manual of Procedures.

Voluntary Carbon Market (VCM)

VCM as a Pathway to Nigeria's Carbon Credit Potential

47. Nigeria recognizes the potential of the VCM as a key instrument in mobilizing resources to combat climate change and contribute to Nigeria's unconditional commitment. The country will actively work towards expanding its participation in the VCM to tap into the growing global demand for carbon credits.
48. The VCM presents the best route for Nigeria to unlock its carbon credit potential (estimated between 87.2-124.7MtCO₂e) by providing a flexible and market-driven approach. This is due to the VCM's market-driven incentives, rapid implementation timelines and ability to attract diverse and global investments, engage the private sector, support sustainable development, and encourage innovation, all the while complementing national climate policies.
49. Project developers and investors in Nigeria have achieved significant progress in the VCM, having registered a total of 57 projects under the voluntary carbon market, as of December 2023, in the Household & Community sector (91% share of registered projects), followed by the Renewable Energy sector (7%), and a small portion in the Forestry & Other Land Use sector (~2%)¹⁶ (see Table 2).

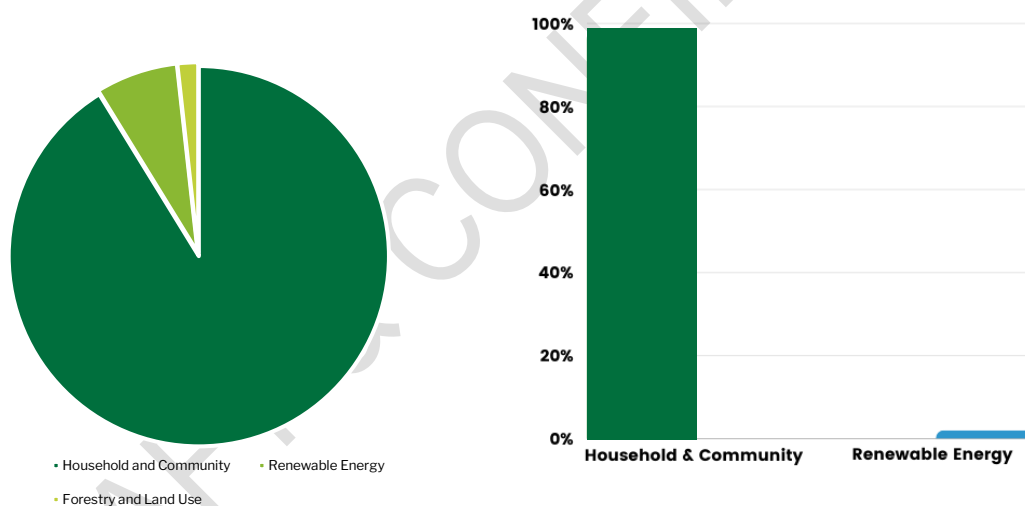
¹⁶ Voluntary Registry Offsets Database: contains all carbon offset projects listed globally by four major voluntary offset project registries: American Carbon Registry (ACR), Climate Action Reserve (CAR), Gold Standard, and Verra (VCS). These four registries generate almost all the world's voluntary market offsets and include projects eligible for use under the California / Quebec linked cap-and-trade programs as well as UN Clean Development Mechanism projects that transitioned into one of the voluntary registries.

Table 2: Status of VCM in Nigeria

	Description	Value
	Total Carbon Projects Registered	57
	Total Carbon Credits Issued	5.8 MtCO ₂
	Total Carbon Credits Retired	2.7 MtCO ₂
	Total Carbon Credits Remaining (not retired)	3.1 MtCO ₂

Source: ACMI

Figure 6: VCM Project Registrations by Activity. Figure 7: Carbon Credits Issued by Activity¹⁷



50. Building on this progress, Nigeria will explore ways to accelerate its participation and maximize the benefits of the VCM. The objective is to attract investment in sustainable projects that can generate verifiable carbon credits as well as leverage the VCM to implement additional climate actions that go beyond the country's current NDC commitments.

¹⁷ Africa Carbon Markets Initiative (ACMI)

Guiding Principles

51. The VCM is a widely used term for a set of fragmented markets 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.¹⁸
52. A pivotal discussion in the sector revolves around the necessity for 'corresponding adjustments' of carbon credits traded internationally. This mechanism is crucial for maintaining integrity in NDC accounting, ensuring that emission reductions are not simultaneously claimed by both the purchasing entity and the carbon credit's country of origin, a scenario that could undermine the credibility of VCM markets.
53. Nigeria will consider authorizing and correspondingly adjusting carbon credits from VCM projects if the projects meet the requirements and eligibility criteria for authorization. Project developers investing in VCM projects and requiring authorization of units will refer to the same requirements as the ones defined for Article 6.2 activities, including obtaining an eligibility letter, approval and authorization for the transfer of ITMOs as per the respective procedures described in the Manual of Procedures.
54. Rules of Engagement: According to global best practices, there are several key principles, standards and guidelines that those participating in carbon market activities in Nigeria will follow when engaging in the VCM. Investors and project developers will refer to this information, as defined in the Manual of Procedures for the VCM and covering:
 - Adherence to International Standards: To ensure the generation of high-quality carbon credits as well as integrity and transparency in carbon markets, participants are required to adhere to recognized international carbon standards, such as the Verified Carbon Standard (VCS), Gold Standard, the Climate, Community & Biodiversity (CCB) Standards. The adherence criteria will be as described in the "VCM Activity Cycle" section of the Manual of Procedures.
 - Compliance with Local Laws and Regulations: While the VCM is voluntary, projects developed within Nigeria will comply with national laws and regulations, including the obtaining of necessary permits, and conducting Environmental Impact Assessments where required.
 - Adherence to Best Practices: Best practices for sustainable development involve engaging with local stakeholders and adopting a "do-no-harm" approach. Therefore, project developers should aim not only to reduce greenhouse gases but also to contribute positively to local communities and ecosystems.
 - Transparency and Disclosures, including Continuous Monitoring and Verification: Developers will adopt stringent standards and methodologies for the quantification,

¹⁸ In a compliance market, participation is mandatory, and it is created and regulated by national (such as EU's emissions trading scheme), regional (such as the EU ETS), or international carbon reduction regimes (such as the Kyoto Protocol).

monitoring, reporting and verification (MRV) of carbon credits to ensure their environmental integrity.

- Integrating Environmental and Social Safeguards: Project developers will implement safeguards as part of the project design and ensure that projects contribute to sustainable development.
- Fair and equitable benefit sharing: Project developers/owners will ensure that revenues and other benefits generated from the sale of carbon credits are allocated to relevant stakeholders fairly and equitably, considering the costs invested, the roles of different stakeholders and their contribution to the generation of GHG emissions reductions or removals.

55. Nigeria's Approach to Scaling VCM activities in the country includes initiatives that are similar to those indicated in Part IV, V and VII.

- Designing and Implementing Fiscal and Economic Incentives: As described in "Part V: Fiscal Incentives and Policies" section, Nigeria's FIRS will design and introduce tax incentives and consider implementing a carbon pricing mechanism that incorporates the VCM, and designed to encourage the development of carbon projects and the purchase of carbon credits by organizations operating in the country.
- Launching a National Carbon Registry: a national carbon registry will be established to provide a centralised repository of information on existing and future carbon market activities, both voluntary and compliance-based. In establishing the national carbon 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 recognized globally. The National Carbon Office will ensure that the registry is accessible to all market participants and provides credible real-time information on the projects, credit availability, issuance, trading and retirements, thereby enhancing transparency and boosting investor confidence.
- Capacity Building and Awareness: Nigeria's carbon market oversight body 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.
- Foster Public-Private Partnerships (PPP): Nigeria will leverage PPP opportunities to develop and finance GHG emissions reduction and removal activities, thereby sharing risks and rewards and attracting more investment into VCM activities.
- Fostering International Partnerships: Nigeria will 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.
- Leveraging Emerging Initiatives: Nigeria will consider participating in and engaging with global initiatives such as the Voluntary Carbon Market Initiative (VCMI) and the Integrity Council for the Voluntary Carbon Market (ICVCM) to promote the integrity

of carbon market activities within VCM. Participating in and engaging with organisations like VCMI and ICVCM can support Nigeria in establishing standardized principles and rules for carbon projects, building trust in the market, facilitating access to international carbon markets for carbon credits generated in Nigeria, and enhancing Nigeria's international standing in climate change mitigation efforts.

- Nigeria will consider collaborating with technology-based market entrants¹⁹ who are introducing innovative solutions for monitoring, reporting, and verification (MRV) to enhance the MRV processes for carbon projects.
- Establishing Market Integrity Mechanisms to Promote High Integrity Carbon Credits by:
 - Ensuring the national registry will have a mechanism in place to prevent double counting.
 - Encouraging participants to retire credits and to participate in initiatives aimed at increasing market transparency and integrity, such as the International Carbon Reduction and Offset Alliance (ICROA) code of best practices and VCMI Guidance.
 - Nigeria will consider leveraging emerging trends such as the Integrity Council for the Voluntary Carbon Market (ICVCM)²⁰ to enhance the integrity and competitiveness of carbon credits. This will include ensuring that Nigerian carbon projects meet the ICVCM's standards, engaging with ICVCM to add credibility to the credits issued and following ICVCM guidelines to maintain transparency in carbon credit transactions to build trust with international buyers and investors.

¹⁹ These companies and platforms leverage technologies such as satellite imagery, blockchain, artificial intelligence (AI), and the Internet of Things (IoT) to improve the efficiency and transparency of carbon credit projects. Examples include (i) [Pachama](#) (Utilizes AI and satellite imagery) (ii) [CarbonCure's Solution](#) (technology that captures construction-related carbon dioxide emissions), (iii) [Sylvera](#): uses satellite data, machine learning, etc., to provide ratings for carbon offset projects), (iv) [ClimateTrade™](#): Uses blockchain technology to increase transparency in carbon offsetting transactions), (v) [Planet Labs](#): (Satellites that provide high-resolution imagery for environmental monitoring, including carbon projects).

²⁰ The Integrity Council for the Voluntary Carbon Market (ICVCM) is an independent governance body established to ensure the integrity and quality of carbon credit transactions in the voluntary carbon market. It sets standards and criteria to certify that carbon credits are credible, verifiable, and have a real impact on reducing greenhouse gas emissions. ICVCM is Leading the way to a high integrity Voluntary Carbon Market.

Compliance Carbon Market

Guiding Principles

Type of mechanism

56. The Climate Change Act 2021 mandates the implementation of carbon pricing mechanisms in the form of carbon tax and emission trading schemes (cap and trade).
57. The government will prioritize working towards establishing a carbon tax, while a cap-and-trade system will be considered for a later date. (Please confirm this)
58. To develop the carbon pricing mechanism, Nigeria will implement a carbon tax with a focus on the high-emitting sectors within the country.
59. Companies and businesses within the high-emitting sectors will be required to report their GHG emissions and adhere to reporting emissions reduction targets which will be determined by Nigeria's authorizing entity.
60. Reporting will follow strict integrity principles and standardization procedures as specified in the IFRS S2.
61. As compliance carbon markets continue to evolve, the Government intends to ensure that carbon pricing mechanism leads to tangible emissions reductions without undermining competitiveness or causing undue economic hardship.
62. The government will provide transparent rules on how revenues from the carbon pricing mechanism are to be utilized. In particular, the Government will consider dedicating a percentage of these revenues to adaptation, climate resilience, poverty alleviation, vulnerable communities, and the Just Transition Work Program that aims to compensate workers and communities that are negatively impacted by the exploration of natural resources.
63. The Government will ensure that the burdens resulting from implementing a carbon pricing mechanism are not transferred to consumers using the services or products of covered entities.

Sector and emission coverage

64. Nigeria will consider implementing a carbon tax in the energy sector (Oil and Gas and Power) and selected industries based on consultation and defined GHG emissions thresholds.
65. The agricultural and waste sectors will be exempted from the carbon tax at the early implementation stage despite being a major contributor to GHG emissions- This consideration is necessary in the early phase of carbon tax implementation to allow for the economic growth of these sectors in the country.

Reporting obligations for covered sector/entities

66. Entities covered by Nigeria's carbon tax system will comply with the reporting requirements below to ensure transparency and accountability.
67. Entities will report their total greenhouse gas emissions in metric tons of CO₂-equivalent, for each annual reporting period.
68. Entities will provide details on the sources of emissions data, such as fuel combustion, heat and electricity use, and other relevant activities (process and fugitive emissions).
69. Entities will submit third-party verification of the reported emissions to ensure the accuracy and reliability of all data sources such as emission factor data.
70. Entities will maintain records of all data and methodologies used for reporting.
71. Entities will strictly adhere to annual GHG emissions reporting deadlines.

Enforcement mechanism

72. The Government will ensure that obligations on the entities covered under the compliance carbon pricing schemes are enforceable.
73. The Government will impose penalties on covered entities that do not comply with reporting requirements or fail to make payments under the compliance carbon pricing schemes.
74. The penalties will be enforceable and adequate to deter non-compliance.

Use of Voluntary Carbon Credits

75. Entities may use voluntary carbon market credits to meet their carbon tax obligations provided such entities comply with the following provisions:
- The entity will ensure that the carbon credits are certified by recognized standards, following defined rules, and that the emissions reductions underlying the carbon credits are verified by a qualified third party, and as defined by the carbon standards. The standards list will be published by the Designated National Authority.
 - The entity will obtain a third-party validation and verification of the carbon credits to confirm their accuracy and the actual reduction in GHG emissions for the year under consideration.
 - The entity will ensure that the carbon credits are registered with an official registry to track their issuance, transfer, and retirement. This registry must be approved by the Nigerian government.
 - The entity will maintain detailed records of the purchase, transfer, and use of the carbon credits, including contracts and verification reports.

- The entity will submit its annual GHG emission reports as evidence to demonstrate how the carbon credits have been used to offset emissions and meet its carbon tax obligations, if applicable. The government will decide if the credits should come from projects within Nigeria or whether they might also be derived from projects outside the country.

Use of funds

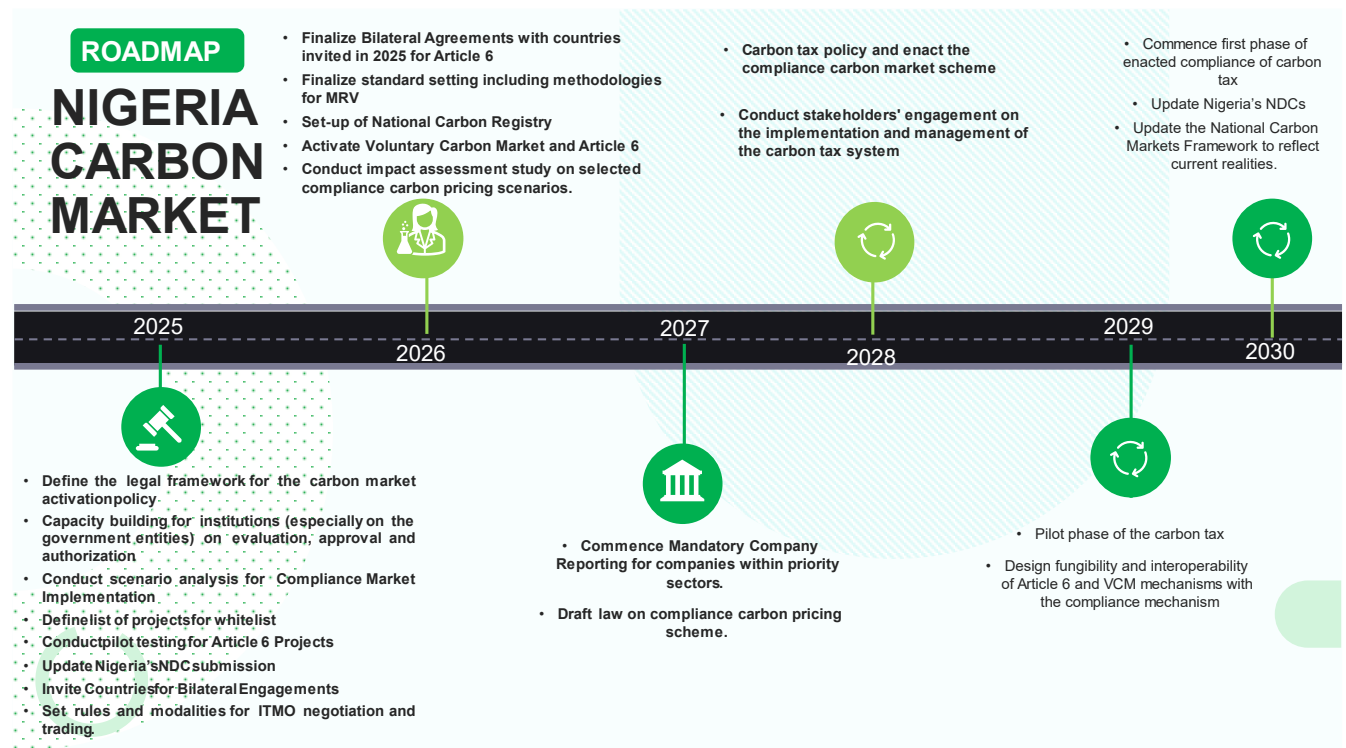
76. In line with the provisions of the Climate Change Act 2021, the funds will be used for the following purposes:

- Funding innovative climate change mitigation and adaptation projects that further support Nigeria's NDC obligations
- Supporting climate change advocacy and information dissemination
- Conducting an assessment of the impact of climate change on vulnerable communities and populations
- Incentivizing private and public entities for their efforts towards transiting to clean energy and enhancing their GHG emission reduction.

Nigeria Carbon Market 2030 Implementation Roadmap

The 2030 carbon market roadmap provides Nigeria's plan towards engaging in the carbon market. Nigeria will work towards finalizing its carbon market activation policy in 2025. It will also begin work on the carbon market activation plan. (Please confirm this position)

Figure 8: Nigeria Carbon Market Roadmap



Part IV: Legal and Regulatory Framework

Carbon markets, including voluntary, Article 6, and compliance markets, hold great potential for attracting climate finance to deliver the much-needed climate change mitigation activities, and, as a co-benefit, adaptation actions. However, a key element in scaling up carbon market activities lies in creating confidence among market actors (such as investors, buyers, and project developers).

Specifically, investors need to be certain about the financial prospects of their investments in carbon projects. Similarly, buyers require assurance regarding the quality (i.e., environmental integrity) of the carbon market products. For developers and other stakeholders, clarity on the processes and applicable rules is needed to provide clear guidance on what needs to be done in project development. Additionally, clarity of the rights and obligations of the actors involved in carbon projects is important in providing certainty in the market.

One crucial element that most market participants look out for to gauge their trust in carbon market activities in a country is the existence of a clear legal framework for the carbon market. Having such a legal framework will provide market participants with clarity on issues such as rights and ownership of carbon credits, the legal treatment of carbon credits, the circumstances under which the government will issue authorizations under Article 6, and procedures relevant to mitigation activity development (e.g., reporting and monitoring, registration of carbon projects, authorization processes etc.). It will also define the role of the government in the market, ensure that free trade is preserved, and maintain the proportionality of its interventions.

As part of its activation policy, Nigeria intends to establish a clear legal framework governing carbon markets in a way that supports the scaling up of high-integrity carbon market activities and provides flexibility for carbon transactions. Such a legal framework will offer market participants a predictable and stable regulatory environment for their investments. In its legal framework on carbon markets, the government of Nigeria will provide clarity on issues such as:

- Defining the market mechanism that the government will promote and engage in. Nigeria will engage in both the VCM and Article 6 and therefore projects developed in the country can generate carbon credits to be traded via both the VCM and Article 6. The framework will also clarify the link between the VCM and Article 6, as well as the circumstances under which VCM credits can be authorized and correspondingly adjusted.
- Providing a legal definition of a carbon credit, to ensure clarity for market participants on the type of instrument that a carbon credit is in the Nigeria context. This will allow market participants to understand what type of asset they acquire, transfer or retire and the implications of these activities from a legal perspective.
- Providing clarity on the rules and requirements applicable to carbon project development. Among others, the legal framework will allow both private and public entities to implement carbon offset projects in Nigeria, either under private-public partnerships or independently, to generate voluntary carbon credits or ITMOs.

- Institutional framework and responsibilities. The framework will grant a legal mandate to institutions to perform responsibilities relevant to carbon market governance and will clearly define which institutions will perform which functions. It will also align with legal mandates already granted to some institutions such as NCC's mandate under the Climate Change Act, as needed.
- Ownership and rights to mitigation outcomes: Clarifying who holds the rights and title to emissions reductions and removals - and to the resulting carbon credits - is an essential aspect of attracting carbon investments. The government will endeavour to define and clarify carbon rights in its legal framework.
- Implementation of Article 6: Nigeria will establish clear rules and procedures for mitigation outcomes authorization. Additionally, it will establish clear rules for revocation or changes of already granted authorizations, through establishing enumerated circumstances to trigger revocation or change. Nigeria will also specify transfer options and procedures for ITMOs, ensuring transparency and reporting requirements under the Paris Agreement.
- National carbon registry: The existing legal framework already grants the NCCC the legal mandate to establish and manage a registry. Nigeria will further define the information to be provided to the registry, the entities that need to register and report information and the associated procedures. It will also develop requirements for inter-operability of the national registry with other private or international registries as needed.
- Grievance mechanism, dispute resolution, remedies: Nigeria will implement rules and procedures to enable carbon market participants, including communities affected by emission reduction, removal or avoidance projects, to appeal against government decisions about voluntary carbon credits or mitigation outcomes issuance, authorization or corresponding adjustment. The remedies may include compensatory damages and restitution.
- Benefit sharing: The framework will provide a basis for fair and equitable benefit-sharing arrangements. It will specify the types of benefits subject to the mechanism, the procedures for allocation (e.g., direct payment for services or a managed fund) and define carbon rights related to projects. The mechanism will be designed in a way that incentivizes various stakeholders, especially communities involved in forest management, to further initiate and support emission reduction, removals or avoidance projects.
- Environmental and social safeguards will be implemented by project developers based on Article 6 Rulebook and local considerations.
- Fees and levies applicable to carbon market activities: the legal framework will define a fair and equitable levy for the share of proceeds (either on revenue from ITMOs sales or on the number of credits). Such levy will not be excessive and should allow parties to a

commercial agreement on carbon credits to further negotiate specific terms between themselves. Additionally, the legal framework will define administrative fees associated with carbon market procedures (e.g., corresponding adjustments, authorization, transfer etc.). The fees will be commensurate with the administrative costs of the different processes and services provided by the government. Additionally, Nigeria will issue a publicly available fee schedule for all administrative activities within its carbon markets to ensure transparency and predictability. Such fee schedules will be revised periodically to adjust for the administrative costs incurred through a transparent procedure.

- Mitigation of overselling risk: the legal framework will define measures to avoid overselling. It will also specify the conditions under which such measures would apply.

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Part V: Fiscal Incentives and Policies

Overview of fiscal policies and incentives

Another element of policy that complements the carbon market activation policy is a clear green fiscal policy. While the carbon market legal framework will provide clarity over the creation, operation, and oversight of carbon market activities, the green fiscal policy specifically creates an economic signal that promotes the GHG ERRs and supports the growth of carbon market activities.

Nigeria will develop a clear green fiscal policy to economically encourage mitigation actions using tax incentives. This policy will inform market participants looking to invest in carbon market activities about their potential return on investment and other benefits accruable to them.

Nigeria will ensure that the fiscal incentives and policies dedicated to carbon markets align with Nigeria's existing tax laws and fiscal structures to avoid implementation bottlenecks.

Design consideration for fiscal incentives and policy

Incentives

77. Nigeria will adopt a clear green tax and fiscal policy to promote private entities' participation in the implementation of carbon market activities.
78. Nigeria will develop appropriate fiscal incentives for project developers and investors. These incentives will be aligned with Nigeria's mitigation goals.
79. Nigeria will enhance carbon market transparency by providing clear and accessible information on both tax and non-tax incentives related to carbon projects and carbon credit activities.
80. Additionally, Nigeria intends to consider measures to ensure the stability of the carbon markets within the country and protect investors and buyers against market volatility.

Taxation of Carbon Credits and Carbon Projects

81. The policy intends to provide clear direct and indirect tax treatment of carbon credits, associated revenues, and investments. It will define the taxable events, the appropriate tax rates and possible refunds or exemptions. In particular, the government will consider the following options:
 - Exempting income generated from the sale of carbon credits from income tax for a specified period. (Please confirm if this fine)
 - Exempting carbon credits and related services from VAT to encourage participation in carbon market activities.

- Allowing accelerated capital allowance (ACA) for assets related to carbon reduction projects (e.g., renewable energy installations, energy-efficient technologies). The provision of ACA will be dependent on an evaluation of the likelihood of projects being undertaken without the ACA and will require that the provision of the incentives leads to real emissions reduction.
 - Granting initial and annual capital allowance for Qualifying Research and Development Expenditure for carbon reduction projects.
 - Allowing companies to deduct expenses related to Research & Development (R&D) for carbon reduction technologies from their taxable income.
- 82.** The above incentives for carbon credit project development will be further evaluated and provided in a manner that complies with the financial additionality requirements of the carbon markets. To this end, an evaluation of the level of support, timing, and structure will be further considered.
- 83.** Nigeria will provide market participants with clear information on the taxes, and the government will work towards legislative and regulatory measures that are necessary to incorporate the tax incentives proposed in this policy.

Carbon markets' financial mechanisms

- 84.** Article 6.4 activities will be subject to the share of proceeds (SOP) and overall mitigation in global emissions (OMGE) requirements as per the requirements of Article 6.4 of the Paris Agreement. Nigeria will establish guidelines on the share of proceeds (SOP) type, rate and methods of collection for Article 6.2 and VCM activities. The SOP will be in kind (share of generated credits) or financial (share of the revenue from credit sales).
- 85.** The SOP will be clearly distinguished from the benefit-sharing arrangement, which will govern how the various benefits from carbon market activities are redistributed to local communities and other beneficiaries.
- 86.** The government intends to provide guidance on a fair and equitable benefit-sharing arrangement that takes into consideration the costs incurred, the roles of the different entities, and their contribution to emissions reduction and removals.
- 87.** To cover the opportunity cost of meeting its NDC and to mitigate against the risk of overselling, Nigeria may introduce a fee, or withhold a percentage of authorised credits. The government will, however, employ other strategies to address the risk of overselling (such as defining a negative list), and the introduction of fees to address overselling risk will not be prioritised but will be considered as a last resort.
- 88.** Nigeria will ensure the accurate tracking of revenues raised from carbon market activities and their allocation to inform the required level of financial or other support needed under Article 13 of the Paris Agreement.

Part VI: Institutional Arrangements

This part of the policy document focuses on the need for Nigeria to put in place an institutional framework that will support the implementation of a carbon market in the country. It provides insight into the existing role of the various institutions and further provides clear roles and responsibilities of all institutions that will be involved in the carbon market, concerning policy implementation and operationalization of the various market mechanisms. This will ensure that there is no overlapping (or duplication) of responsibilities across various institutions.

Overview of the Existing Institutional Arrangement

89. The National Council on Climate Change (NCCC) is the Nationally Designated Authority for Article 6 mechanisms and VCM and the official Focal Point for work to address the impacts of climate change in Nigeria. Table 3 summarizes existing institutional arrangements in the country which may be relevant to carbon markets.

Table 3: Existing Institutional Arrangements Relating to Carbon Markets

Institution	CURRENT ROLE
National Council on Climate Change (NCCC)	The National Council on Climate Change (NCCC) is the Nationally Designated Authority and official Focal Point working to address the impacts of climate change in Nigeria. Established in 2021, it has been tasked with providing a platform for collaboration and coordination among various government agencies, the private sector, civil society organizations, and other stakeholders in Nigeria to combat and mitigate the impact of climate change. The NCCC has been appointed to lead the design and implementation of the carbon market activation policy to enhance Nigeria's participation in international carbon markets.
Federal Inland Revenue Services	The Federal Inland Revenue Service (FIRS) is an agency under the Ministry of Finance. The FIRS, in collaboration with the NCCC, will implement the country's carbon tax.
Intergovernmental Committee on Carbon Market Activation (IGCCMA)	The Intergovernmental Committee on Carbon Market Activation (IGCCMA) was created by the President with the mandate to develop a blueprint to drive an efficient sustainable carbon market ecosystem and coordinate the activation of the Carbon Market in Nigeria. The committee is integral to the establishment and growth of the carbon market in meeting the country's NDC. The IGCCMA will have three sub-committees within its control. The sub-committees are: • Policy & Regulatory • Advocacy And Stakeholder • Market Activation The IGCCMA will: • Support the NCCC by providing inputs on legislation and policy measures that impact the carbon market. • Facilitate the integration of the carbon market with other national environmental and economic initiatives. • Engage with market participants, including project developers, investors, and verifiers, to understand their needs and challenges. • Analyse market trends and dynamics to identify the need for market stability intervention, or to steer it towards national priorities.

	- Update the National Council on Climate Change (NCCC) on the status, trends, and issues within the Nigerian Carbon Market while offering strategic insights and predictions to assist the NCCC in decision-making. - Participate in international negotiations and forums related to carbon markets, thus representing Nigeria's interests.
Federal Ministry of Environment (FME)	The Federal Ministry of Environment (FME) works to ensure environmental protection, natural resources conservation and sustainable development. Since its inception, the Ministry has played a significant role in promoting environmental awareness among Nigerians and aligning with international best practices for environmental management. It emphasizes innovative strategies that leverage environmental re-engineering as a key instrument for creating jobs, eradicating poverty, securing food supply, fostering sustainable economic growth, and enhancing the overall well-being of the Nigerian population.
Federal Ministry of Industry, Trade and Investment (FMITI)	The Federal Ministry of Industry, Trade and Investment was restructured in 2011 to drive the growth of the Nigerian economy. It is mandated to: - Create an enabling environment to stimulate domestic investment and attract foreign direct investment in all sectors of the economy and make Nigeria a preferred investment destination. - Facilitate trade in goods and services and maximize the benefits of international trade through functional bilateral and multilateral trade relations with other countries. - Accelerate the growth of the industrial sector and enhance productivity. - Boost the development of Micro, Small and Medium Enterprises (MSME) as the engine of economic growth.
Federal Ministry of Finance (FMF) Federal Ministry of Finance, Budget, and National Planning (FMBNP)	The Ministry of Finance's mission is to manage Nigeria's finances in an efficient manner that delivers on the country's development priorities. The Ministry of Budget and National Planning has the mandate to determine and advise the Government of the Federation on matters relating to national development and overall management of the national economy. The Federal Ministry of Finance, the Federal Ministry of Budget and National Planning have supported the development of climate finance in Nigeria, including the issuance of green bonds. They are members of the NCCC.
Federal Ministry of Justice in Nigeria	The Federal Ministry of Justice has the mandate to: - Facilitate the early translation of Government policies into legislation through the Ministry's legal drafting function. - Negotiate and vet Contracts/Agreements on behalf of MDAs to protect national interest. - Advise the government on its treaty obligations, in addition to other sundry services to the legal profession
Nigeria Sovereign Investment Authority (NSIA)	The NSIA is the Sovereign Wealth Fund of Nigeria and has the mandate to attract co-investment from other investors, including strategic investors, sovereign and internationally recognized investment funds and private companies.

Institutional Arrangement

90. Nigeria has established a robust institutional framework to govern its participation in both Article 6 mechanisms under the Paris Agreement and the VCM.

91. The institutional framework is illustrated in Figure 9 below.

Figure 9: Institutional Framework

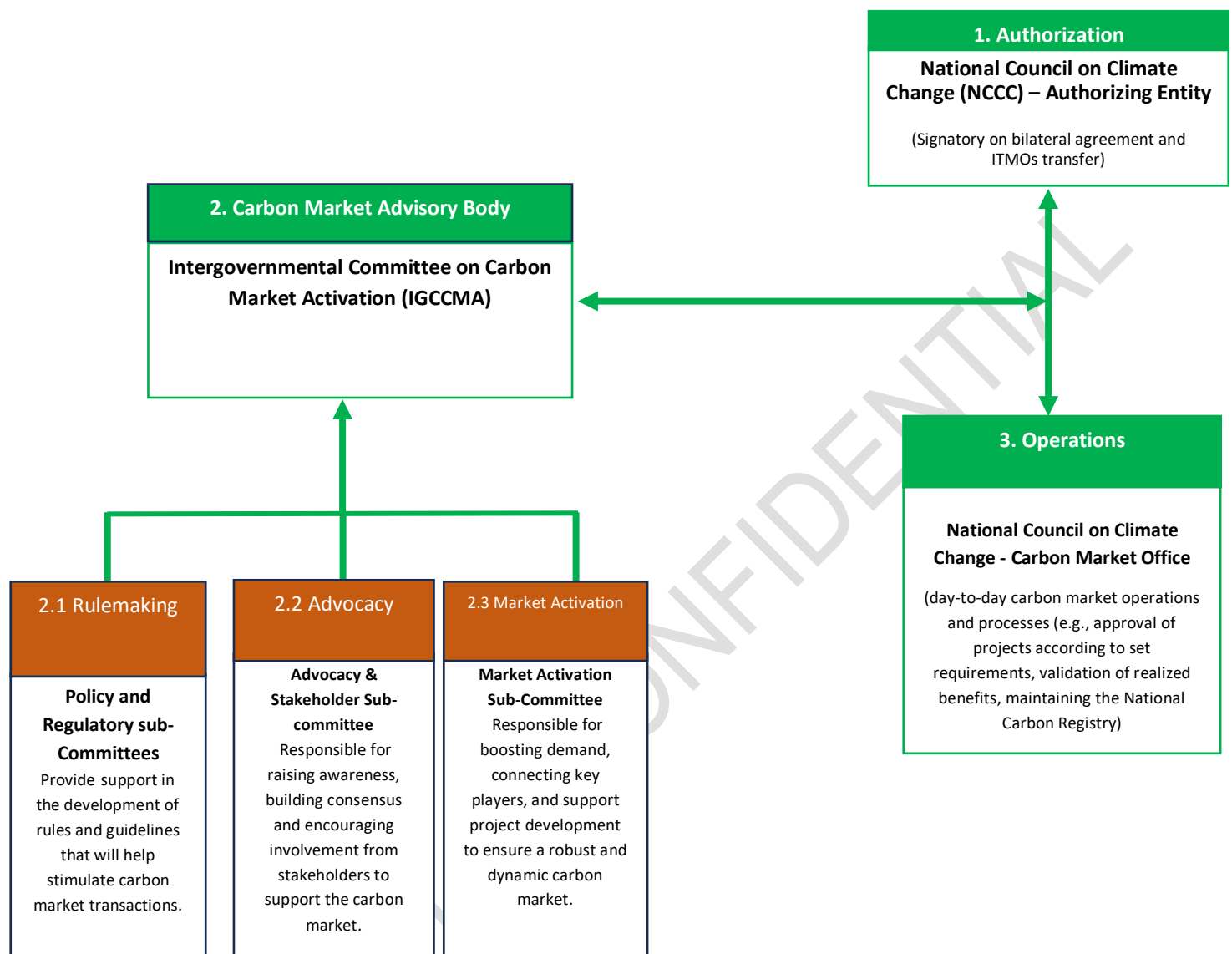


Table 4: Roles and responsibilities of key institutions

S/N	Institution	Role	Responsibility
1.	National Council on Climate Change²¹	Authorizing Entity: will be responsible for overseeing the carbon market and ensuring that it aligns with national and international climate objectives while also providing oversight to ensure that all regulatory institutions and participants in the market adhere to established rules and standards. The NCCC will be responsible for reviewing all cooperative approaches with other countries including bilateral agreements before they are authorized.	The Authorizing entity will • Approve the framework to be used in the carbon market in Nigeria. • Provide overall leadership and strategic direction to the NCCC Secretariat. • Oversees the Implementation of the carbon market. • Monitor and evaluate the impact of the carbon market to ensure the strategies address the country's commitment to reducing GHG emissions. • Authorize the transfer of ITMOs. • Sign bilateral agreements under Article 6 voluntary cooperation. • Represent the country in high-level discussions and negotiations, both nationally and internationally, regarding the carbon market. • Review and respond to reports from the Intergovernmental Committee on Carbon Market Activation (IGCCMA) and other relevant bodies. • Report and advise the President on outcomes and progress of negotiations, ensuring alignment with national priorities and policies. • Lead negotiations related to carbon markets and carbon management on behalf of Nigeria, aiming to secure favorable terms and agreements that support Nigeria's climate action plans. • Act as the primary liaison between the Secretariat of the National Council on Climate Change (NCCC) and the NCCC Supervising Council, facilitating adequate communication and coordination. • Ensure that Nigeria's contributions and commitments to international climate agreements are effectively communicated and upheld. • Monitor and evaluate the progress of MDAs in implementing climate-related initiatives and projects, providing guidance and support as needed.
2	Intergovernmental Committee on Carbon Market Activation (IGCCMA) The committee will consist of the following institutions	Carbon Market Advisory Body (CMAB) - will be responsible for providing all advisory and technical support in ensuring a high-integrity carbon market.	The CMAB will: • Coordinate the carbon market operations to ensure a high-integrity market and alignment with national priorities. • Provide recommendations and supporting information to the entity responsible for signing bilateral agreements. • Advise on guidelines and recommend adjustments to the regulatory framework governing international cooperation under the Paris Agreement and participation in the voluntary carbon market and other carbon market mechanisms. It will be made up of 3 sub-committees: policy and advisory, advocacy and stakeholder engagement and market activation.

²¹ The National Council on Climate Change Consists of: The President of the Federal Republic of Nigeria – Chairman., The Vice President of the Federal Republic of Nigeria – Vice Chairman., Director-General National Council on Climate Change – Secretary., The Minister of Environment., The Minister of Finance, Budget, and National Planning, The Attorney General of the Federation and Minister of Justice., The Minister of Mines and Steel Development., The Minister of Agriculture and Rural Development., The Minister of Women's Affairs and Social Development., The Minister of Power., The Minister of Transportation., The Minister of Water Resources., The Governor of the Central Bank of Nigeria., The National Security Adviser., The National President of the Association of Local Governments of Nigeria., The Chairman Nigeria Governors' Forum., The President, Nigerian Youth Congress, representing the Youth., The DG, Nigerian Conservation Foundation, representing the private sector on climate change or environment-related matters., The National President, National for Women Societies, representing Women's Interests., Representative of People With Disabilities., Representative of environment-related CSO, appointed by the President on the recommendation of the Minister of Environment.

S/N	Institution	Role	Responsibility
2.1	Intergovernmental Committee on Carbon Market Activation (IGCCMA) - Policy and Regulatory Sub-Committee. The sub-committee will consist of the following institutions.....	Policy and Regulatory sub-committees: will develop and refine policies and regulations that will govern the carbon market and its related activities, ensuring that the regulatory framework aligns with national and international standards and promotes a fair and transparent carbon market.	This sub-committee will: - Review existing policies and regulatory frameworks to identify gaps and opportunities for enhancing the effectiveness of the carbon market. - Draft new policies and regulations to support the growth and sustainability of the carbon market while ensuring alignment with national climate goals and international commitments. - Facilitate stakeholder consultations and engagements to gather input and feedback on proposed policies and regulatory measures. Monitor policy development and regulatory changes in relevant sectors to anticipate potential impacts on the carbon market – and it will recommend appropriate responses.
2.2	Intergovernmental Committee on Carbon Market Activation (IGCCMA) - Advocacy & Stakeholder Sub-committee The sub-committee will consist of the following institutions	The Advocacy & Stakeholder Sub-committee will promote awareness, build consensus, and foster engagement among stakeholders in support of the carbon market.	This sub-committee will: - Develop advocacy strategies and campaigns to raise awareness of the benefits and opportunities associated with the carbon market. - Engage with diverse stakeholders, including government agencies, businesses, civil society organizations, and communities, to build support for carbon market initiatives. - Organize events, workshops, and outreach activities to facilitate dialogue and collaboration among stakeholders and promote knowledge exchange. Monitor stakeholder feedback and concerns and incorporate them into advocacy and engagement efforts to address stakeholder needs and priorities.
2.2	Intergovernmental Committee on Carbon Market Activation (IGCCMA) - Advocacy & Stakeholder Sub-committee The sub-committee will consist of the following institutions	The Advocacy & Stakeholder Sub-committee will promote awareness, build consensus, and foster engagement among stakeholders in support of the carbon market.	This sub-committee will: - Develop advocacy strategies and campaigns to raise awareness of the benefits and opportunities associated with the carbon market. - Engage with diverse stakeholders, including government agencies, businesses, civil society organizations, and communities, to build support for carbon market initiatives. - Organize events, workshops, and outreach activities to facilitate dialogue and collaboration among stakeholders and promote knowledge exchange. Monitor stakeholder feedback and concerns and incorporate them into advocacy and engagement efforts to address stakeholder needs and priorities.
2.3	Intergovernmental Committee on Carbon Market Activation (IGCCMA) - Market Activation Sub-Committee The sub-committee will consist of the following institutions	Market Activation Sub-Committee will focus on catalyzing demand, facilitating intermediation and supporting project development to ensure a robust and dynamic carbon market. The group's mission is to stimulate market activity and ensure effective functioning, and alignment with relevant standards.	This sub-committee will: - Create and implement structures for carbon trading, including trading platforms and certification processes to boost demand and ensure liquidity. - Promote and enhance market demand for carbon credits by developing incentives and raising awareness among businesses and investors. - Ensure accurate assessment of carbon credits through effective MRV processes, including setting standards, evaluations, and facilitating audits. - Aid in the creation and financing of carbon reduction projects. Provide training for market participants and foster innovation through research and new technologies.
3	National Council on Climate Change Secretariat	Carbon Market Office: will ensure the daily management and operation of the activities of carbon market and non-market mechanisms, as detailed in the manual of procedures. It will also ensure that Nigeria's carbon market operates efficiently, and transparently, and contributes to the country's climate action targets.	The CMO will: - Provide expert guidance on the development and implementation of methodologies related to carbon credit generation including advising on the selection and oversight of third-party entities, such as validators and verifiers (VVBs), to ensure they meet the required standards. - Share knowledge and research findings from sector experts and research institutions to inform best practices and innovation within the carbon market. - Ensure that Nigeria's carbon market activities are aligned with international standards and commitments, such as those under the Paris Agreement.

S/N	Institution	Role	Responsibility
			• Monitor the effectiveness of methodologies and processes used in the carbon market and suggest improvements where necessary. • Provide support and feedback to project developers. • Review and approve carbon projects and their crediting period in accordance with the manual of procedures. • Implement the different processes according to the manual of procedures. • Facilitate carbon project development and MO activity development. • Issue LOA, Endorsement and Authorization to prospective mitigation activity participants. • Establish an emission transaction registry to create and issue mitigation outcomes, including links with international carbon registries and exchanges, where required. • Publish the list of projects and project entities generating MOs. • Set up and maintain processes for accrediting independent assessors for validation and verification. • Manage or supervise transparency and accounting requirements: recording, reporting, the emissions balance, and corresponding adjustments. • Execute the transfer of Mitigation Outcomes and implement Corresponding Adjustments, where applicable. • Liaison with the oversight body. • Provide input to the report of the National Designated Authority on projects, units and transfers (BTR) for Article 6 Technical Expert Review. Coordinate with the UNFCCC reporting units and those responsible for the enhanced transparency framework (ETF) implementation.

Roles and responsibilities of other market participants

Mitigation activity proponents/project developers

92. Mitigation Activity Proponents (MAP) or Project Developers (PD) are those involved in the design, development and implementation of the mitigation activity. They play a key role in promoting the carbon market in the country. The roles and responsibilities of the MAP are itemized below.

- MAP will be responsible for developing mitigation projects that reduce or sequester greenhouse gas emissions.
- MAP will ensure that the projects meet the standards and methodologies of recognized certification bodies
- MAP will be responsible for accurately measuring and reporting the emissions reductions achieved by the project.
- MAP will ensure that all data associated with the project are verified by third-party auditors to ensure credibility.
- MAP will ensure that all projects to be developed show evidence of stakeholders'/community engagement and SDG assessment. This is essential to ensure the project's social and environmental benefits and that any concerns raised by stakeholders are effectively addressed.

Validation /Verification Body - Roles and responsibilities

93. Validation and Verification Bodies (VVBs) play a critical role in ensuring the integrity and quality of all carbon market projects. The VVBs will,

- Be accredited, or have carbon standard approval that allows them to act as VVBs in Nigeria.
- Validate. They must assess if a project meets all the necessary rules and requirements before it is registered.
- Review project documentation, methodologies, and plans to ensure they comply with the relevant standards as defined in Nigeria.
- Provide an unbiased assessment of the project's compliance with standards and regulations.

- Verify that the reported mitigation outcomes, i.e., emission reductions, are accurate and have been achieved according to the project's documentation and standards.
- Certify the emission reductions or other environmental benefits achieved by the project, which is essential for the issuance of carbon credits in Nigeria.
- Prepare detailed reports on their findings, which are submitted to the relevant certification bodies and stakeholders.
- Ensure ongoing compliance with relevant standards throughout the project's lifecycle, conducting periodic reviews, validation and verification as required.

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Glossary

Term	Definition
A6.4ERs (Article 6.4 Emission Reductions)	A6.4ERs (Article 6.4 Emission Reductions) refers to emission reductions generated under Article 6.4 of the Paris Agreement. These are units issued according to the Article 6.4 mechanism that is equal to one tonne of carbon dioxide equivalent (t CO _{2e}).
Additionality	Prove that a mitigation activity would not have been implemented without participating in Article 6.2 cooperative approach. Additionally, the project must provide “extra” environmental benefits beyond what would have happened under a business-as-usual scenario.
Article 6	Article 6 Is a provision of the Paris Agreement that outlines the framework for international cooperation using market and non-market approaches to achieve greenhouse gas emission reductions.
Article 6 Initial Report	A report that must be submitted before a country can authorize the transfer of Internationally Transferred Mitigation Outcomes (ITMOs).
BTR (Biennial Transparency Report)	A report that parties to the Paris Agreement are required to submit every two years, providing comprehensive information on their greenhouse gas emissions, progress toward their Nationally Determined Contributions (NDCs), and actions taken to adapt to climate change.
Business as Usual (BAU) Scenario	A Business as Usual (BAU) Scenario Is a reference scenario that projects future greenhouse gas emissions based on the assumption that no new policies or measures are implemented beyond those already in place.
Carbon Credit	A Carbon Credit is a tradable unit that represents the removal, reduction, or avoidance of one metric ton of carbon dioxide equivalent (tCO _{2e}) from the atmosphere.
Carbon Emission Trading Scheme (ETS)	A Carbon Emission Trading Scheme (ETS) is a market-based regulatory framework that allows entities, such as companies or countries, to buy and sell emission allowances or credits to meet their greenhouse gas reduction targets. Under an ETS, a cap is set on the total amount of emissions that can be released by all participants.
Carbon Tax	A Carbon Tax is a fee imposed on the carbon content of fossil fuels or greenhouse gas emissions, designed to encourage the reduction of carbon dioxide (CO ₂) emissions and other greenhouse gases.
Carbon Market Office	The Carbon Market Office is a secretariat set up to provide policy support and implement the rules and requirements, including authorization, corresponding adjustment and reporting for Article 6.2 transactions, support mitigation activity sourcing and development, and registry services.
The Climate, Community & Biodiversity (CCB) Standards	The Climate, Community & Biodiversity (CCB) Standards are a set of criteria developed to evaluate and certify land management projects that aim to simultaneously address climate change, support local communities and smallholders, and conserve biodiversity.
Community & Biodiversity (CCB) Standards	Community & Biodiversity (CCB) Standards are a set of guidelines designed to evaluate land-based carbon projects, such as afforestation, reforestation, and forest conservation (REDD+), based on their social and environmental benefits.
Compliance Market	A compliance market is a regulatory system where governments set a cap on the total level of greenhouse gas emissions and allow industries or companies to buy and sell emission allowances or credits to meet their specific emission reduction

	targets. This market mechanism is designed to incentivize the reduction of emissions in the most cost-effective manner while ensuring that the collective cap on emissions is not exceeded.
Conditional reduction target	Refers to the climate goals that a country commits to achieving only if it receives international support, such as financial aid, technology transfer, or capacity-building assistance.
Decision 3/CMA.3	Decision 3/CMA.3 refers to a specific decision made at the third session of the Conference of the Parties serving as the meeting of the Parties to the Paris Agreement (CMA). This decision pertains to the rules, modalities, and procedures for the implementation of Article 6 of the Paris Agreement, which covers the cooperative approaches, including market and non-market mechanisms, for countries to meet their nationally determined contributions (NDCs) to global emission reduction efforts.
Fugitive Emissions	Fugitive emissions are unintended releases of gases, often greenhouse gases like methane or carbon dioxide, from industrial activities or facilities
GHG Inventory report	A GHG Inventory Report is a comprehensive account of all greenhouse gas emissions and removals within a specified boundary over a given period.
Gold Standard	A leading certification standard for carbon offset projects, ensuring that they deliver genuine, measurable, and verifiable emission reductions while also contributing to sustainable development goals
High Integrity Carbon Credits	Carbon credits representing the features specified by ICVCM Core Carbon Principles
Institutional Arrangement	A structured and organized system of entities, mechanisms, and processes established to govern, manage, and oversee the functioning of a carbon market.
Integrity Council for the Voluntary Carbon Market (ICVCM)	An independent governance body which is established to ensure the integrity and quality of carbon credits within the voluntary carbon market.
International Carbon Reduction and Offset Alliance (ICROA)	A global coalition of leading carbon reduction and offset providers that promote best practices in carbon management and offsetting.
Internationally Transferred Mitigation Outcomes (ITMOs).	A real, additional, and verified reduction in GHG emissions or removal of GHGs from the atmosphere, measured in tCO ₂ eq and representing one tCO ₂ eq per methodologies approved under the Paris Agreement Rules and generated by a specific Mitigation Activity from 2021 onwards.
Letter of No Objection	A letter of no objection typically signifies the host country's approval for a carbon offset project to proceed, confirming that the project aligns with national priorities and regulations and has the necessary support to operate.
Manual of procedures	A Manual of Procedures is a comprehensive document that outlines the standardized processes, methodologies, and guidelines for the implementation, monitoring, reporting, and verification of projects within a carbon market framework.
Market-based mechanism	A market-based mechanism is an economic tool that uses financial incentives to encourage entities to reduce greenhouse gas emissions. It operates by setting a price on carbon emissions, typically through a cap-and-trade system or a carbon tax, creating a market where emissions reductions are traded.
Mitigation Outcomes	Mitigation outcomes are the results of actions taken to reduce or prevent the emission of greenhouse gases, or to enhance carbon sinks.

Mitigation Activity Proponent	A Mitigation Activity Proponent is an individual, organization, or entity that develops and proposes a project or initiative designed to reduce greenhouse gas emissions. The proponent is responsible for the design, implementation, and management of the mitigation activity, as well as for ensuring compliance with relevant standards and regulations within the carbon market framework.
National Carbon Registry	A National Carbon Registry is an official database managed by a country's government or designated authority that records and tracks the issuance, holding, transfer, and retirement of carbon credits or allowances.
Nationally Determined Contribution (NDC)	The Nationally Determined Contribution of a Paris Agreement Party, as prepared, communicated and maintained from time to time per Article 4.2 of the Paris Agreement and Decision 4/CMA.1
Non-market-based mechanism	A non-market-based mechanism is a strategy or policy implemented to reduce greenhouse gas emissions without relying on market forces or financial incentives.
Paris Agreement	The agreement was adopted by the parties to the UNFCCC at its 21st meeting in Paris and reflected in Decision 1/CP.21.
Public-private partnership (PPP)	PPPs can facilitate the development and implementation of climate change mitigation and adaptation projects, leveraging private investment and expertise to achieve public environmental goals.
Share of Proceeds (SOP)	SOP refers to a mechanism where a portion of the revenues generated from the sale of carbon credits is allocated to specific purposes or stakeholders
Unconditional reduction target	Unconditional reduction targets are greenhouse gas emission reduction commitments that a country pledges to achieve on its own, without the expectation of external support or international funding.
UNFCCC	The United Nations Framework Convention on Climate Change is the parent treaty of the 1997 Kyoto Protocol and the Paris Agreement.
Verified Carbon Standard	The Verified Carbon Standard (VCS) is a global standard for certifying voluntary reductions in greenhouse gas emissions. It ensures that emissions reductions are real, measurable, permanent, additional, and independently verified, allowing for the generation of tradable carbon credits known as Verified Carbon Units (VCUs).
tCO ₂ e	An amount of carbon dioxide emission measured in metric tons would cause the same integrated radiative forcing or temperature change, over a given time horizon, as an emitted amount of a GHG or a mixture of GHGs.
Voluntary Carbon Market	A market where private actors voluntarily buy and sell carbon credits that represent certified removals or reductions of greenhouse gases in the atmosphere.
Validation	Validation is a process, as per the Paris Agreement Rules or the rules of a Crediting Standard, whereby a Validator ensures that a Mitigation Activity meets the criteria set by the Crediting Standard. This includes an independent evaluation of a Mitigation Activity Design Document according to these rules.
Validation Report	This is a written report prepared and issued by the Validator concerning the Validation exercise that was conducted, based on the Paris Agreement Rules or the rules of an International Crediting Standard.
Validator	A Validator is an organization or body that has been mutually agreed upon by the Parties and accredited or recognized under the Paris Agreement Rules or the rules of a Crediting Standard. Their role is to carry out the Validation of Mitigation Activities according to those rules.

Verification	Verification involves the periodic review and ex-post (after the fact) determination by a Verifier, following the Paris Agreement Rules or the rules of an International Crediting Standard. The Verifier assesses the amount of Mitigation Outcome achieved by a Mitigation Activity in each monitoring period.
Verification Report	This is a written report prepared and issued by the Verifier after conducting the Verification, following the requirements of the Paris Agreement Rules or the rules of an International Crediting Standard.
Verifier	A Verifier is an organization or body that has been mutually agreed upon by the Parties and accredited or recognized under the Paris Agreement Rules or the rules of a Crediting Standard. The Verifier's responsibility is to carry out the Verification of Mitigation Activities according to those rules.

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