



FEDERAL REPUBLIC OF NIGERIA

Carbon Market Activation Policy



April 2025

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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
CCF	Climate Change Fund
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

Terms	Definitions
MOs	Mitigation Outcomes
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
NCCCS	National Council on Climate Change Secretariat
NCMAP	National Carbon Market Activation Plan
NDC	Nationally Determined Contribution
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

Federal Inland Revenue Services (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 Secretariat (NCCCCS), 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 Adediji, PhD,
Executive Chairman
Federal Inland Revenue Service (FIRS)

The National Council on Climate Change Secretariat (NCCCS)

Dear Reader,

I am thrilled to unveil the Nigerian Carbon Market Activation Policy and Manual of Procedures!

This document underscores Nigeria's commitment in alignment with the Paris Agreement to meet greenhouse gas emissions reductions as stipulated in the nationally determined contributions, setting out the right ecosystem to stimulate a dynamic, transparent, and efficient carbon market in Nigeria. This policy aims to create an optimal environment for project developers, investors, and industry stakeholders to fully harness the potential of the carbon market, ensure confidence in the market, and accelerate the mobilisation of climate finance to effectively address Nigeria's mitigation and adaptation needs.

As the National Council on Climate Change Secretariat (NCCCS), we recognise the critical importance of a thriving carbon market in achieving a climate-resilient, low-carbon, and sustainably developed Nigerian economy. The NCCCS is responsible for overseeing the implementation of climate policies, coordinating climate action efforts, and ensuring compliance with the Climate Change Act 2021 and international climate agreements. With the detailed guidelines and regulations, which include the adoption of renewable energy projects and reforestation efforts, we are certain this will ignite a greater adoption of sustainable practices, drive technological innovation, and propel us towards a net-zero future.

The implementation of this Policy is bound to solidify Nigeria's leadership in climate action within the African continent. We invite you to participate in this initiative and work together to ensure the Federal Republic of Nigeria thrives. Together, we go farther!

Sincerely,
Nkiruka Chidia Maduekwe, PhD
*Special Presidential Envoy on Climate Change and
Director-General / Chief Executive Officer*
National Council on Climate Change Secretariat (NCCCS)

Acknowledgement

We sincerely thank *His Excellency, Bola Ahmed Tinubu, GCFR, the President and Commander-in-Chief of the Armed Forces Federal Republic of Nigeria, and the Chairman of the National Council on Climate Change (NCCC)* for establishing the Intergovernmental Committee on Carbon Market Activation Plan (ICMAP) and supporting it. We are truly grateful, Mr President, as this Policy strongly supports your Renewed Hope Agenda.

We are deeply thankful for the dedication and hard work of every Committee member in ensuring the development and implementation of this Policy.

Funding is crucial for the success of any project, and the Carbon Market Activation Policy Project succeeded thanks to the financial and technical support of our Partners listed below. We thank the United Nations Development Programme (UNDP) for supporting the initial Framework and Manual of Procedures. We are grateful to the Sustainable Energy for All (SEforAll) Initiative for the invaluable support and guidance provided. Their expertise in sustainable energy and climate action has been instrumental in informing the development of the Policy.

We express our appreciation to all the individuals, the Federal and State Ministries, Departments, and Agencies, the Nigerian Labour Congress, private sector entities, CSO representatives, development/donor partners, and international stakeholders, who reviewed and provided inputs to the document. Thank you for ensuring the whole of society and the whole of government approach in co-creating these documents to entrench ownership and effective implementation. Your expertise, insights, and support are invaluable in ensuring the relevance, effectiveness, and implementation of this document.

Our gratitude goes to all who in one way or the other contributed to the actualisation of this project; your support and encouragement have been essential in bringing this project to fruition.

Co-Chairs, Intergovernmental Committee on Nigeria Carbon Market Activation Plan

DR. ZACCH ADEDEJI

Executive Chairman

Federal Inland Revenue Service (FIRS)

DR. NKIRUKA CHIDIA MADUEKWE

Special Presidential Envoy on Climate Change and

Director General / Chief Executive Officer

National Council on Climate Change

Secretariat (NCCCS)

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Executive Summary

1. Situated in the West African Region, Nigeria is the largest economy in Africa and one of Africa's top crude oil producing countries, often described as a natural gas country with pockets of crude oil based on its 203.16 TCF proven natural gas reserve. Nigeria is ranked as having the tenth-largest gas reserve globally. Nigeria is home to over 220 million people, projected to reach over 400 million by the year 2050, which will make it the third most populous country in the world. Nigeria's population is a youth population with 54% aged between 15-64 years and 43% between 0-14 years.
2. As one of the fastest-growing global economies and with rising rural to urban migration, Nigeria is one of the countries driving energy demand in Africa. Nevertheless, approximately 56.5% of her population has access to electricity, with 81.7% in the urban areas and 30.95% in the rural areas. Also, a large percentage of the population still relies on traditional forms of energy such as charcoal and wood for cooking and lighting. Access to affordable, available, sustainable energy remains a challenge.
3. As the international community grapples with the climate crisis, Nigeria, situated in one of the global hotspots of high human vulnerability, continues to experience the adverse impacts of climate change, namely, droughts, rising temperatures, erosion, deforestation, flooding, desertification, and increasing sea levels. These impacts are further exacerbated by prior existing vulnerabilities such as high rate of poverty with 40.1% of the Nigerian population classified as poor, basically 82.9 million Nigerians; exposure to security threats leading to massive displacement of persons, property loss, migration, and disruption of economic activities and normal functions of the society; the shrinkage of Lake Chad; inadequate access to basic and essential services such as water and electricity; and approximately 70% of the population dependent on climate-sensitive livelihoods, such as smallholder farmers, pastoralist, and fishing communities.
4. As part of the efforts in addressing the climate change catastrophe, which has become an existential threat, Nigeria is a Party to the United Nations Framework Convention on Climate Change and the Paris Agreement and is committed to adopting pathways towards actualising 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. It is crucial to note that Nigeria is currently in the process of reviewing the NDC and is desirous to submit a robust, investable, and bankable NDC 3.0.
5. In addition to adopting the National Climate Change Policy and updated Environmental Policy that explicitly emphasise Nigeria's commitment to a low-carbon future, in 2021, Nigeria enacted the Climate Change Act, making Nigeria the second African country to have an explicit legal framework to govern and

mainstream climate change actions in Nigeria. The Act has been described as the first comprehensive stand-alone climate change legislation in West Africa.¹ The Climate Change Act 2021 provides a solid regulatory framework for Nigeria to actualise short, medium, and long-term climate action goals of a low-carbon, climate-resilient economy and provides for the integration of climate change actions into national development.² The Act lays the foundation for a robust carbon market as envisioned by Article 6 of the Paris Agreement.

Carbon Market Vision

6. As Africa's largest economy, Nigeria is poised to lead as Africa's 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 reduction³ Through carbon market activities, which are 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

7. This Carbon Market Activation Policy is designed to bolster carbon market activities in the country. The Policy provides 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 and so on), build investors' confidence, establish a detailed institutional arrangement that clearly defines the roles and responsibilities of key stakeholders and ensures the generation of high integrity and high quality carbon credits, while also safeguarding market transparency.
8. A key objective of this policy is to facilitate Nigeria's participation in national, regional, continental, 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

¹ Muhammed Tawfiq Ladan, 'A Review of Nigeria's 2021 Climate Change Act: Potential for Increased Climate Litigation' IUCN (28 March 2022) <www.iucn.org/news/commission-environmental-economic-and-social-policy/202203/a-review-nigerias-2021-climate-change-act-potential-increased-climate-litigation> accessed 06 May 2025.

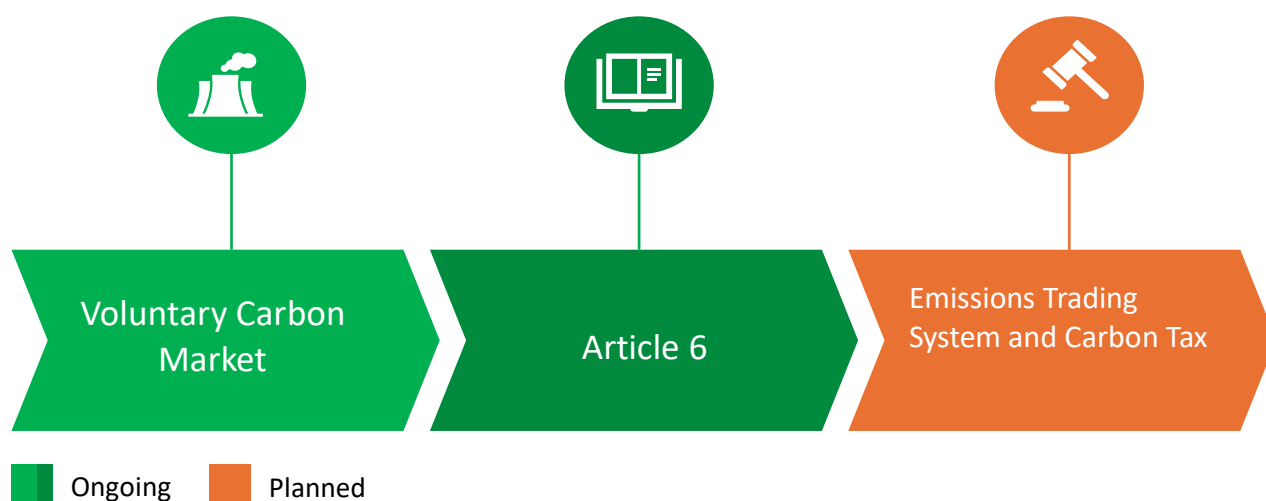
² Ibid.

³ Africa Carbon Market Initiative

support their climate mitigation goals while availing funds for sustainable development in the country.

Nigeria's Position on Carbon Market Activities

9. 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 the carbon market.
10. As stipulated in Article 6 of the Paris Agreement, Nigeria shall explore both market and non-market approaches to driving climate finance towards meeting the nationally determined contributions commitments. Nigeria will drive certainty and confidence in the voluntary carbon market and international cooperation as stipulated in Article 6.2 of the Paris Agreement. Nigeria will also prioritise working towards establishing an emissions trading system and carbon tax as a medium to long-term goal.



Voluntary Carbon Market (VCM)

11. Nigeria recognises the potential of the VCM as a key instrument in mobilising resources to combat climate change and contribute to its unconditional commitments.
12. The country will actively work towards expanding its participation in the VCM to tap into the growing global demand for carbon credits.
13. Nigeria will explore ways to accelerate its participation and maximise the benefits of the VCM. The objective will be to attract investment in sustainable projects that can generate verifiable, high-integrity and high-quality carbon credits aimed at driving greenhouse gas emissions reduction in the NDC

priority sectors. 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.

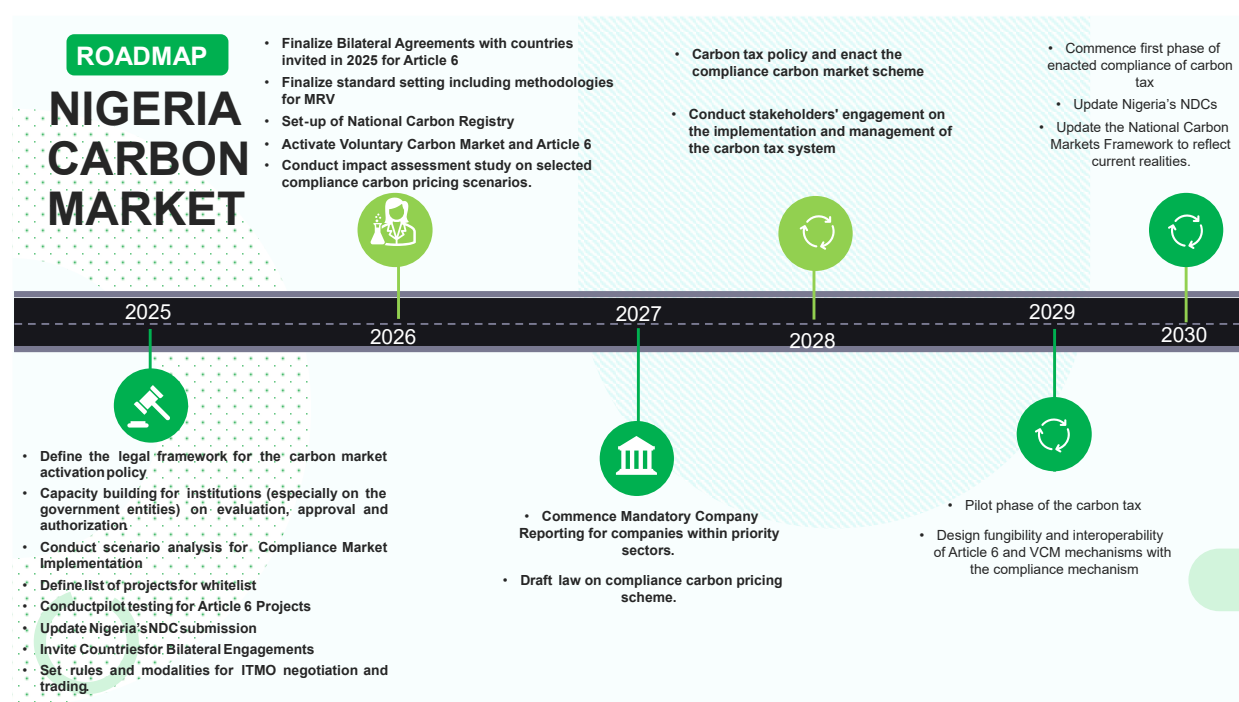
Article 6 of the Paris Agreement

- 14.** 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.
- 15.** Nigeria is also looking to become an active participant in 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 authorisation processes for mitigation outcomes under PACM.
- 16.** 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 actualisation 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

- 17.** Nigeria will establish an emissions trading system and carbon tax in selected sectors based on whole-of-government and whole-of-society consultations and defined GHG emissions thresholds. Nigeria has conceptualised 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



The Carbon Market Regulations

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

- i. **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 in the voluntary market or through international cooperation.
- ii. **Institutional framework and responsibilities:** stipulate institutions with the mandate to perform responsibilities relevant to carbon market governance and clearly define the roles and responsibilities of each institution.
- iii. **Change of use purpose:** clarify instances when Nigeria would have the right to change the use purpose of ITMOs to ensure predictability for market participants and cooperating parties.
- iv. **Ownership and rights to mitigation outcomes:** clarifying who holds the rights and title to emissions reductions and removals, and to the

resulting carbon credits. This is an essential aspect that will be leveraged to encourage carbon investments.

- v. **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.
- vi. **Benefit sharing:** 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.
- vii. **Other issues** on which Regulations 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

- 19. 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.
- 20. 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.
- 21. Furthermore, as stipulated in section 32 of the Climate Change Act 2021, Nigeria is committed to providing fiscal incentives for the promotion of GHG emission reduction and to encourage private sector participation in climate actions, and this includes the carbon market.

Institutional Arrangement for Carbon Market Governance

- 22. 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 operationalisation of the various market mechanisms. This will ensure that there are no overlaps or duplication 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 regulatory framework that the government intends to develop.

Manual of Procedures

23. 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, the Institutional, and the 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.
24. 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

25. 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 optimise the policy and enhance its contribution to Nigeria's climate goals.

Part I: Background

1. Nigeria, one of Africa's largest economies and a major oil producer, recognises the need to address climate change and its impacts in line with global climate change mitigation and adaptation 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% conditionally⁴ on international support. It is key to note that Nigeria is currently in the process of reviewing the third-generation NDC and is committed to submitting a robust, bankable, and investable NDC 3.0.
3. In 2021, Nigeria enacted the Climate Change Act, providing the legal basis 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 the NDC 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 the carbon markets contribute meaningfully to the country's NDC and Net Zero commitment.

Vision

6. To establish Nigeria as Africa's focal hub for high-integrity and high-quality carbon market investments⁵, setting the benchmark for low-carbon, climate-resilient, and socio-economic development.

Objectives and Benefits

7. Nigeria is open to attracting investments for carbon projects, whether in the voluntary carbon market or the Article 6 framework. Nigeria's participation

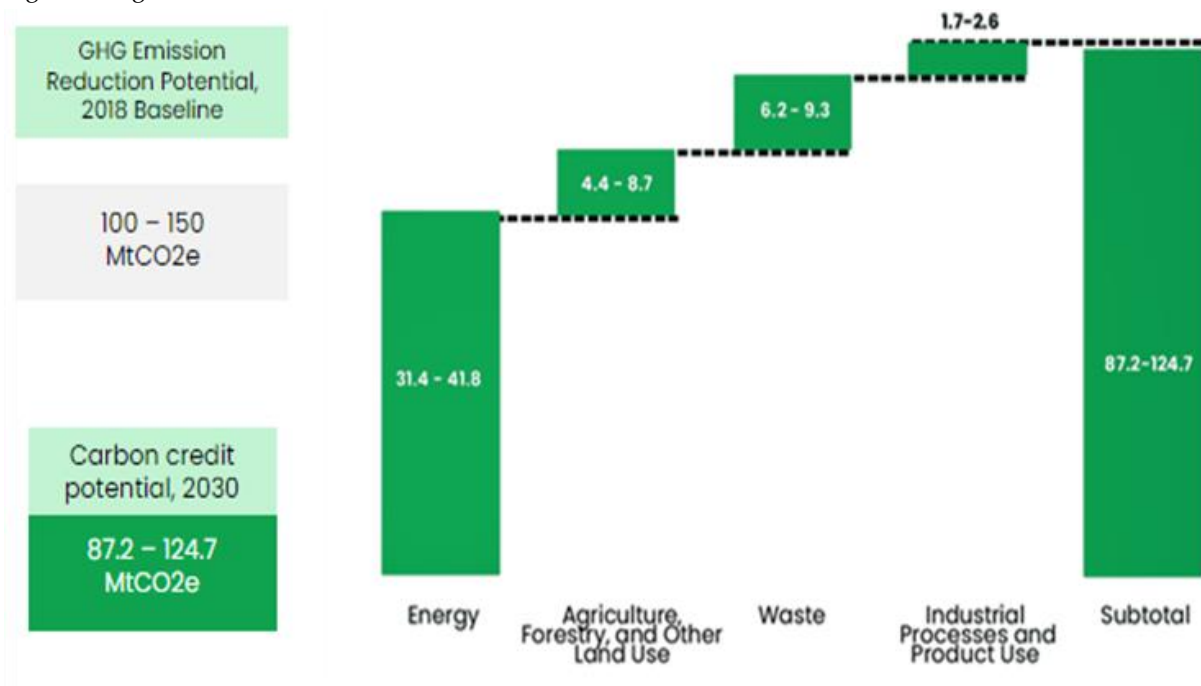
⁴ An unconditional NDC target refers to the climate commitments that Nigeria pledges to achieve using its own domestic resources, without relying on external financial or technical support.

⁵ High-integrity carbon market investments focus on ensuring that carbon credits and offsets are credible, transparent, and contribute meaningfully to climate goals.

in VCM and Article 6 will follow the global standards of transparency and accountability, from the selection of eligible projects to the creation, verification, trading, and eventual retirement of carbon credits to ensure the market operates efficiently and contributes to achieving the country's climate goals as stipulated in the NDC.

8. Nigeria will benefit from engaging in the international carbon markets, offering prospects for:
 - i. 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.
 - ii. Investment opportunities: Nigeria has the potential to generate 87.2 to 124.7 Mtco2e of GHG emissions reduction through carbon market activities.
 - iii. 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 2030⁶ (Figure 2).

Figure 2: Nigeria Carbon Market Potential; Source: ACMI



⁶ Africa Carbon Market Initiative (ACMI)

- iv. Enhancing environmental integrity: Ensuring that emission reductions are real, measurable, and verifiable and that double counting is avoided.
- v. 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, removal and avoidance. The power sector, for example, could achieve significant fuel cost savings by considering a switch to 90% renewable energy sources⁷.
- vi. Innovation and technology development: As stipulated in the Climate Change Act 2021, revenues actualised from the carbon market, carbon tax, and emission trading system, will be deposited in the Climate Change Fund (CCF). 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.
- vii. 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 2060⁸.
- viii. 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.
- ix. 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.

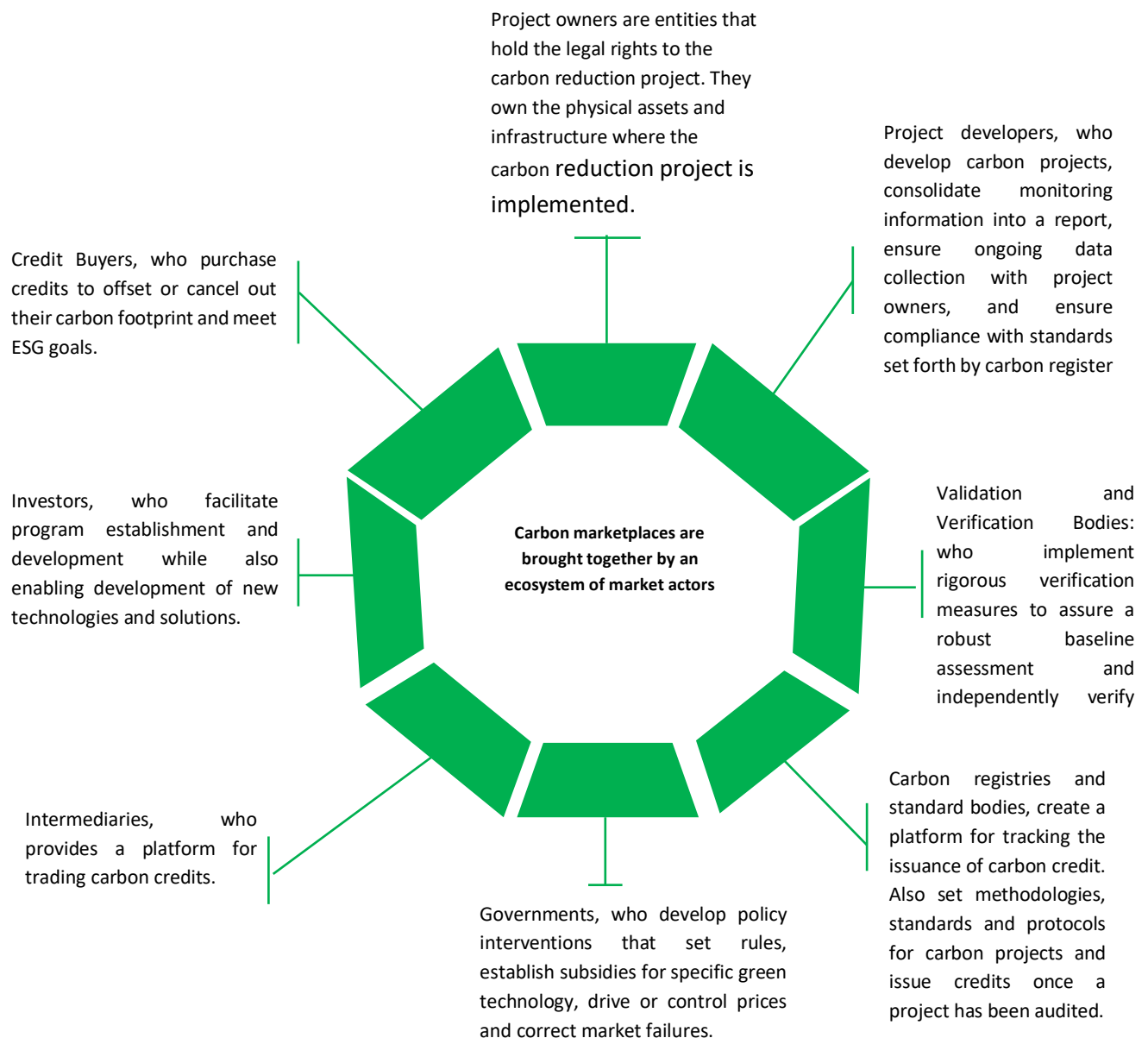
Overview of the Carbon Market Ecosystem

9. 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.
10. Nigeria's carbon market ecosystem consists of selected market participants as shown in Figure 3.

⁷ Nigeria Energy Transition Plan

⁸ Nigeria Energy Transition Plan

Figure 3: Carbon Market Ecosystem



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

11. The market participants will include:

- i. **Project / Mitigation activity developers:** In carbon markets, project/mitigation activity developers are properly incorporated entities, not individuals, basically, companies, NGOs, or even government-backed organisations, that design, implement, and manage carbon offset projects. Often, the project developers also act as the project owners.

- ii. **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 agencies, communities (especially for NBS), etc.
- iii. **Validation and Verification Bodies:** These are independent third-party organisations 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.
- iv. **Buyers:** Carbon buyers are organisations, 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.
- v. **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.
- vi. **Carbon Registries and Standard Bodies:** These are platforms that track the issuance, transfer, and retirement of carbon credits. In some cases, they may track authorisations 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 emissions reductions and removals (ERRs). The standard bodies help maintain the quality and reliability of carbon credits, which are essential for effective climate action.
- vii. **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.
- viii. **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.
- ix. **Investors⁹:** Investors provide financing for carbon projects and may also invest in the companies that participate in carbon markets.
- x. **Startups and Universities:** Startups are at the forefront of developing new technologies and solutions. Universities conduct fundamental

⁹ The investor may also be a co-beneficiary with the project owners of the carbon credits in return for their investment.

research that underpins new technologies and methodologies for carbon reduction and sequestration.

12. 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

13. As a party to the Paris Agreement, Nigeria is committed to deploying the finance mechanism stipulated in Article 6 of the Agreement to amplify actualisation of the country's emissions reduction targets explicitly stated in the NDCs, and especially in the NDC priority sectors.
14. In the 2021 submitted NDC, Nigeria emphasised its commitment to contributing to discussions on international cooperation through Article 6 of the Paris Agreement.
15. In 2021, Nigeria submitted its GHG inventory report (covering the 2000 - 2017 period). This inventory was updated in the 2024 submission of its first biennial transparency report to the UNFCCC, now with a GHG inventory covering the 2000 to 2022 period. The country 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.
16. In addition to adopting the National Climate Change Policy and updated Environmental Policy that explicitly highlights Nigeria's commitment to a low-carbon future, in 2021, Nigeria enacted the Climate Change Act.¹⁰ making Nigeria the second African country to have an explicit legal framework to govern and mainstream climate change actions in Nigeria. The Act has been described as the first comprehensive stand-alone climate change legislation in West Africa.¹¹
17. The Climate Change Act 2021 provides a solid regulatory framework for Nigeria to actualise short, medium, and long-term climate action goals of a low-carbon, climate-resilient economy and provides for the integration of climate change actions into national development.¹² The Act lays the

¹⁰ Nigeria Climate Change Act (2021). <https://climate-laws.org/document/nigeria-s-climate-change-act> 5ef7

¹¹ Muhammed Tawfiq Ladan, 'A Review of Nigeria's 2021 Climate Change Act: Potential for Increased Climate Litigation' IUCN (28 March 2022) <www.iucn.org/news/commission-environmental-economic-and-social-policy/202203/a-review-nigerias-2021-climate-change-act-potential-increased-climate-litigation> accessed 06 May 2025.

¹² Ibid.

foundation for a robust carbon market as envisioned by Article 6 of the Paris Agreement.

18. Section 32 of the Act empowers the National Council on Climate Change (NCCC) to make regulations requiring public and private entities to report annually on GHG reductions and reduction measures, have corporate climate change responsibilities, regulations on sectoral and cross-sectoral GHG emission reductions, regulations to supervise market-based mechanisms and instruments relating to climate change; regulations to provide fiscal incentives to promote GHG emission reduction and encourage private sector participation in climate action.
19. Furthermore, section 4 of the Act mandates the NCCC to develop a mechanism for carbon tax and for carbon emission trading and to mobilise financial resources to support climate change action. Indeed, the carbon market provides one of the platforms for developing countries to mobilise climate finance towards actualising their NDC commitments.

Objectives and Scope of the Carbon Market Activation Policy

20. This Carbon Market Activation Policy will:

- i. 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.
- ii. 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.
- iii. Enhance Nigeria's ability to achieve primarily the conditional emission reduction targets indicated in the NDCs by attracting investments in low-carbon and clean energy, facilitating carbon financing, fostering sustainable economic growth, and generating revenue for climate finance.
- iv. Support Nigeria's broader climate goals, in line with the Paris Agreement and future Nationally Determined Contributions (NDCs) commitments.

21. Whereas carbon markets are recognised as a key instrument for attracting international climate finance into Nigeria, the Government recognises that it is necessary to diversify climate finance sources. Therefore, the Government welcomes and will consider the use of other climate finance sources such as green bonds, concessional finance, public-private partnerships, philanthropies, and international grants.

Carbon Market Activation Policy and Manual of Procedures Methodology

22. With the unveiling of the Intergovernmental Committee on Carbon Market Activation (IGCCMA) at the UNFCCC CoP 28, His Excellency Bola Ahmed Tinubu GCFR, President and Commander-in-Chief of the Armed Forces Federal Republic of Nigeria, and Chairman of the National Council on Climate Change (NCCC), activated section 4 of the Climate Change Act 2021, specifically developing the fit-for-purpose carbon market policy for Nigeria.
23. In the first quarter of 2024, with the technical and financial support of the United Nations Development Programme (UNDP), Nigeria developed the first draft carbon market framework and manual of procedure. The UNDP, through the Climate Promise II supported the convening of the initial two stakeholder engagements – comprising of public, private, and CSOs – to review the draft framework and manual of procedures.
24. In the third quarter of 2024, with the technical and financial support of the African Carbon Markets Initiative (ACMI), Nigeria revised the framework to become the Activation Policy, as it was necessary to explicitly state the Nigerian government's intention and the actions it will undertake to operationalise its carbon market.
25. With the support of UNDP and ACMI, in the fourth quarter of 2024, Nigeria convened an intensive three-day stakeholder engagement and capacity building on climate finance and the carbon market. This engagement targeted, in addition to all the federal ministries, the state ministries of environment in the 36 States of Nigeria, the Nigerian Labour Congress, women groups, youth representatives, and the private sector.
26. To further ensure that the Carbon Market Activation Policy and Manual of Procedures represents a co-created document that guaranteed the implementation of the whole-of-government and the whole-of-society in the development process, the Secretariat of the National Council on Climate Change disseminated in December 2024 copies of the revised Policy and Manual of Procedures to all the Federal Ministries, the 36 State Ministries of Environment, relevant private sector entities, international stakeholders,

and the CSOs representative; requesting for review and inputs to the documents.

27. Having received these inputs in the first quarter of 2025, the Secretariat disseminated again the final draft with the inputs received to the same entities, further requesting confirmation that the inputs are reflected. Please find below the list of stakeholders who participated in the review and co-creation of the Carbon Market Activation Policy and Manual of Procedures:

- 1) Abia State Ministry of Environment
- 2) Adamawa State Ministry of Environment
- 3) Akwa Ibom State Ministry of Environment
- 4) Anambra State Ministry of Environment
- 5) Association of Local Governments of Nigeria (ALGON)
- 6) Bauchi State Ministry of Environment
- 7) Bayelsa State Ministry of Environment
- 8) Benue State Ministry of Environment
- 9) Borno State Ministry of Environment
- 10) Central Bank of Nigeria (CBN)
- 11) Corporate Affairs Commission (CAC)
- 12) Cross River State Ministry of Environment
- 13) Debt Management Office
- 14) Delta State Ministry of Environment
- 15) Development Bank of Nigeria (DBN)
- 16) Ebonyi State Ministry of Environment
- 17) Economic and Financial Crimes Commission (EFCC)
- 18) Edo State Ministry of Environment
- 19) Ekiti State Ministry of Environment
- 20) Energy Commission of Nigeria (ECN)
- 21) Enugu State Ministry of Environment
- 22) Federal Capital Territory Administration
- 23) Federal Competition and Consumer Protection Commission
- 24) Federal Inland Revenue Service (FIRS)
- 25) Federal Judicial Service Commission
- 26) Federal Ministry of Agriculture and Food Security
- 27) Federal Ministry of Art, Culture, Tourism and Creative Economy
- 28) Federal Ministry of Aviation and Aerospace Development
- 29) Federal Ministry of Budget and Economic Planning

- 30) Federal Ministry of Communication, Innovation and Digital Economy
- 31) Federal Ministry of Defence
- 32) Federal Ministry of Education
- 33) Federal Ministry of Environment
- 34) Federal Ministry of Finance
- 35) Federal Ministry of Foreign Affairs
- 36) Federal Ministry of Health and Social Welfare
- 37) Federal Ministry of Housing and Urban Development
- 38) Federal Ministry of Humanitarian Affairs and Poverty Reduction
- 39) Federal Ministry of Industry, Trade and Investment
- 40) Federal Ministry of Information and National Orientation
- 41) Federal Ministry of Interior
- 42) Federal Ministry of Justice
- 43) Federal Ministry of Labour and Employment
- 44) Federal Ministry of Livestock
- 45) Federal Ministry of Marine and Blue Economy
- 46) Federal Ministry of Police Affairs
- 47) Federal Ministry of Power
- 48) Federal Ministry of Science, Technology and Innovation
- 49) Federal Ministry of Solid Minerals Development
- 50) Federal Ministry of Special Duties
- 51) Federal Ministry of Steel Development
- 52) Federal Ministry of Transportation
- 53) Federal Ministry of Water Resources and Sanitation
- 54) Federal Ministry of Women Affairs and Social Development
- 55) Federal Ministry of Works
- 56) Federal Ministry of Youth Development
- 57) Federal Road Safety Corps
- 58) Gold Standard
- 59) Gombe State Ministry of Environment
- 60) IHS Nigeria Limited
- 61) Imo State Ministry of Environment
- 62) Independent National Electoral Commission (INEC)
- 63) Industrial Training Fund (ITF)
- 64) Infrastructure Concession Regulatory Commission (ICRC)
- 65) Jigawa State Ministry of Environment
- 66) Kaduna State Ministry of Environment

- 67) Kano State Ministry of Environment
- 68) Katsina State Ministry of Environment
- 69) Kebbi State Ministry of Environment
- 70) Kogi State Ministry of Environment
- 71) Kwara State Ministry of Environment
- 72) Lagos State Ministry of Environment
- 73) Manufacturers Association of Nigeria (MAN)
- 74) Ministry of Petroleum Resources
- 75) Nasarawa State Ministry of Environment
- 76) National Agency for Food and Drug Administration and Control (NAFDAC)
- 77) National Biosafety Management Agency
- 78) National Biotechnology Development Agency
- 79) National Board for Technical Education
- 80) National Bureau of Statistics
- 81) National Emergency Management Agency (NEMA)
- 82) National Environmental Standards and Regulations Enforcement Agency (NESREA)
- 83) National Identity Management Commission (NIMC)
- 84) National Information Technology Development Agency (NITDA)
- 85) National Oil Spill Detection and Response Agency (NOSDRA)
- 86) National Orientation Agency
- 87) National Pension Commission (PENCOM)
- 88) National Population Commission (NPC)
- 89) National Primary Healthcare Development Agency
- 90) National Space Research and Development Agency (NASRDA)
- 91) National Sugar Development Council
- 92) Niger State Ministry of Environment
- 93) Nigeria Chambers of Commerce
- 94) Nigeria Commodity Exchange (NCX)
- 95) Nigeria Deposit Insurance Corporation (NDIC)
- 96) Nigeria Labour Congress (NLC)
- 97) Nigeria Police Force
- 98) Nigeria Sovereign Investment Authority (NSIA)
- 99) Nigerian Association of Small and Medium Enterprises (NASME)
- 100) Nigerian Communications Commission (NCC)

- 101) Nigerian Copyright Commission
- 102) Nigerian Economic Summit Group (NESG)
- 103) Nigerian Electricity Regulatory Commission
- 104) Nigerian Governors' Forum
- 105) Nigerian Investment Promotion Commission (NIPC)
- 106) Nigerian Investment Promotion Commission (NPIC)
- 107) Nigerian Meteorological Agency (NiMET)
- 108) Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPR)
- 109) Nigerian National Petroleum Corporation (NNPC)
- 110) Nigerian Upstream Petroleum Regulatory Commission (NUPRC)
- 111) Office of the National Security Adviser (NSA)
- 112) Ogun State Ministry of Environment
- 113) Ondo State Ministry of Environment
- 114) Osun State Ministry of Environment
- 115) Oyo State Ministry of Environment
- 116) Plateau State Ministry of Environment
- 117) Presidential Enabling Business Environment Council (PEBEC)
- 118) Public Complaints Commission Nigeria
- 119) Revenue Mobilisation Allocation and Fiscal Commission (RMAFC)
- 120) Rivers State Ministry of Environment
- 121) Securities and Exchange Commission
- 122) Small and Medium Enterprises Development Agency of Nigeria (SMEDAN)
- 123) Sokoto State Ministry of Environment
- 124) Standards Organisation of Nigeria (SON)
- 125) Taraba State Ministry of Environment
- 126) United Nations Global Compact Network Nigeria
- 127) Universal Basic Education Commission
- 128) Yobe State Ministry of Environment
- 129) Zamfara State Ministry of Environment

Structure of the Carbon Market Activation Policy

28. 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:
 - i. Article 6 of the Paris Agreement
 - ii. Voluntary Carbon Market
 - iii. Carbon pricing (carbon tax and emissions trading scheme)
 - iv. 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

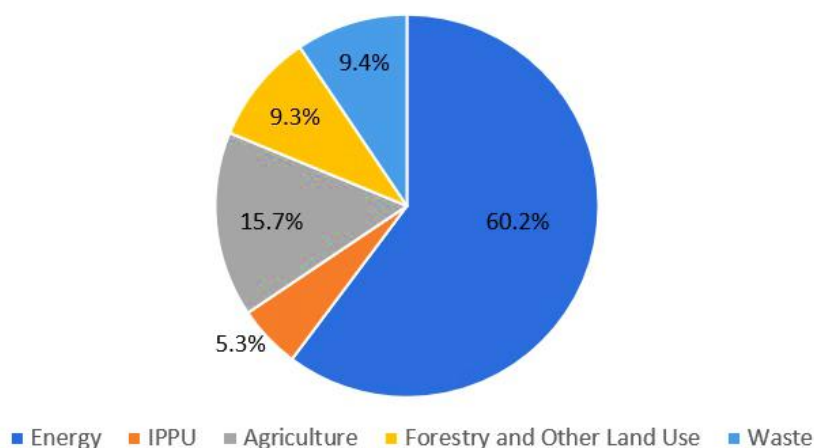
1. Nigeria's national context is characterised by a rapidly growing population, increasing urbanisation, rising energy demand, and the need for sustainable economic development. The country's ambition on carbon markets is to harness these dynamics to create a green growth pathway that delivers both environmental 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.
2. The potential to expand the carbon market activities in Nigeria to an estimated value of USD 2.5 billion per annum by 2030¹³ 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.
3. 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.
4. Nigeria is committed to ensure that the carbon market provides the requisite springboard that will engender the total inclusion of all the NDC priority sectors and amplify Nigeria's capacity to meet the set emissions reduction targets in these sectors.

¹³ This is the value of the expected traded value from reduction or removal projects

Current GHG profile per sector

5. Nigeria's base year total GHG emissions assessment (2018) was estimated at 347 Mtco2e¹⁴ and was estimated at 275 Mtco2e in 2020¹⁵. The base year total emissions are projected to increase under a business-as-usual scenario to 453 Mtco2e by 2030, while the total energy-related emissions are projected to rise from the 2020 value to 216 Mtco2e by 2030¹⁶.
6. The energy sector¹⁷ 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 into 2030, as Energy and Agriculture, Forestry and Other Land Use continue to be the largest single sources of GHG emissions by that year, contributing 51% and 33% to total GHG emissions, respectively.¹⁸

Figure 4: Contribution to national total GHG emissions in Nigeria in 2018 (347 Mtco2ee)



Source: Nigeria NDC 2021

7. The base year emissions have been recalculated based on data from the first biennial transparency report (BTR1). The emissions data for the base year 2018 is now 614,172 ktco2e, with projected base year emissions for 2030 at 1,051,804 ktco2e and a mitigation potential of 494,348 ktco2e by 2030. This revision will be incorporated into NDC 3.0.

¹⁴ Nigeria's Nationally Determined Contribution – 2021 Update

¹⁵ 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).

¹⁶ Nigeria's Energy Transition Plan.

¹⁷ Energy sector include oil and gas, transport, electricity generation (grid and off-grid), and residential and industrial energy consumption.

¹⁸ Nigeria's Nationally Determined Contribution – 2021 Update

Nigeria's Ambition and NDC Commitments

8. 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.
9. Nigeria's 2021 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

10. Achieving the set targets within the nine-year timeframe from 2021 to 2030 necessitates substantial measures across all sectors. Given the critical role the carbon market is set to play in driving climate finance to meet the NDC commitment, the priority sectors for the carbon market are the sectors indicated in Nigeria's NDC, most especially, towards meeting the conditional commitment.

Table 1. Nigeria's country profile and mitigation targets as indicated in the NDC 2021

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. Note that Nigeria is currently in the process of updating the NDC and the sectors.)	Energy (including electricity generation, Transport, oil and gas) Agriculture, Forestry, Land and Other Land Use (AFOLU) Industrial Processes and Product Use Short-Lived Climate Pollutants (SLCPs) Waste Water
Governance	6 geopolitical zones 36 semi-autonomous states 774 Local level government areas

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).

Sector	Mitigation Measures
	<p>Reduce grid transmission and distribution losses to 8% of final consumption of electricity in 2030, down from 15% In 2018.</p> <p>100% of diesel and single-cycle steam turbines are to be replaced with combined-cycle turbines.</p> <p>Elimination of diesel and gasoline generators for electricity generation by 2030.</p>
	<p><u>Oil & Gas</u></p> <p>Zero gas flaring by 2030</p> <p>60% reduction in fugitive methane emissions by 2030</p>
Agriculture, Forestry, Land and Other Land Use (AFOLU)	<p><u>Agriculture</u></p> <p>Climate-smart agriculture — a range of measures taken forward as an integrated approach to managing landscapes (e.g. cropland, livestock, forests and fisheries)</p> <p>50% of cultivated land adopts intermittent aeration of rice paddy fields</p> <p>A 50% reduction in the level of crop residues burnt by 2030.</p>
	<p><u>Forestry and Other Land Use</u></p> <p>Improved natural forest management (128,528 ha of natural forests in the southern belt and southwest quadrant of the country)</p> <p>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)</p> <p>Increased forest protection (46,219 ha of forest throughout the country)</p> <p>Reduced fuelwood harvest (Reduce the area of forestland used for fuelwood harvesting by 19,346 ha).</p> <p>Protection and restoration of mangrove forest ecosystems (13,012 ha of mangrove ecosystems across all the coastal states in the Niger Delta).</p>
Waste	<p>10% reduction in methane emissions from organic solid waste through diversion to composting.</p>

Role of the carbon market in supporting Nigeria's NDCs

11. As stipulated in the Paris Agreement, the carbon market presents a pathway to driving finance towards achieving the NDCs and to raising climate action ambition. The role of the carbon market includes:

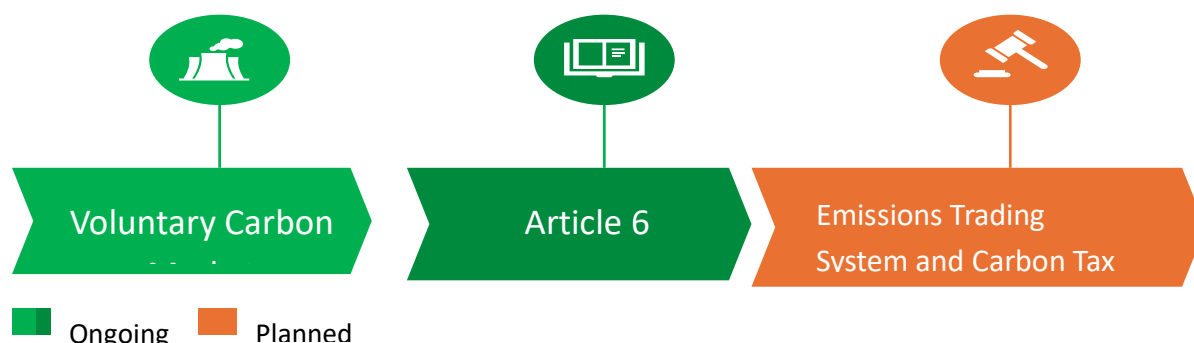
- i. Meeting unconditional and conditional NDC targets: The VCM will play a role in meeting Nigeria's unconditional targets. Nigeria's NDCs also include conditional targets that depend on international support. The carbon market will provide the requisite support, enabling Nigeria to achieve more ambitious climate mitigation goals
- ii. 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.
- iii. Mobilising finance: The 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, and so on) and Nature-based solutions (Forestry, Agriculture, land use, etc) that contribute to Nigeria's climate mitigation targets.
- iv. 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.

Part III: Nigeria Carbon Market Design

Overview of current and future carbon market elements in Nigeria

1. A key objective of this policy is to facilitate Nigeria's participation in national, regional, continental, 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.
2. As stipulated in article 6 of the Paris Agreement, Nigeria shall explore both market and non-market approaches to driving climate finance towards meeting the nationally determined contributions commitments. Nigeria will drive certainty in the voluntary carbon market and international cooperation as stipulated in article 6.2 of the Paris Agreement. Nigeria will also prioritise working towards establishing an emissions trading system and carbon tax as a medium to long term goal.
3. Nigeria's participation in the carbon market is premised on the objective of article 6 of the Paris Agreement which is basically the achievement of the NDCs. Therefore, only carbon projects aligned with the NDC priority sectors shall be considered for authorisation.

Figure 5: Nigeria's Engagement in Carbon Markets



4. Nigeria seeks to engage in a carbon market that is efficient and innovative by pursuing a blend that incorporates the VCM, Article 6, emissions trading system, and carbon tax. Immediate priorities include engaging in VCM and Article 6. The

emissions trading system and carbon tax will be developed in medium- and long-term view as the modalities to ensure the development of the market are currently being developed.

Article 6 of the Paris Agreement

5. Nigeria will engage in both market and non-market-based mechanisms as stipulated in Article 6 of the Paris Agreement.
6. Nigeria, as a sovereign state, has the sole discretion to participate in Article 6 mechanisms.
7. Nigeria will ensure that:
 - i. Voluntary cooperation with other Parties under Article 6 will allow for higher ambition in mitigation and adaptation actions.
 - ii. Voluntary cooperation will promote sustainable development.
 - iii. Voluntary cooperation will promote environmental integrity and transparency.
 - iv. Voluntary cooperation, participating entities and the transfer of the units resulting from Article 6.2 and 6.4 activities will be authorised by Nigeria, subject to meeting the regulatory requirements and eligibility criteria established by the country.
8. 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.3¹⁹.

Guiding Principles: Article 6.2

9. 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:
10. 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

¹⁹ Decision 2/CMA.3 Guidance on cooperative approaches referred to in Article 6, paragraph 2, of the Paris Agreement

mechanism is in line with national obligations as stipulated in the NDC. The process for approval will follow the requirements as contained in the Manual of Procedures.

11. Mitigation activities must contribute to the reduction of greenhouse gas emission targets as indicated in the NDC, low-carbon, climate resilience, improving livelihoods of the communities, and sustainable economic development in the country, as per the respective procedure detailed in the Manual of Procedures.
12. Nigeria will authorise mitigation outcomes from projects 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 towards Nigeria's NDC goals. Nigeria must ensure that participation in Article 6 is geared towards achieving its NDC and as such, this cannot be compromised.
13. Nigeria will provide clear rules on the possibility of a change of use purpose of ITMOs authorized under Article 6.2.
14. On authorizing ITMOs, Nigeria will ensure that only mitigation outcomes originating from its conditional NDC target can be authorized. Nigeria's participation in the carbon market is premised on the objective of article 6 of the Paris Agreement which is basically the achievement of the NDCs. Therefore, only carbon projects aligned with the NDC priority sectors shall be considered for authorisation under article 6.2.
15. 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

16. 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.
17. 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.

18. Nigeria will consider approving activities for Article 6.4 mechanism for international cooperation.
19. Nigeria will provide clear rules on the possibility of a change of use purpose of ITMOs authorized under Article 6.4.
20. 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.
21. 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.
22. In line with the requirement of Article 6.4's mechanism, the NCCCS remains the Designated National Authority responsible for communicating with the UNFCCC secretariat.

Guiding Principles: Article 6.8





23. 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.
24. The non-market approach will be defined as all instruments outside carbon credit generation. This non-market mechanism will involve strategies that will amplify nature-based solutions and climate resilience such as mangrove restoration, conservation, and protection; public and private sector initiatives focused on GHG reductions; and policies that do not involve the buying and selling of ERR units.
25. Nigeria reserves 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.

Voluntary Carbon Market (VCM)

VCM as a Pathway to Nigeria's Carbon Credit Potential

26. 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.
27. 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.
28. 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%)²⁰ (see Table 2)

Table 2: Status of VCM in Nigeria

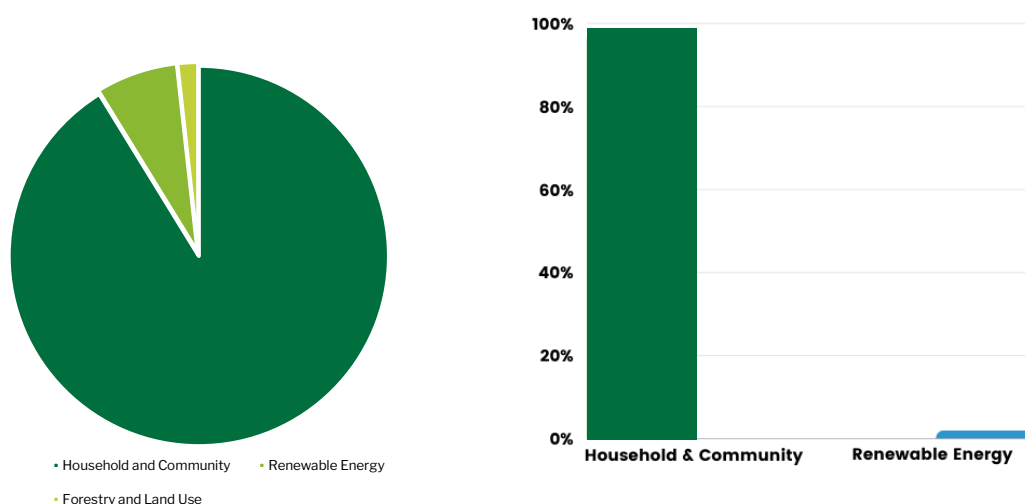
	Description	Value
	Total Carbon Projects Registered	57
	Total Carbon Credits Issued	5.8 MtCO ₂
	Total Carbon Credits Retired	2.7 MtCO ₂
	Total Carbon Credits Remaining (not retired)	3.1 MtCO ₂

Source: ACMI

Figure 6: VCM Project Registrations by Activity.

²⁰ 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.

Figure 7: Carbon Credits Issued by Activity²¹



29. 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.

Guiding Principles

30. 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.²²
31. 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.
32. In line with the vision to be Africa's leading hub for high integrity and high-quality carbon credits, and more so, stop the practice of selling carbon credits below their value, Nigeria will authorise and correspondingly adjust carbon credits from VCM projects where the projects meet the requirements

²¹ Africa Carbon Markets Initiative (ACMI)

²² 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).

and eligibility criteria for authorisation. Project developers investing in VCM projects and requiring authorisation of units will refer to the same requirements as the ones defined for Article 6.2 activities, including obtaining an eligibility letter, approval and authorisation for the transfer of ITMOs as per the respective procedures described in the Manual of Procedures.

33. 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:

- i. **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.
- ii. **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, Health, and Social Impact Assessments where required.
- iii. **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. Project developers are mandated to show evidence of community involvement in the project and a whole of society approach in delivering the project. The project must be shown to improve livelihood and drive sustainable development of the host community.
- iv. **Transparency and Disclosures, including Continuous Monitoring and Verification:** Developers will adopt stringent standards and methodologies for the quantification, monitoring, reporting and verification (MRV) of carbon credits to ensure their environmental integrity.
- v. **Integrating Environmental and Social Safeguards:** Project developers will implement safeguards as part of the project design and ensure that projects contribute to sustainable development.

- vi. 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.

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

- i. Designing and Implementing Fiscal and Economic Incentives: As described in "Part V: Fiscal Incentives and Policies" section, the Federal Inland Revenue Service (FIRS) in collaboration with the National Council on Climate Change Secretariat (NCCCS) 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.
- ii. 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 recognised globally. The National Council on Climate Change Secretariat (NCCCS) 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.
- iii. Capacity Building and Awareness: The National Council on Climate Change Secretariat (NCCCS) will undertake 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.
- iv. 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.
- v. 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.

- vi. 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 standardised 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.
- vii. Nigeria will consider collaborating with technology-based market entrants²³ introducing innovative solutions for monitoring, reporting, and verification (MRV) to enhance the MRV processes for carbon projects.
- viii. Establishing Market Integrity Mechanisms to Promote High Integrity Carbon Credits by:
 - a) Ensuring the national registry will have a mechanism in place to prevent double-counting.
 - b) 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.
 - c) Nigeria will consider leveraging emerging trends such as the Integrity Council for the Voluntary Carbon Market (ICVCM)²⁴ 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

²³ 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).

²⁴ 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.

transactions to build trust with international buyers and investors.

Emissions Trading System and Carbon Tax

Guiding Principles

Type of mechanism

35. The Climate Change Act 2021 mandates the implementation of carbon pricing mechanisms in the form of the carbon tax and emission trading system.
36. Nigeria will prioritise working towards establishing an emissions trading system and carbon tax as a medium to long-term goal.
37. To develop the carbon pricing mechanism, Nigeria will implement a carbon tax with a focus on the high carbon intense/emitting sectors as stipulated in the NDC.
38. Companies and businesses within the high carbon intense/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.
39. Reporting will follow strict integrity principles and standardisation procedures as specified in the IFRS S2.
40. As compliance carbon markets continue to evolve, the Government intends to ensure that the carbon pricing mechanism leads to tangible emissions reductions without undermining competitiveness or causing undue economic hardship.
41. As stipulated in the Climate Change Act 2021, revenues actualised from the carbon tax and emission trading system will be deposited in the Climate Change Fund (CCF) and utilised as stipulated in the CCA.
42. 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

43. Nigeria will establish an emissions trading system and carbon tax in selected sectors based on whole of government and whole of society

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.

Reporting obligations for covered sector/entities

44. Entities covered by Nigeria's carbon tax system will comply with the reporting requirements below to ensure transparency and accountability.
45. Entities will report their total greenhouse gas emissions in metric tons of CO₂-equivalent, for each annual reporting period.
46. 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).
47. 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.
48. Entities will maintain records of all data and methodologies used for reporting.
49. Entities will strictly adhere to annual GHG emissions reporting deadlines.

Enforcement mechanism

50. The Government will ensure that obligations on the entities covered under the compliance carbon pricing schemes are enforceable.
51. 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.
52. The penalties will be enforceable and adequate to deter non-compliance. As stipulated by the Act, the Penalties will be paid into the Climate Change Fund.

Use of Voluntary Carbon Credits

53. Entities may use voluntary carbon market credits to meet their carbon tax obligations, provided such entities comply with the following provisions:
 - i. The entity will ensure that the carbon credits are certified by recognised standards, following defined rules, and that the

emissions reductions underlying the carbon credits are verified by a qualified third party, as defined by the carbon standards. The standards list will be published by the Designated National Authority.

- ii. 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.
- iii. 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.
- iv. The entity will maintain detailed records of the purchase, transfer, and use of the carbon credits, including contracts and verification reports.
- v. 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

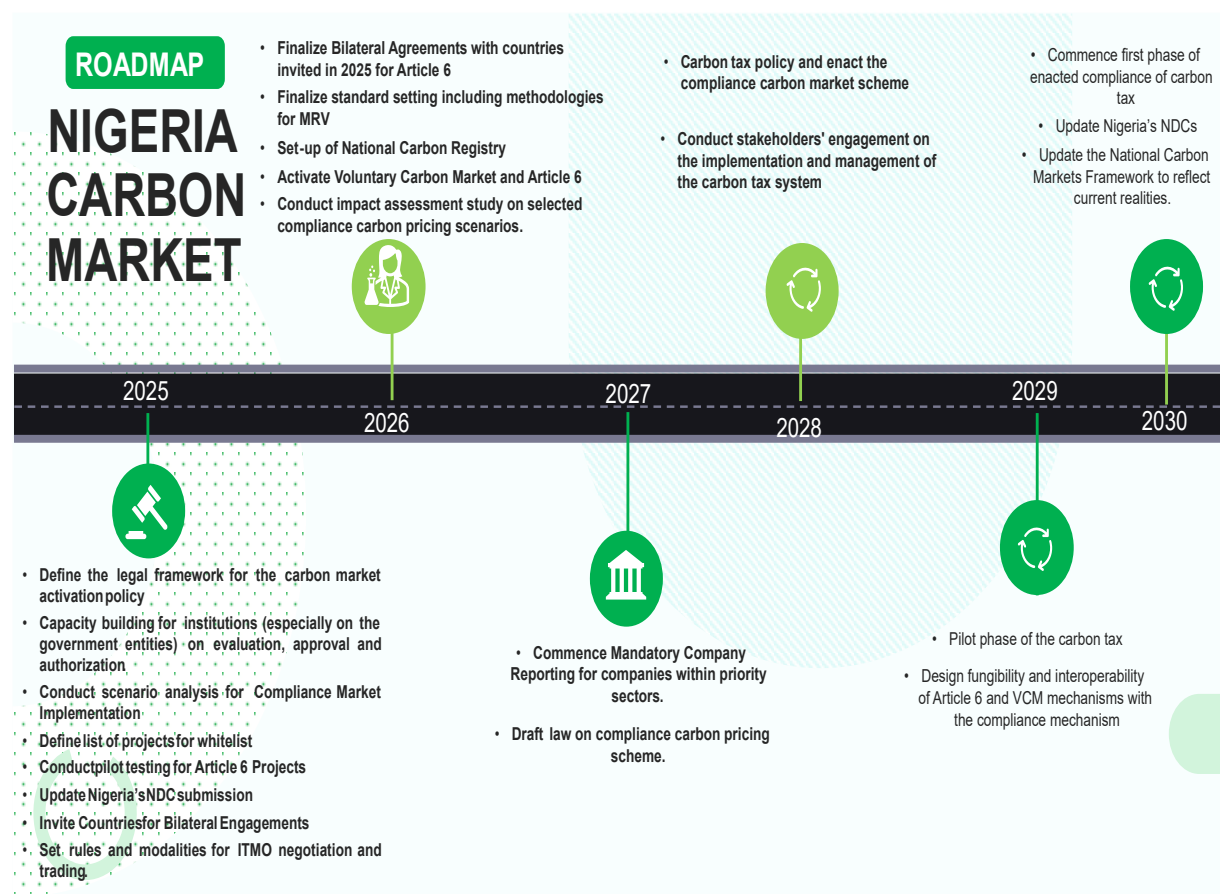
54. In accordance with section 15 of the Climate Change Act 2021, the revenues actualised from the ETS and Carbon Tax will be paid into the Climate Change Fund (CCF) and the fund is to be applied towards:

- i. Operations of the Council and the Secretariat and this includes administration cost, payment of emoluments, allowances, and benefits of the members of the Council and Staff of the Secretariat; development and maintenance of Council property; payment of auditors' fees.
- ii. Climate Change advocacy and information dissemination
- iii. Funding Climate change mitigation and adaptation projects
- iv. Research on climate change impact
- v. Incentivise private and public entities in efforts to transition to clean energy and sustain a reduction in GHG emissions
- vi. Any other expenditure connected to any function of the Council

Nigeria Carbon Market 2030 Implementation Roadmap

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

Figure 8: Nigeria Carbon Market Roadmap



Part IV: The Carbon Market

Regulatory Considerations

1. The Carbon market holds 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).
2. Specifically, investors need to be certain about the financial prospects of their investments in carbon projects. Similarly, buyers require assurance regarding the quality (that is, 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, the clarity of the rights and obligations of the actors involved in carbon projects is important in providing certainty in the market.
3. 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 authorisations under Article 6, and procedures relevant to mitigation activity development (for example., 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.
4. As part of its activation policy, in addition to the Climate Change Act 2021 that provides the legal foundation for Nigeria's participation in the carbon market, the National Council on Climate Change shall, per its mandate stipulated in section 32 of the Act, provide the Carbon Market Regulations. These Regulations shall govern the carbon markets in a way that supports the scaling up of high-integrity and high-quality carbon market activities and provides flexibility for carbon transactions. The Regulations will offer market participants a predictable and stable regulatory environment for their investments. The Regulations will provide clarity on issues such as:
 - i. 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 Regulations will also clarify the link between the VCM and Article 6, as well as the

circumstances under which VCM credits can be authorised and correspondingly adjusted.

- ii. 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 Nigerian 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.
- iii. Providing clarity on the rules and requirements applicable to carbon project development. Among others, the Regulations 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.
- iv. Institutional framework and responsibilities. The Regulations will specify institutions with responsibilities relevant to carbon market governance and will clearly define which institutions will perform which functions.
- v. 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 the Regulations.
- vi. Implementation of Article 6: Nigeria will establish clear rules and procedures for mitigation outcomes authorisation. Additionally, it will establish clear rules for revocation or changes of already granted authorisations, 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.
- vii. National carbon registry: The Climate Change Act mandates the Secretariat of the NCCC 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 interoperability of the national registry with other private or international registries as needed. Nigeria has submitted an expression of interest to be part of the UNFCCC Article 6 Registry.
- viii. 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, authorisation

or corresponding adjustment. The remedies may include compensatory damages and restitution.

- ix. 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 (for example, direct payment for services or a managed fund), and define carbon rights related to projects. The mechanism will be designed in a way that incentivises various stakeholders, especially communities involved in forest management, to further initiate and support emission reduction, removals or avoidance projects.
- x. Environmental and social safeguards will be implemented by project developers based on Article 6 Rulebook and local considerations. Also, guide social contribution for carbon projects, and provide a framework for the implementation of carbon projects.
- xi. Fees, penalties, and levies applicable to carbon market activities: The Regulations 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 a 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 Regulations will define administrative fees associated with carbon market procedures (for example, corresponding adjustments, authorisation, transfer, and so on). 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. The Regulations will stipulate activities that will attract penalties.
- xii. The Regulations will stipulate the fiscal incentives for the promotion of GHG emission reduction to encourage private sector participation in the carbon market.
- xiii. Mitigation of overselling risk: The Regulations will define measures to avoid overselling. It will also specify the conditions under which such measures would apply.

Part V: Fiscal Incentives and Policies

Overview of fiscal policies and incentives

1. Another element of policy that complements the carbon market activation policy is explicit green fiscal policy. While the carbon market Regulations 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.
2. 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.
3. 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 considerations for fiscal incentives and policy

Incentives

4. Nigeria will adopt a clear green tax and fiscal policy to promote private entities' participation in the implementation of carbon market activities.
5. Nigeria will develop appropriate fiscal incentives for project developers and investors. These incentives will be aligned with Nigeria's mitigation goals.
6. 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.
7. 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

8. 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:

- i. As stipulated in section 32 of the Climate Change Act 2021, Nigeria is committed to providing fiscal incentives for the promotion of GHG emission reduction and to encourage private sector participation in climate actions, and this includes the carbon market.
 - ii. Allowing accelerated capital allowance (ACA) for assets related to carbon reduction projects (for example, renewable energy installations, energy-efficient technologies). The provision of the 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.
 - iii. Granting initial and annual capital allowance for Qualifying Research and Development Expenditure for carbon reduction projects.
 - iv. Allowing companies to deduct expenses related to Research & Development (R&D) for carbon reduction technologies from their taxable income.
9. 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.
10. 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

11. 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).
12. 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.

13. 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.
14. To cover the opportunity cost of meeting its NDC and to mitigate against the risk of overselling, Nigeria will introduce a fee. In addition, the government will provide a negative list to guide the market players.
15. 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

1. To boost confidence in the carbon market, distinct institutional roles are crucial. This part of the policy document spotlights the institutional framework that will support the implementation of a carbon market in Nigeria. 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 operationalisation of the various market mechanisms. This will ensure that there is no overlapping (or duplication) of responsibilities across various institutions.
2. Established by the Climate Change Act 2021, the National Council on Climate Change (NCCC) is the foremost body mandated to ensure a robust carbon market in Nigeria, given the composition of the Council, which is as follows:

The President of the Federal Republic of Nigeria	The Chairman of the Council
The Vice President of the Federal Republic of Nigeria	The Vice Chairman of the Council
The Minister responsible for Environment	Member
The Minister responsible for Petroleum Resources	Member
The Minister responsible for Budget and National Planning	Member
The Minister of Justice	Member
The Minister responsible for Mines and Steel Development	Member
The Minister responsible for Finance	Member
The Minister responsible for Agriculture and Rural Development	Member
The Minister responsible for Power	Member
The Minister responsible for Women Affairs	Member
The Minister responsible for Transportation	Member
The Minister responsible for Water Resources	Member
The Governor of the Central Bank of Nigeria	Member
The National Security Adviser	Member
The Chairman of Nigeria's Governors' Forum	Member
The President of the Association of Local Governments in Nigeria	Member
A representative of the private sector on climate change or environment related matters	Member
A representative of women, youth, and persons with disabilities	Member

A representative of environment related civil society organisation
The Director-General / Chief Executive Officer Secretary

3. The Council shall undertake the following responsibilities:

- i. Approve the carbon market activation policy and manual of procedures.
- ii. Shall, as stipulated in section 32 of the Climate Change Act 2021, make regulations to supervise market-based mechanisms and instruments relating to climate change, provide fiscal incentives for the promotion of GHG emission reduction, and encourage private sector participation in climate actions. The Council shall accordingly approve the following Regulations: (a) Nigeria Carbon Market Regulations, (b) the Nigeria Carbon Tax Regulations, and (c) the Nigeria Emissions Trading Regulations, to promote and enhance market demand for carbon credits and engender a robust carbon market in Nigeria.
- iii. Provide overall leadership and strategic direction to the NCCC Secretariat.
- iv. Oversees the Implementation of the carbon market.
- v. Ensure that Nigeria's carbon market activities are aligned with international standards and commitments, such as those under the Paris Agreement.
- vi. Approve policies and regulations necessary to support the growth and sustainability of the carbon market while ensuring alignment with national climate goals and international commitments.
- vii. Approve structures for carbon trading, including trading platforms to boost demand and ensure liquidity.
- viii. Approve the list of accredited auditors, validators, and verifiers submitted by the Secretariat and signed off by the Financial Reporting Council of Nigeria.
- ix. Authorise the transfer of ITMOs.
- x. Approve the development and financing of carbon reduction projects.
- xi. The relevant Ministry members shall consider and make determinations on carbon project concept notes as they relate to their ministry. Approval

of such shall be promptly communicated to the Secretariat for onward transmission to the necessary parties.

- xii. The Ministry for Finance and the Ministry for Industry, Trade, and Investment shall facilitate carbon project development and Mitigation Outcomes (MOs) activity development.
 - xiii. The Ministry for Justice, in collaboration with the Ministry of Foreign Affairs, give direction on proposed bilateral agreements under Article 6, voluntary cooperation, and signs on behalf of Nigeria such approved bilateral agreements.
 - xiv. The Ministry for Finance, the Ministry of Foreign Affairs, and the Ministry for Industry, Trade, and Investment shall jointly lead negotiations related to the carbon markets and carbon management on behalf of Nigeria, aiming to secure favourable terms and agreements that support Nigeria's climate action plans. The Secretariat is to ensure these Ministries are well prepared in all areas concerning this mandate.
 - xv. The Council shall approve all requests for a Letter of Authorisation. To ensure seamless delivery of this, the Council shall convene quarterly (namely January to April, in that order). The Secretariat of the National Council on Climate Change (NCCCS) shall submit to the Council for approval all requests for a Letter of Authorisation.
4. Established by section 7 of the Climate Change Act 2021, the Secretariat of the National Council on Climate Change (NCCCS) is the administrative, scientific, and technical component of the National Council on Climate Change (NCCC). The NCCCS is the sole regulatory entity in Nigeria with the statutory responsibility of enforcing compliance with the Climate Change Act. The Secretariat is responsible for ensuring cohesion and synergy in the mainstreaming of climate action in the operations of all ministries, departments, agencies, the private sector, and individuals within all sectors of the Nigerian economy.
5. Furthermore, the Secretariat is the Designated National Authority to the United Nations Framework Convention on Climate Change (UNFCCC). The Secretariat supports the Council in the implementation of the Convention, the Kyoto Protocol, and the Paris Agreement.
6. The Secretariat will provide the day-to-day administrative support in its capacity as the carbon market office. This includes:

- i. Advise the Council on measures and the control of carbon market activities being carried out by stakeholders to ensure compliance with the Regulations.
- ii. Providing technical advice to the Council on the development of rules and guidelines that will help stimulate carbon market transactions. This includes the review of existing policies and regulatory frameworks to identify gaps and opportunities for enhancing the effectiveness of the carbon market. Also, monitoring and evaluating policy and regulatory changes in relevant sectors and the carbon market to ensure the strategies address the country's commitment to reducing GHG emissions.
- iii. Facilitate stakeholder consultations and engagements to gather input and feedback on any proposed policies and regulatory measures.
- iv. Convene stakeholder engagement to increase public participation and awareness of the benefits and opportunities associated with the carbon market; build support for carbon market initiatives; facilitate dialogue and collaboration among stakeholders; and promote knowledge exchange on best practices in the space. In addition, track stakeholder feedback and concerns and incorporate them into advocacy and engagement efforts to address stakeholder needs and priorities.
- v. The Secretariat shall be responsible for issuing the letter of no objection and the letter of authorisation. The letter of authorisation shall only be issued with the approval of the Council. The LOA shall be issued to cover ITMOs from each eligible mitigation activity before registration on the Carbon Registry. The LOA for any ITMOs arising from an eligible mitigation activity shall be issued for a specified number of years as stipulated in the Regulations. All letters of no objection and authorisation must be published on the Secretariat's website within seven (7) working days of issuance.
- vi. Submit to the relevant ministry the carbon project concept notes and project design documents for their consideration and approval.
- vii. Register the approved carbon projects and their crediting period following the Manual of Procedures and publish on the Secretariat's website the list of projects and project entities generating MOs.
- viii. Collaborate with research institutions, philanthropic organisations, donor agencies, and development partners to drive research, innovation, and capacity building on the development of methodologies related to carbon credit generation, best practices, and new technologies in the carbon market space.

- ix. Collaborate with the National Information Technology Development Agency (NITDA) and Nigeria Sovereign Investment Authority (NSIA) to establish an emission transaction registry to create and issue mitigation outcomes, including links with international carbon registries and exchanges, where required.
- x. Collaborate with the Financial Reporting Council of Nigeria to set up and maintain a process for accrediting independent assessors for auditing, validation and verification; advise the Council on the selection and oversight of third-party entities, such as auditing, validators and verifiers (VVBs), to ensure they meet the required standards; to manage and supervise transparency and accounting requirements of recording and reporting emissions balance and corresponding adjustments. including
- xi. Collaborate with the Nigeria Commodity Exchange (NCX) to create and implement a carbon trading platform and certification process to drive national, regional, continental, and international carbon credit trade and ensure liquidity.
- xii. Monitor and report to the Council registered carbon projects and project proponents' compliance with the Regulations.
- xiii. The Secretariat shall be responsible for registering all VCM and Article 6 project/mitigation activity developers and publishing this list on its website and ensuring periodic updates.
- xiv. Provide relevant information, support, and feedback to project developers and project proponents in carbon projects; guide project proponents on operationalising Article 6 of the Paris Agreement on cooperative approaches, rules, modalities and procedures, including approval and authorisation of activities and the project proponents.
- xv. Work with the Ministry for Finance and the Ministry for Industry, Trade, and Investment to represent the country in high-level discussions and negotiations, both nationally and internationally, regarding the carbon market. Also, report and advise the Council on the outcomes and progress of these negotiations, ensuring alignment with national priorities and policies.
- xvi. Guide the application of corresponding adjustments and project eligibility and implement the different processes according to the Manual of Procedures.

- xvii. Keep and update a list of recognised carbon standards and ensure accurate assessment of carbon credits through effective MRV processes, including setting standards, evaluations, and facilitating audits.
 - xviii. The Secretariat shall comply with all the reporting requirements for participating in Article 6 of the Paris Agreement. This will also include periodic reports to the Council on updates on Nigeria's participation in the carbon market, ensuring that Nigeria's contributions and commitments to international climate agreements are effectively communicated and upheld.
7. The Federal Inland Revenue Service (FIRS) shall, as mandated by section 4 of the Climate Change Act 2021, develop the mechanism for carbon tax

Roles and responsibilities of other market participants

Mitigation activity proponents/project developers

8. 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.
- i. MAP will be responsible for developing mitigation projects that reduce or sequester greenhouse gas emissions.
 - ii. MAP will ensure that the projects meet the standards and methodologies of recognized certification bodies
 - iii. MAP will be responsible for accurately measuring and reporting the emissions reductions achieved by the project.
 - iv. MAP will ensure that all data associated with the project are verified by third-party auditors to ensure credibility.
 - v. 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

9. Validation and Verification Bodies (VVBs) play a critical role in ensuring the integrity and quality of all carbon market projects. The VVBs will,
- i. Be accredited or have carbon standard approval that allows them to act as VVBs in Nigeria.
 - ii. Validate. They must assess if a project meets all the necessary rules and requirements before it is registered.
 - iii. Review project documentation, methodologies, and plans to ensure they comply with the relevant standards as defined in Nigeria.
 - iv. Provide an unbiased assessment of the project's compliance with standards and regulations.
 - v. Verify that the reported mitigation outcomes, that is, emission reductions, are accurate and have been achieved according to the project's documentation and standards.
 - vi. Certify the emission reductions or other environmental benefits achieved by the project, which is essential for the issuance of carbon credits in Nigeria.
 - vii. Prepare detailed reports on their findings, which are submitted to the relevant certification bodies and stakeholders.
 - viii. Ensure ongoing compliance with relevant standards throughout the project's lifecycle, conducting periodic reviews, validation and verification as required.

Glossary

Term	Definition
A6.4ERs (Article 6.4 Emission Reductions)	A6.4ERs (Article 6.4 Emission Reductions) refer 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 authorise 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.