



Carbon Credits in Nigeria – What are the Prospects?

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Foreword

The increasing urgency to address climate change has led to a global call for concerted action, and carbon markets have emerged as one of the pivotal initiatives in this endeavour.

The establishment and expansion of carbon markets offer nations, businesses, and individuals an opportunity to contribute to the global efforts towards reducing greenhouse gas emissions while unlocking economic potential. Globally, carbon markets have been identified as critical to improving climate finance, enabling countries to meet their Nationally Determined Contributions (NDCs) under the Paris Agreement while encouraging innovation and investments. Africa, with its wide range of natural capital and untapped renewable energy potential, is seen as an under explored geographical area for a functional carbon trading system, and Nigeria is positioned to play a role in its transformation. In this context, Nigeria stands at a critical juncture, with the promise of both substantial environmental benefits and significant economic opportunities that carbon credits present.

As one of Africa's most resource-rich nations, Nigeria possesses a vast array of natural assets, including forests, wetlands, and a rapidly growing renewable energy sector, which can serve as the foundation for an effective carbon credit system. These resources, combined with Nigeria's growing commitment to sustainable development and climate action, position the country towards being a key player in the global carbon market. The opportunities extend beyond climate mitigation. Carbon markets can strengthen rural development, empower local communities, and create thousands of sustainable jobs. They attract foreign investment, stimulate innovation in clean technologies,

and open new pathways for Nigeria to diversify its economy outside of fossil fuels. However, the path to fully realising the potential of carbon markets is complex and requires coordinated efforts from the government, the private sector, and local communities, underpinned by strong regulatory frameworks and international collaboration.

Recent developments in Nigeria's carbon market ecosystem, including the finalised and approved Nigeria Carbon Market Activation Policy (CMAP), the activation of the Climate Change Fund and the inclusion of the National Council on Climate Change into the national budget, have created a significant opportunity for stakeholders to engage in carbon credit trading. These initiatives have the potential to enhance Nigeria's participation in international carbon markets and provide a clear framework for trading carbon credits. By leveraging carbon credits, Nigeria can mitigate climate change impacts, foster new industries, create jobs, and attract investments that will drive economic growth.

This article therefore explores the dynamic potential of the Nigerian carbon market, providing insight into the carbon market landscape, the evolving opportunities for businesses and other relevant stakeholders to engage in sustainable practices while achieving both national and global climate targets. It serves as a valuable resource for policymakers, business leaders, and all stakeholders involved in the development of Nigeria's carbon market, offering insights to ensure that the country optimises the opportunities presented by this emerging global market. By embracing the carbon credit system, Nigeria can contribute significantly to a more sustainable and prosperous future for its citizens and the world.



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Foreword

Introduction

I The Concept of Carbon Credits

As the world faces rising temperatures, extreme weather events, and the increasing impacts of climate change, the discussion around carbon credit has gained prominence in recent years. Following the escalating threats of climate change, there is mounting pressure on governments, companies, and individuals to reduce their carbon footprints, and the use of carbon credits has emerged as a key component in the strategies for achieving this goal. They have become a key tool for nations, towards meeting the targets of the Paris Agreement, which aims to limit the global average temperature to well below 2°C above pre-industrial levels, and increasing efforts to restrict the temperature increase to 1.5°C above pre-industrial levels.¹ In January 2025, the World Meteorological Organization (WMO) confirmed 2024 to be the warmest year on record with a global average surface temperature of 1.55 °C above pre-industrial levels.² This does not mean the world has failed to meet the Paris Agreement's target, as the goal refers to long-term temperature changes over decades, not fluctuations in individual months or years.³ However, it is a clarion call to increase ambition and accelerate action on the global climate goal, and the carbon market can help in achieving this.

Carbon credits are generated through various eco-friendly initiatives, including nature-based projects, climate technologies, and other human activities that deliberately prevent or reduce CO₂ emissions. For Nigeria, a country with rich natural resources and considerable environmental challenges, carbon credits present a great opportunity. The nation can benefit from carbon credit schemes through projects focused on renewable energy, reforestation, and sustainable land use. It can serve as a valuable instrument for promoting sustainable development in Nigeria while contributing to the global efforts to combat climate change. This necessitates addressing several key factors including developing a robust regulatory framework, securing investments, and creating systems for monitoring and verifying emissions reductions.



¹ [The Paris Agreement | UNFCCC](#)

² [WMO confirms 2024 as warmest year on record at about 1.55°C above pre-industrial level](#)

³ [1.5°C: what it means and why it matters | United Nations](#)

Thematic Drivers of the Carbon Market

The carbon market landscape is evolving rapidly as nations strive to meet some of their climate change mitigation ambitions through viable carbon credits. This market plays a crucial role in facilitating emission reductions through trading mechanisms. Thematic drivers, ranging from growing regulatory requirements to changing investor sentiment, are reshaping market dynamics and influencing future growth. The key drivers of the carbon offset market have been elaborated below:

a. Rise in Carbon Reduction Targets

As pressure mounts for climate accountability, businesses and governments alike are increasingly adopting ambitious targets to reduce carbon emissions. Key market players in the carbon market - corporate firms, governments, and institutional investors are engaging in activities such as:

- Corporate Climate Pledges:** There is a significant rise in demand for carbon offsets from corporate entities.⁴ Under Section 24 of the Nigerian Climate Change Act 2021 (CCA), private entities in Nigeria with a workforce of 50 employees or more are legally obligated to align their emissions reduction pledges with the national climate action plan and carbon budget. This provision is to ensure that corporate commitments are not merely voluntary but are integrated into Nigeria's overarching climate strategy⁵. Also, as a result of the adoption of the ISSB standards in Nigeria, the IFRS S2 (climate-related disclosures) requires corporates to disclose their gross or net greenhouse gas emission (GHG) targets.
- Government Commitments:** Similar to corporate climate pledges, governments and countries that joined the Paris Agreement have established and submitted plans for reducing their carbon emissions through the Nationally Determined Contributions (NDCs).⁶ The development of Nigeria's NDC and several other net-zero initiatives across the various levels of government has been a major driver of climate action. These efforts are shaping the policy environment and encouraging various stakeholders to implement initiatives that align with the NDC.
- Institutional Investors Expectations:** Asset managers also contribute to climate action by increasingly recognising the importance of responsible investment through their considerations in allocation of funds to either carbon-intensive issuers or towards climate change mitigation and adaptation initiatives such as renewable energy. Mobilising private and public sector capital for climate-friendly projects, together with programmes such as the Nigerian Green Bond Market Development Programme launched by the Nigerian Exchange Group (NGX) in 2017, is driving the demand for carbon credits and the need for a viable market for carbon offsetting. The programme's focus on innovative climate financial solutions intends to attract investors seeking carbon-intensive projects, which will enhance liquidity in the Nigerian carbon market.



⁴ [Report on CORSIA applications and carbon market development \(Deliverable 3.2\)](#)

⁵ [Nigeria Climate Change Act 2021](#)

⁶ [What Drives The Carbon Offset Market Growth? \(3 Key Factors\)](#)

b. Increased Profitability Potential of the Trading Market

Some carbon credit buyers are acquiring offsets with the intention of retiring them later to compensate for their future environmental impact.⁷ This is where carbon credit futures, which is a financial instrument that allows companies to buy and sell credits related to carbon offset projects at a predetermined price, with delivery set for a future date become a feasible option. For retail investors seeking direct participation in the voluntary carbon market, purchasing futures is an opportunity that can be considered.

With projections indicating a rise in carbon offset prices over time⁸, an increasing number of buyers are seeking ways to participate in the market, while new investors are entering with the goal of selling futures at elevated prices in the future. Hence, there is a growing awareness of the emission trading system.

c. Growing Regulatory Requirements (Compliance)

The Emission Trading System (ETS) operates within the compliance market and while ETS is a system that establishes a cap on the total greenhouse gas emissions allowed in the market, it is distinct from the Voluntary Carbon Market, which allows businesses, organisations, and individuals to buy and

sell carbon credits on a voluntary basis.⁹ Currently, in Africa, there is increasing interest in ETSs in several countries across the continent with several countries still in the process of exploring or developing the ETSs. While South Africa has carbon pricing regulations enacted, Botswana, Côte d'Ivoire, Gabon, Nigeria, and Senegal have all declared interventions to introduce either a carbon tax or an ETS¹⁰.

In the past, carbon credits from offset projects were mainly traded in the voluntary carbon market (VCM). However, there is an increasing trend toward their integration into compliance markets.¹¹ Recent forecasts suggest that, over time, many compliance markets will broaden to encompass additional sectors in an effort to achieve net-zero emissions.¹² As additional sectors with limited options for decarbonisation become part of the net-zero transition, there will likely be an increased dependence on carbon offsets.

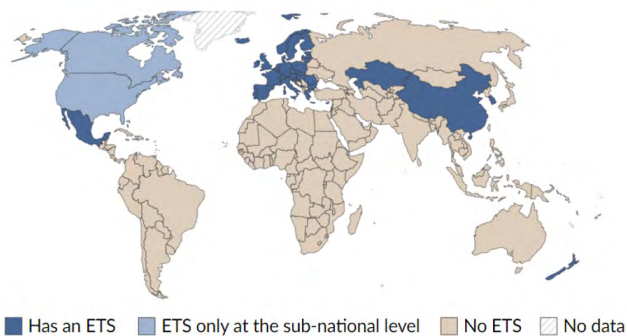
The development of an ETS in Nigeria has the potential to drive the carbon market by creating a financial incentive for companies to reduce emissions. This would create demand for carbon credit, stimulating market activity and encouraging project developers to invest in emission-reducing initiatives.

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While South Africa has carbon pricing regulations enacted, Botswana, Côte d'Ivoire, Gabon, Nigeria, and Senegal have all declared interventions to introduce either a carbon tax or an ETS.

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Figure 1: Compliance market emission trading system across regions



Source: Dolphin and Xiahou (2022) and Our World in Data (2023 updated)¹³

⁷ Report on CORSIA applications and carbon market development (Deliverable 3.2)

⁸ Report on CORSIA applications and carbon market development (Deliverable 3.2)

⁹ Regulating carbon markets

¹⁰ Open Knowledge Repository

¹¹ What Drives The Carbon Offset Market Growth? (3 Key Factors)

¹² What Drives The Carbon Offset Market Growth? (3 Key Factors)

¹³ Which countries have a carbon emissions trading system? 2024

Carbon Market System in Nigeria

I Current State of the Nigerian Carbon Market

Nigeria made a landmark commitment at COP26 in Glasgow, pledging to achieve net-zero emissions by 2060. This ambitious goal was reinforced by the passage of the Nigeria Climate Change Act in 2021 and the establishment of the National Council on Climate Change (NCCC). To reiterate the country's commitment to net-zero by 2060, Nigeria indicated her intent to collaborate with the Africa Carbon Markets Initiative (ACMI) as a means to grow the national and regional carbon market at COP 27. In October 2022, the ACMI estimated that Nigeria can generate up to 30 million carbon credits annually by 2030, with a potential earning of over \$500 million per year, estimating \$20 per credit.¹⁴

Nigeria has taken steps towards the development of a robust and transparent carbon credit market and system. This is driven by the country's domestic realities and aligns with global benchmarks and leading practices. In August 2022, the Nigerian government announced the launch of the Emissions Trading Scheme. This scheme is mandated to establish a cap on greenhouse gas emissions for entities and offer policy recommendations to guide the country's transition to a green economy. Nigeria's ETS is aligned with the Climate Change Act 2021, leveraging a carbon market-based approach to reduce greenhouse gas emissions and propel the country toward its net zero ambition.

The NCCC in June 2023, published the "Regulatory Guidance on Nigeria's Carbon Market Approach". This move demonstrated the council's effort to establish a governance framework for Nigeria's Carbon Market, following a preliminary analysis. The publication followed the commitment made by the President, Bola Ahmed Tinubu at COP 28 to reduce Nigeria's carbon footprint as well as plans by the Federal Government, in collaboration with the Africa Carbon Market Initiative, to tap from the carbon market which has an estimated value of \$2.5 billion.¹⁵

Also at COP 28, the country unveiled plans to establish the Intergovernmental Committee on Carbon Market Activation (IGCCMA) to create a blueprint to drive an efficient sustainable carbon market ecosystem. The committee was formally inaugurated in March 2024, thereby activating Section 4 of the Climate Change Act. This set in motion the development of a fit-for-purpose national carbon market policy, encompassing the guiding principles of Article 6 of the Paris Agreement, the voluntary carbon market, a carbon pricing system (including a carbon tax and emissions trading scheme), and mechanisms to ensure market integrity, transparency, and fraud prevention.¹⁶

In September 2024, Nigeria unveiled the Carbon Market Activation Policy (CMAP) at the United Nations General Assembly in New York to drive the development of a national carbon market.¹⁷ This policy serves as a compelling call for united action and strategic investment in the future. The CMAP was formalised and approved in November 2025 by the President, alongside the activation of the Climate Change Fund and the inclusion of the NCCC into the national budget to drive implementation.¹⁸

¹⁴ [Nigeria Pioneers a Billion-Dollar Voluntary Carbon Market](#)

¹⁵ [Nigeria Aims To Unlock Billions Through Carbon Market Participation](#)

¹⁶ [Nigeria-Carbon-Market-Activation-Policy-060525.pdf](#)

¹⁷ [Nigeria gears up towards a sustainable future - Federal Ministry of Information and National Orientation](#)

¹⁸ [Nigeria Leads West Africa in Climate Commitment, Eyes Investment Boost At COP30 - The State House, Abuja](#)

Although the current initiatives in the Nigerian carbon market system are not yet fully operational in the country, organisations in Nigeria have been proactively participating in the voluntary carbon market. In 2021, Starsight Energy, a Commercial and Industrial (C&I) solar power provider in Nigeria, received carbon credit certification from Verra Verified Carbon Standards (VCS) program, a widely used voluntary greenhouse gas crediting program. Starsight Energy is accredited to produce carbon credits from the Carbon dioxide (CO₂) emission reductions generated by grid-tied solar generation and cooling capacity in Nigeria.¹⁹ In the same year, Nigeria earned about €1 million from the sale of carbon credits generated through the cutting down of carbon emissions in its oil and gas production in joint projects between TotalEnergies and NNPC subsidiary, the National Petroleum Investment Management Services (NAPIMS).²⁰ More recently, in 2024, North South Power Company Limited, a renewable power generation company, recorded ₦877 million as income earned from carbon credits generated by its 600MW Shiroro Hydroelectric Power Plant²¹. By monetising emissions savings, carbon credits create a financial incentive for organisations and individuals to invest in climate change mitigation, fostering a global market-driven approach to reduce the atmospheric concentration of CO₂ and other greenhouse gases.

In 2022, the United Nations Educational, Scientific and Cultural Organization (UNESCO) recorded Nigeria as possessing the largest mangrove ecosystem in Africa and the 5th in the world with a total of at least 7,356 km² of mangrove forest coverage.²² Nigeria's unique coastal profile, characterised by relatively mild physical forces like gentle wave action, tidal currents, wind, low salinity, and abundant rainfall, creates an ideal ecosystem for the mangroves to thrive. They are typically located in the Niger Delta region with Cross River state having a coastal area that covers about 1500km².²³ While the carbon market in Nigeria is still in its early stages, it holds significant potential supported by the country's abundant natural resources, including forests and wetlands.

Future Direction of Global and National Carbon Markets

Globally, there is a trend towards increasing focus on carbon credit quality, with buyers likely to prioritise emissions removal projects, particularly those that are nature-based. The principles of permanence and additionality are crucial in ensuring the integrity, effectiveness and overall quality of carbon credit projects and will play an essential role in determining the future direction of both global and national carbon markets. While permanence focuses on the durability of carbon sequestration or emissions reduction achieved i.e. ensuring that the benefits of the project such as carbon stored in forests or soil are sustained for a long term, additionality seeks to establish that the emissions reductions or carbon sequestration would not have occurred without the specific project in place or in a business-as-usual scenario.

There will be a concerted push for improved standardisation and transparency measures which will allow buyers to better compare carbon credits quality, and a marked shift in buyer preferences towards types of carbon credits over price considerations.²⁴ As carbon markets evolve, they are shifting towards stricter regulations to ensure consistency, credibility, and transparency. This move will help to standardise sustainability disclosures, meeting stakeholders' demands for clear and comparable environmental information.²⁵



¹⁹ [Starsight Energy and SolarAfrica to join forces and transform into one of the largest C&I solar developers on the African continent - Starsight Energy](#)

²⁰ [NAPIMS, TotalEnergies' projects earn Nigeria €1m in carbon credits - Businessday NG](#)

²¹ [North South Power Company Limited](#)

²² [Mangrove Ecosystems of Nigeria - UNESCO Digital Library](#)

²³ [Sustainable Management Approach For Biodiversity Loss in the Mangrove Forest Swamps of the Cross River Estuary | Semantic Scholar](#)

²⁴ [Top 10 Predictions for Climate and Carbon Markets in 2024 - ClimateTrade](#)

²⁵ [Regulating carbon markets](#)

Having launched remarkable climate initiatives (including the Carbon Market Activation Policy, the Climate Change Fund, the Gender & Climate Hub²⁶, the Youth Climate Innovation Platform) and submitted the NDC 3.0, Nigeria arrived COP30 positioned to align with global standards, attract high-integrity carbon investments, and convert its climate commitments into bankable, implementation-ready projects.²⁷ Consequently, the nation returned from the Conference with signed Memorandum of Understanding (MOU) between Nigeria and California to strengthen cooperation on climate, environment and trade.²⁸ Also, Nigeria unveiled the Wind Energy Blueprint to drive clean energy, a shift from policy ambition to project-backed implementation, positioning the carbon market for scalable, high-integrity credit generation and inclusive investment across all regions.²⁹ To strengthen the national carbon market framework, the NCCC, in collaboration with Gold Standard (a leading organisation in carbon and sustainable development standard) advanced discussions on embedding international leading practice into Nigeria's carbon market framework.³⁰ This collaboration will cover establishment of registries, issuance and tracking of credits, and capacity building to ensure transparent, high integrity participation in global carbon trading under the Paris Agreement. The recently released NDC 3.0 reaffirms Nigeria's commitment to support global climate goals, aiming to limit temperature rise well below 2°C and pursuing the more ambitious 1.5°C target, with a pathway to net zero emissions by 2060.³¹ This marks a shift from planning to execution, positioning Nigeria as a credible player in the global carbon economy.

The Nigeria Carbon Market Activation Plan embodies the country's ambition to create a scalable model for the development of carbon markets across Africa. The CMAP propels Nigeria's transformational development, positioning the country as an aspiring player in the global carbon market³². In April 2025, the President of the Federal Republic of Nigeria, President Bola Ahmed Tinubu, revealed that Nigeria's newly finalised Carbon Market Activation Policy will unlock up to \$2.5 billion in high-integrity carbon credits and related investments by 2030.

He added that this will position the country as a centre for climate-smart finance in the African continent.³³ The CMAP has developed a comprehensive **Carbon Market Roadmap (2025–2030)** to guide the phased implementation of its market framework from legal and institutional setup to full-scale activation of a compliant carbon market and tax system.



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The Nigeria Carbon Market Activation Plan embodies the country's ambition to create a scalable model for the development of carbon markets across Africa.

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²⁶ [Nigeria Unveils National Data Hub for Gender and Climate Information at COP30](#)

²⁷ [Nigeria Leads West Africa in Climate Commitment, Eyes Investment Boost at COP30 - The State House, Abuja](#)

²⁸ [Governor Newsom champions historic climate action at global climate summit in Brazil | Governor of California](#)

²⁹ [Nigeria unveils blueprint for clean transition at COP30 - New Daily Prime](#)

³⁰ [Bilateral Meeting Summary: Gold Standard and National Council on Climate Change \(NCCC\) Date:12th November 2025](#)

³¹ [Nigeria NDC 3.0 - Transmission Version 2.pdf](#)

³² [Nigeria gears up towards a sustainable future - Federal Ministry of Information and National Orientation](#)

³³ [Carbon Market Policy to Unlock \\$2.5bn Investments By 2030 — Tinubu • Channels Television](#)

The Nigeria Carbon Market Roadmap: 2025–2030³⁴

Key Actions	Year
Strategic Foundation (2025-2026)	
<ul style="list-style-type: none"> Define the legal framework for the Carbon Market Activation Policy, build institutional capacity, and conduct scenario analyses for a future compliance market Initiate a bilateral engagement and pilot projects that align with the Article 6 of the Paris Agreement, laying the groundwork for international carbon trading 	2025
Finalise bilateral agreements, set standards for monitoring, reporting, and verification (MRV), and establish a National Carbon Registry	2026
Policy and Market Activation (2027-2028)	
Commence mandatory emissions reporting for companies in priority sectors, a key step toward compliance readiness and draft a law for a compliance carbon pricing scheme to be introduced	2027
Develop a carbon tax policy and the enactment of the compliance carbon market scheme	2028
Conduct consultations to support the rollout and management of the carbon tax system	2028
Implementation and Integration (2029–2030)	
Conduct a pilot for the carbon tax in 2029, alongside efforts to ensure interchangeable and interoperable mechanisms between Article 6, Voluntary Carbon Market (VCM), and compliance mechanisms	2029
Commence the first phase of its enacted compliance carbon tax, update its NDCs, and revise the National Carbon Market Framework to reflect evolving realities	2030

To build a resilient and impactful carbon market in Nigeria, concerted efforts from the government, private sector, and local communities will be required. The NCCC has collaborated with key partners, including government agencies, financial institutions, international organisations, and the private sector, to drive climate action in Nigeria. This partnership will accelerate carbon market access and implementation while adopting a cooperative approach consistent with the Paris Agreement. In October 2025, the NCCC, in collaboration with the UNFCCC Regional Collaboration Centre (RCC) West and Central Africa, convened a Validation Workshop to advance the operationalisation of a pilot carbon pricing framework in Nigeria's telecommunications sector³⁵. This forward looking initiative is designed to drive emissions reduction, strengthen institutional coordination, and

lay the groundwork for scaling Nigeria's carbon market across other sectors. The proactive measures taken by the government towards the Nigeria carbon market will help the carbon market thrive and unleash its potential as a profitable industry.

The current state of the Nigerian Carbon Market calls for a collective stakeholder engagement and collaboration among government agencies, private sector, public entities, and civil society organisations.³⁶ This will facilitate the Nigerian carbon market's growth, ensuring rigorous verification and certification of projects, as the validation and verification process for carbon credits involves intricate and costly procedures.

³⁴ [Nigeria-Carbon-Market-Activation-Policy-060525.pdf](#)

³⁵ [Validation Workshop on Operationalizing a Pilot Carbon Tax in Nigeria's Telecommunications Sector | UNFCCC](#)

³⁶ [Nigeria-Carbon-Market-Activation-Policy-060525.pdf](#)

Carbon Tax and Trading System as an Integral Part of the Carbon Credit System

Carbon tax is a levy payable by consumers of carbon-based fuels (like coal, oil, and gas). The tax is levied in proportion to the carbon content consumed i.e. carbon fuels with high carbon content attract higher taxes.³⁷ The main purpose of carbon tax credit is to reduce carbon emissions, which contribute to the overall climate change and environmental sustainability.

In highlighting the prospects of carbon credits in Nigeria, it is also important to outline the role carbon tax will play in achieving net-zero emissions in the country. The idea of carbon tax is to encourage economic actors to reduce their carbon footprint and ultimately foster environmental sustainability. However, the levy is also becoming more attractive to governments worldwide as a means of revenue generation.

Although the Climate Change Act was enacted in 2021, Nigeria's Carbon Tax System established under the legal and regulatory framework of the CMAP, is not yet operational. The CMAP outlines a five-year roadmap to enhance Nigeria's effective participation in the global carbon economy, with the enactment of a carbon tax policy and a compliance carbon market scheme targeted for 2028.³⁸

The CCA provides for a collaboration between the NCCC and Federal Inland Revenue Service (FIRS) to develop a mechanism for carbon tax in Nigeria. Revenue generated through carbon taxes is required to be

remitted into the Climate Change Fund and used for the administrative running of NCCC. It is also a major requirement to use the revenue generated to promote environmentally friendly projects as outlined in the CCA.³⁹ This is consistent with what is obtainable in countries that already have a functional carbon tax system. For example, in South Africa, revenue generated from carbon tax are used to promote low carbon investments in technology and infrastructure amongst other things.⁴⁰

In a typical carbon tax system, carbon tax is usually levied per tons of carbon emitted or purchased by economic agents. Carbon tax can be introduced or regulated by the government at the upstream or downstream in an economy.⁴¹

The upstream allows for carbon tax to be administered at the level of production and distribution. For example, Canada levies carbon tax on fuel when it is being extracted from the ground or imported into the country. The burden of tax can subsequently be passed on to the consumer as far as the market conditions permit. Consequently, this is expected to give consumers and producers an incentive to reduce carbon emissions.

The downstream allows carbon to be administered at the level of consumption. For example, South Africa levies carbon tax on emission by consumers which include companies and individuals.

³⁷ [Back to Basics: What is Carbon Taxation? – IMF F&D](#)

³⁸ [Nigeria-Carbon-Market-Activation-Policy-060525.pdf](#)

³⁹ Climate Change Act 2021

⁴⁰ [South Africa Carbon Pricing and Climate Mitigation Policy in: IMF Staff Country Reports Volume 2023 Issue 195 \(2023\)](#)

⁴¹ [Carbon Pricing Assessment in Nigeria.pdf](#)

Like carbon tax, some jurisdictions also use the cap-and-trade system. For example, California's cap-and-trade system sets a limit on company emissions and allows them to buy allowances from organisations within limit, if the former needs more, serving as a creative financial incentive to reduce emissions.⁴²

Although the carbon tax system is at its novel stage, the Nigerian government has been more intentional about rolling out tax incentives to incentivise energy transition in Nigeria. The VAT modification act 2024 exempts VAT in the renewable energy value chain in Nigeria, while under the Nigerian Tax Act 2025, renewable energy products are exempt from the newly introduced 5% fossil fuel surcharge⁴³. In line with the provisions of the Industrial Development (Income Tax Relief) Act, renewable energy products and businesses are also eligible for pioneer status incentives which exempt their profit from income tax for a maximum period of 5 years and minimum of 3 years. Investors can also leverage the moratorium exemptions that reduces WHT rate on interest payments on foreign loans while investing in Nigeria.⁴⁴

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⁴² [California Cap and Trade - Center for Climate and Energy Solutions](#)

⁴³ [Nigeria-Tax-Act-2025.pdf](#)

⁴⁴ [Investing In Renewable Energy Development In Nigeria - Renewables - Nigeria](#)

Business Case for Carbon Credit Initiatives in Nigeria as a Strategic Tool for Sustainable Development



As Nigeria seeks to achieve sustainable development and economic transformation, carbon credit initiatives offer a compelling opportunity to drive both economic growth and environmental stewardship. With Nigeria being one of the top emitters of greenhouse gases in Africa, addressing climate change has become an urgent priority. By adopting carbon credit systems, Nigeria can attract investment, drive green innovation, and create new revenue opportunities, while also advancing global climate objectives. One question in the mind of many Nigerians may be “how soon can Nigeria embrace carbon tax with a proven gas reserve of more than 209 trillion cubic feet (TCF), and the burning desire to fully explore its gas potential and how it would achieve a balance for energy efficiency and transition?”.

There are a number of compelling business cases for integrating carbon credits into Nigeria’s sustainable development strategy. These are further discussed below:



GHG Reduction

National carbon credit initiatives provide a market-based mechanism for countries to reduce GHG emissions. These initiatives are essential for the realisation and promotion of sustainable development, which has a beneficial effect on global environmental objectives and rising carbon targets. Climate change can be mitigated through the implementation of carbon credit initiatives, which reduce greenhouse gas emissions. Invariably, carbon credit initiatives contribute to mitigating the effects of climate change, including biodiversity loss, rising sea levels, and extreme weather events.

Additionally, well-executed initiatives provide environmental protection for natural resources, including forests and wetlands, while simultaneously expanding the pool of national economic opportunities in innovative sectors, including sustainable agriculture and low-carbon technologies.



Bridging Nigeria's Gas Transition

Nigeria is using its large gas reserves to support a cleaner energy transition, aiming for 600 trillion cubic feet (TCF) by 2030. Carbon credits offer a way to reduce emissions and attract investment without hurting gas development. This helps Nigeria stay on track with its 2060 net-zero goals while still growing its energy sector.



International Collaboration and Investments

Nigeria is taking the leap to seek investments to harness the opportunities provided by carbon credit projects and international alliances. To drive traction towards viable carbon market systems and project development, Nigeria is engaging with organisations like the World Bank, the African Development Bank, and the United Nations.⁴⁵ Similarly, the Nigerian government has held engagements and bilateral talks on opportunities for carbon credit trade and climate finance with countries such as the United Kingdom.⁴⁶ Low-carbon projects and carbon credit efforts in Nigeria are being financially supported by international climate funds and development banks.



Attraction and Availability of Funding for Nigeria's NDC

With increasing investment opportunities and potential across countries, there is a transition to a low-carbon economy for infrastructure development. Nigeria's carbon market is poised to foster sustainable development by facilitating the emergence of new business opportunities in sectors such as renewable energy, carbon capture technology, and forestry. Carbon credit proceeds are also viable options to finance adaptation strategies in improving Nigeria's environmental resilience to extreme weather events like floods and heat waves. The carbon credit market being developed would result in the creation of jobs in new industries centered on sustainable practices and climate solutions. Also, carbon farming of trees is an initiative that can be adopted wide scale in Nigeria to boost food production while also assimilating the carbon in the ecosystem and creating jobs.



Promotion and Expansion of Biodiversity Initiatives

Biodiversity initiatives contribute to driving global discussions on carbon credits. The adoption and execution of extensive ecological restoration initiatives, such as wetland restoration, conservation and reforestation are natural alternatives to mitigate climate change and loss of biodiversity. In driving biodiversity expansion, commitment to biodiversity-friendly policies and regulations and its implementation will propel sustainable development in Nigeria.



Promotion of Natural Assets for Carbon Sequestration

Nigeria has many natural resources that can be used to store carbon, which is an important step in slowing down climate change. Forests serve as highly efficient carbon sinks. Through photosynthesis, trees take in carbon dioxide and store it in their biomass.⁴⁷ For carbon storage, protecting and restoring wetlands, especially freshwater wetlands and mangroves, is absolutely vital. The Finima Nature Park in Southern Nigeria, for example, is a freshwater swamp forest that spans an area of one thousand hectares, which is actively preserved by the Nigeria Liquefied Natural Gas (NLNG) Limited.⁴⁸ The widespread conservation of these kinds of natural assets can offer the potential for huge carbon sequestration in Nigeria.

⁴⁵ [Nigeria finalizes carbon market policy, targets \\$2.5 bln in climate investment by 2030 - Fastmarkets](#)

⁴⁶ [Establishing the Nigeria-United Kingdom Strategic Partnership: joint communiqué - GOV.UK](#)

⁴⁷ [Plant–Soil Interactions and Nutrient Cycling Dynamics in Tropical Rainforests | SpringerLink](#)

⁴⁸ [NLNG Operations – Environmental Management](#)

Conclusion

Nigeria's carbon market presents a significant opportunity to tackle environmental issues while fostering economic growth. As the country faces the urgent need to reduce greenhouse gas emissions and address the impacts of climate change, a firmly regulated carbon market can be a powerful tool to encourage sustainability, attract investment in clean technology, forests and agriculture, and to create new economic prospects.

To fully harness the potential of Nigeria's carbon market, effective implementation of the Carbon Market Activation Policy and its five-year roadmap must be supported by robust regulatory enforcement, strengthened public-private collaboration, and sustained stakeholder engagement and awareness. These actions will strategically position the country to leverage the carbon market in achieving its net zero target while ultimately establishing itself as a prominent player in the global carbon trading market.

The country is in a unique position where it requires significant increase in its energy production to be able to stimulate economic growth. This situation is even more unique when you consider the country's abundance of fossil fuel which ordinarily would drive its quest for improved energy production. However, the carbon market system provides an opportunity to ensure that the growth and development it seeks happens in a sustainable manner. The development and deployment of a functional carbon market system will help create the balance between growth and sustainable long-term development.



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