



# Regulatory Guidance on Nigeria's Carbon Market Approach



**H.E. Bola Ahmed Tinubu, GCFR**  
President of the Federal Republic of  
Nigeria  
Chairman, National Council on Climate  
Change

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The Federal Government of Nigeria remains committed to the global efforts to reduce emissions that contribute to climate change. In 2021, Nigeria announced its Netzero commitment at COP26 in Glasgow. This was followed by the passing of Nigeria's Climate Change Act of 2021, and the subsequent establishment of the National Council on Climate Change (NCCC). The Act applies to all Ministries, Departments and Agencies and

to public and private entities within the territorial boundaries of Nigeria for the development and implementation of mechanisms geared towards fostering low carbon emission, environmentally sustainable and climate resilient economy.

Under the Climate Change Act, Nigeria intends to meet its commitments to and within the ambits of international treaties that address climate change, specifically, the Paris Agreement. In this regard, Nigeria's engagement with carbon markets must be strongly linked to its development priorities, its Nationally Determined Contributions (NDCs) and attainment of NetZero target.



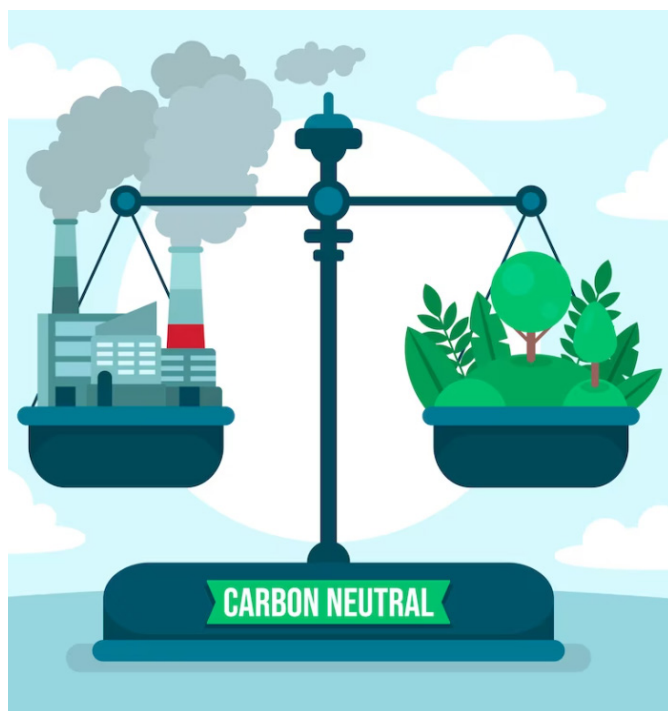
***“The NCCC has conducted a preliminary analysis for an appropriate governance framework...”***

### **Article 6.2 of the Paris Agreement**

addresses voluntary cooperation between and among countries by enabling trade in mitigation outcomes (GHGs reduced or avoided) to achieve the emission reduction targets in their NDCs. The structure and procedures outlined in the rulebook for Article 6 provide a foundational basis for the establishment of the framework for “Corresponding Adjustments”, which seeks to avoid double counting by transferring some or all of the mitigation outcomes from Nigeria and placing them in the ledger of the buying country under Internationally Transferred Mitigation Outcomes (ITMOs), or Other International Mitigation Purposes (OIMP), in the case of the private sector. This clearly represents the best option for Nigeria to meet its domestic and international climate obligations.

The Government of Nigeria recognizes that mitigation outcomes alone are insufficient to achieve its climate targets, a position supported by global climate experts in the shared aspiration to limit atmospheric temperatures to 1.5oC. This is essential to avoiding or reducing extreme weather events and their devastating economic and social impacts. The World Bank’s “GRADE” assessment of Nigeria’s 2022 flooding incident estimates the total direct economic damage to be about US\$7 billion. This is equivalent to 1.6% of Nigeria’s estimated 2021 GDP, not including loss of lives. It is on this premise that Nigeria’s evolving carbon markets approach must necessarily target investments to improve the climate disaster risk reduction and adaptive capacities of our communities and institutions while expanding opportunities in agriculture, forestry, water conservation and land-based interventions.

The NCCC has conducted a preliminary analysis for an appropriate governance framework and processes for the proper implementation of cooperation mechanisms under Article 6. The NCCC will leverage its network of institutional partners like Government MDA's, Central Bank of Nigeria, Ministry of Petroleum Resources, UNFCCC, UNDP, World Bank etc and the private sector, to prioritize carbon market access through the cooperative approach as outlined in the Paris Agreement. The NCCC wishes to highlight the importance of domestic private sector operators to the success and attractiveness of Nigeria's carbon market and seeks to encourage their participation by ramping up the decarbonization of their respective value chains. For obvious reasons, the NCCC will be paying close attention to industry-specific methane abatement efforts under its mandate.



The NCCC notes the fluidity in the current structure of voluntary carbon markets and the evolving integrity initiatives around it. To this end, Nigeria's participation in the voluntary market will be based on government policies and development priorities, bringing

credibility and predictability to encourage and protect participants. Therefore, a "No-Objection" by the NCCC will be required by regulation to approve the issuance and transfer of certified credits generated across all sectors, in line with article 6.2 of the Paris Agreement.

The NCCC will provide periodic updates and briefings on all carbon market related activities and reciprocally welcome stakeholders' inputs, comments, and suggestions.

Signed:



**Dr. Salisu Dahiru**  
*Director General,  
National Council on Climate  
Change*