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# HOW THE CARBON CREDIT MARKET WORKS IN NIGERIA: KEY APPLICABLE LAWS, POLICIES, AND INSTITUTIONS

## 1. INTRODUCTION

Scientists agree, based on empirical data, that climate change[2] and global warming stem from anthropogenic activities[3], especially those driven by big corporations. These anthropogenic activities range from humans' heavy reliance on greenhouse gas-emitting captive fossil-fuel-propelled machines, wanton minerals exploration and exploitation, harmful land management practices such as bush burning, sand-winning, dredging, and sand-filling, destruction of large swathes of carbon-sink lands for industrial and commercial purposes, amongst others. These activities contribute to the continuous depletion of the ozone layer and the resultant but continuous rise in the Earth's temperature.[4] Melting icecaps, incessant flooding, frightening rise in sea levels, lethal heatwaves, rapid disease spread, and many unnecessary deaths, amongst others, have now been attributed to climate change and global warming.[5]

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2 Defined by Article 1 (2) of the United Nations Framework Convention on Climate Change (UNFCC) 1992, as a change of climate which is attributed directly or indirectly to human activity that alters the composition of the global atmosphere, and which is in addition to natural climate variability observed over periods.

3 Anthropogenic activities generally refer to human-induced activities that negatively impact the environment. See, Prakash, Sadguru and Verma, Ashok, 'Anthropogenic Activities and Biodiversity Threats' (March 3, 2022). *International Journal of Biological Innovations*, IJBI 4(1): 94-103 (2022), Available at SSRN: https://ssrn.com/abstract=4048276

4 United Nations Environmental Programme (2022) Assessment Report of the Environmental Effects Assessment Panel, also available on <http://ozone.unep.org/science/eeap> accessed 16 July 2025.

5 United Nations, *How is climate change impacting the world's ocean*? <https://www.un.org/en/climatechange/science/climate-issues/ocean-impacts> <https://unfccc.int/topics/ocean> accessed 9th July 2025.

Sadly, it appears mankind is already losing the fight.[6] Every single day that passes, the effects continue to bite harder on our lands, air, and seas. In 2023, at least 15,700 people lost their lives to extreme weather disasters, while 34 million lives were affected in Africa, with Nigeria taking a significant share of that figure.[7] In 2024, climate change contributed to the deaths of at least 3,700 people and the displacement of millions in 26 weather events studied by experts.[8] As at June 2025, billions of naira worth of farmlands were destroyed with differing number of citizens estimated to be either dead or missing in the flood disaster in Mokwa, Niger State.[9] The situation is dire for low and middle-income countries, which disproportionately bear the brunt of climate change. Some of the factors contributing to climate change and its effects in Nigeria include but are not limited to systemic socio-economic conditions,[10] anthropogenic activities within the 774 government areas of the 36 states and the Federal Capital Territory,[11] endemic dearth in infrastructural development,[12] to mention but a few.

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6 Culled from a speech delivered by the 9th United Nations Secretary-General, Antonio Guterres, at the United Nations Conference of the Parties (COP) 27, held at Sharm el-Sheikh, Egypt, in November 2022. See <https://www.youtube.com/watch?v=YAVgd5XsvbE> accessed 9th July 2025.

7 See, <https://www.carbonbrief.org/analysis-africas-extreme-weather-have-killed-at-least-15000-people-in-2023/> accessed 7th May 2025.

8 World Weather Attribution & Climate Central, 'When Risks Become Reality: Extreme Weather In 2024', available at: <http://worldweatherattribution.org/when-risks-become-reality-extreme-weather-in-2024/> accessed 9 July 2025.

9 Arise TV News, <https://www.youtube.com/watch?v=pWZKcZLFBeI>, accessed 17th July 2025.

10 As of June 2024, Nigeria's headline inflation rate stood at 33.40%. In April 2022, 63% of persons living within Nigeria (about 133 million) were described as multi-dimensionally poor; most of them living below $1.90 per day and earning ₦30,000.00 (less than £70) as minimum wage, a 'survival income" that can barely cater for food, clothing, and shelter let alone the environment. These multi-dimensionally poor Nigerians experience an unequal share of the economic consequences and the resultant, albeit unnecessary, loss of lives and properties that come from climate change-related disasters. A clear example is the torrential rainfall, which has resulted in increased disease spread and deaths, disproportionately common among poor and rural dwellers. See, National Bureau of Statistics, *Consumer Price Index Inflation Report*, June 2024, available at: <https://nigerianstat.gov.ng/elibrary/read/1241542>, accessed 20th June 2025.

11 In the South-South/Niger Delta Region, oil exploration and exploitation have led to an extensive impairment of the region's air, lands, and waters; strangulating and impoverishing the inhabitants' primary sources of livelihood derived from fishing and crop cultivation with about 75% of the region's 395km coastline either eroding or accreting. See Bello, A. T., & Nwaeke, T. (2023), 'Impacts of Oil Exploration (Oil and Gas Conflicts; Niger Delta as a Case Study)', *Journal of Geoscience and Environment Protection*, 11, 189-200, <https://doi.org/10.4236/gep.2023.113013>, <https://www.ajol.info/index.php/gjgs/article/download/18684/17426/0>, accessed 9th July 2025. In the South East, despite the existence of the Ecological Fund, harmful land management practices have led to more than 1.6% of the region's land area devastated through gully erosion and landslides. Sand-winning, dredging, and sand-filling in the South West have contributed to 84% of Lagos State's coastline retreating in the last 50 years. In the North West, North Central, and to some extent the South West, mineral resources mining has led to loss of biodiversity, contamination of the soil, ground and surface waters, and many deaths. See, Maurice Ogbonnaya (November 2020), 'Illegal Mining and Rural Banditry in North West Nigeria, Responses, Successes and Challenges', *ENACT Issue 19 Policy Brief* 2020. In the North. Desertification has displaced millions of peasant agrarians and forced Northern nomadic herders to flee to the South. The herders compete with Southern inhabitants for available resources, resulting in frequent clashes, which are currently posing serious food and national security concerns. More than 60,000 lives have been lost, and over 3.6 million people have been rendered homeless and forced to live in squalor in Internally Displaced Persons (IDPs) camps. See, <https://guardian.ng/news/herders-farmers-clash-claims-over-n425b-property/>, accessed 9th July 2025.

12 Incessant grid collapses, gas and water shortages, vandalism, and pervasive infrastructural decay has forced around 84% of urban households and about 86% of Nigeria's businesses to substantially rely on greenhouse gas-emitting captive fossil fuel electricity generators, leaving only about 18% of the population with access to

Importantly, these anthropogenic activities lead to the emission of ozone-layer-depleting substances (ODS), most of which are greenhouse gases (GHGs), into the Earth's atmosphere.[13] The progressive depletion of the ozone layer has some serious consequences on human health, plants, ecosystems, biogeochemical cycles and the ecosystem of the general earth's environment.[14]

Thus, concerted and urgent global effort is required to combat this existential threat. Several climate change mitigation and adaptation measures backed up by laws, policies, and institutions have been initiated.[15] This paper interrogates one of such measures, i.e. the carbon credit system.

## 2. WHAT IS A CARBON CREDIT OR ETS, AND HOW DOES IT WORK?

Under the emission trading system or carbon credit (as a measure to reduce the amount of GHG emitted into the atmosphere), government regulators within a given period usually cap the amount of GHG (usually $CO_2$) that certain entities, usually organisations, can emit into the atmosphere. Any corporation that exceeds its mandated cap would either be penalised, or purchase an equivalent unit (carbon credit) of the $CO_2$ exceeded from the government or an accredited/recognised institution, or invest in, or fund a project (carbon offset projects) that is at least equivalent to the amount of $CO_2$ it has exceeded.[16] In other words, this simply means that an organisation that has exceeded its given cap for a given period can purchase carbon credits by funding an external carbon project that avoids, mitigates, removes, or offsets its $CO_2$ emission footprint to compensate for its high unavoidable emissions.[17]

Under this arrangement, the organisation gains permission to generate not more than the equivalent amount of carbon credit it has purchased.[18] For instance, if an organisation's emission cap for a 356 days (a year) is 150 tons of $CO_2$ and this cap is

clean cooking. See, National Bureau of Statistics (2020), *Nigeria Living Standards Survey: A Survey Report* by the Nigerian National Bureau of Statistics (in collaboration with the World Bank). See also, Akanle Eni-ibukun, Tomilola (2013) 'Climate Justice: The Clean Development Mechanism as a Case Study', *Climate Change and the Law*, 225-256 <https://www.researchgate.net/publication/301955476_Climate_Justice_The_Clean_Development_Mechanism_as_a_Case_Study> accessed 9th July 2025.

13 See the IPCC/TEAP Special Report: *Safeguarding the Ozone Layer and the Global Climate System (2003)*

14 Ndubuisi, & Amaka, Cynthia & Cletus, Engr & Agbakhamen, Cletus & Okeke, Gerald. (2025), Environmental Effect of Ozone Depletion and Its Interactions with Climate Change, 88-95. 10.5281/zenodo.15769640 in *International Journal of Innovative Agriculture & Biology Research* 13(2):88-95, April-June, 2025.

15 See, the Montreal Protocol 1987 and its series of amendments, the United Nations Framework Convention on Climate Change (UNFCCC) 1992, amongst others. See further, the *Intergovernmental Panel on Climate Change, Synthesis Report, Summary for Policymakers* (2023) p. 10 and, the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report: Climate Change 2007.

16 See, <https://carboncredits.com/the-ultimate-guide-to-understanding-carbon-credits/>, accessed 27th May 2025.

17 See, <https://www.climateimpact.com/services-projects/carbon-credits-explained-what-they-are-and-how-they-work/>, accessed 27th May 2025.

18 This operates like an organisation's permission slip for $CO_2$ emissions.

exceeded by 50 tons of $CO_2$, the organisation would need to offset the additional 50 tons by funding a carbon offset project that is at least equivalent to the additional 50 tons emitted, and thereafter claim or request for a reduction in the amount of its mandated reduction cap. Some types of carbon offsetting projects include investing/funding reforestation/conservation projects, renewable energy development and energy efficiency improvement projects for underprivileged communities, reducing carbon emissions from industrial and agricultural processes, bio-sequestration,[19] deploying technologies for carbon capture and storage, amongst others. In all of these, an offset project must demonstrate additionality,[20] permanence,[21] absence of leakage,[22] and verification.[23] Some standards, like the Verified Carbon Standard, Gold Standard, and Clean Development Mechanism, are usually used by vendors to certify that a particular carbon-offset project satisfies these criteria to an acceptable degree.[24]

Conversely, organisations that end up with excess credits (who do not exceed the mandated cap) can sell theirs to other organisations that have exceeded their mandated caps. These credits are usually publicly traded, and upon successful purchase or sale, the credits are "retired" on a publicly available registry to avoid resale or reuse. Thus, carbon credit, interchangeably called 'carbon offset' and 'carbon allowance', is simply a tradable unit that represents one metric ton of $CO_2$ emission that was either avoided or sequestered through a project.[25]

Unlike the mandatory compliance carbon markets obtainable in the US, UK, and the EU, Nigeria operates a voluntary carbon market where individuals or organisations can buy carbon credits from an independent crediting scheme to offset their carbon footprint without coercion.[26] Under this scheme, emission-producing firms voluntarily

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19 For instance, if an owner of an acre of land in a city centre is approached by a polluting corporation for an offset project to decide to rather than construct houses, conserve the land by planting trees or turning it into a conservation park, this may be a good offsetting project),

20 The offset project must demonstrate going beyond business as usual - <https://www.youtube.com/watch?v=0DoYk0wZsEg&t=157s> accessed 29th June 2025.

21 This is the guarantee that the climate benefits of the offset project will endure for a timeframe relevant to climate change, typically a century or more - <https://climate.sustainability-directory.com/term/offset-project-permanence/-> accessed 29th June 2025.

22 It can occur in various forms, including market leakage, where reduced demand for a commodity in one area (due to a conservation project) increases demand and associated emissions elsewhere. In forestry, protecting one forest area might inadvertently shift logging activities to another unprotected area. See,<https://climate.sustainability-directory.com/question/what-are-key-offset-project-risks/> accessed 29th June 2025.

23 Verification processes are intended to provide assurance that offset projects are implemented as planned and are delivering the claimed emission reductions.

24 Richard Kim and Benjamin C. Pierce, *Carbon Offsets: An Overview for Scientific Societies* Version 1.2 June 24, 2018.

25 See <https://www.youtube.com/watch?v=0DoYk0wZsEg>. With carbon credits, revenue flows vertically from companies to regulators, while in carbon offsets, revenue flows horizontally as trading carbon revenue is between companies.

26 Adeoye Adekunle, 'Carbon Credit Scheme Pathway to funding Nigeria's Adaptation Plan' available at <https://www.premiumtimesng.com/opinion/659543-carbon-credit-scheme-pathway-to-funding-nigerias-adaptation-plan-by-adeoye-adekunle.html?tztc=1> accessed 14th July 2025.

mitigate their emissions by buying carbon credits through several ways, such as deploying renewable/green energy, and reforestation, among others.

In Lagos State, the government in September 2024 launched its carbon registry initiative, intended to gather data, track, and manage CO2 emissions from the State. The initiative incorporates stakeholders in the transport, consumer goods, and construction sector, among others. The interagency initiative would see the Ministry of Environment synergising with other agencies like the Lagos State West Management Authority (LASEPA), Lagos Metropolitan Area Transport Authority (LAMATA), among others, in actualising the Registry's vision. The initiative provides a platform for stakeholders to voluntarily self-audit and self-regulate their CO2 emissions, ultimately reducing the State's carbon emission footprint.[27]

Undoubtedly, this initiative has the potential to amongst others, help meet the State's and by extension Nigeria's climate change goals by reducing GHG emissions, boost the State's revenue, and aid sustainable development.[28] Because the institutional frameworks for actualising this initiative already exist. However, a strong statutory and policy framework is required to bring this initiative to fruition, two key requirements that seemingly appear to be missing. Furthermore, synergy with the national government agencies like the Federal Ministry of Environment and the agencies it supervises[29] would enhance the Registry's operations. Ultimately, for the Lagos Carbon Exchange to attract international and institutional capital, it must ensure that its Monitoring, Reporting, and Verification (MRV) systems are robust, transparent, and aligned with global standards. Without this, the credibility and value of its credits may be discounted or disregarded altogether in global markets.[30]

## 3. LAWS, POLICIES, AND INSTITUTIONS ON THE CARBON CREDIT SYSTEM IN NIGERIA:

There is a long list of laws, policies, and institutions on GHG emission reduction in Nigeria. However, there is no all-encompassing legal, policy and institutional framework for the carbon credit system/market in Nigeria yet. Notwithstanding, below is a brief examination of some of the laws, policies and institutions with direct and remote bearing on GHG emission reduction in Nigeria.

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27 TVC News @ 7 pm, http://youtube.com/watch?v=AJ6Az-7lZgU accessed 17th July 2025. See also: Ministry of Environment and Water Resources; *Lagos Climate Action Plan, Second Five Year Plan 2020 – 2025*, published June 2021.

28 Channels TV, <https://www.youtube.com/watch?v=MTT4mEYXZUM&t=2s> accessed 17th June 2025.

29 Such as the National Environmental Standards and Regulations Enforcement Agency (NESREA)

30 Olubunmi Abayomi-Olukunle, Lagos Carbon Exchange: Key Legal & Market Considerations, (June 2025) <https://www.mondaq.com/nigeria/financial-services/1643152/lagos-carbon-exchange-key-legal-market-considerations> accessed 17th July 2025.

4.1 **Laws**

*4.1.1 The Constitution of the Federal Republic of Nigeria, 1999 (as altered)*

Section 20 of the *Constitution of the Federal Republic of Nigeria*, 1999 (as altered) leads the way by providing that the State shall protect and *improve the environment and safeguard* the water, *air* and land, forest and wildlife.

*4.1.2 The Climate Change Act, 2021.*

The Act, 2021[31] makes elaborate provisions for the regulation of GHG emissions.[32] Amongst others, this law mandates the Climate Change Council Secretariat, in conjunction with the Federal Ministries responsible for National Climate Environment, and Budget and National Planning, respectively, to formulate a Climate Change Action Plan in every five-year cycle. The Plan shall incorporate the past, current and projected GHG emission profile of the GHG emission sectors of the economy.

*4.1.3 Petroleum Industry Act*, 2021

Section 102 of the Act mandates a licensee or lessee who operates in either of the Nigerian Upstream Regulatory Commission (NURC) or the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDRA),[33] within one year or six months of the grant of an applicable license or lease, to submit for approval, an environmental management plan to the applicable regulator for projects that require environmental impact assessment. Importantly, whilst the plan is to be in accordance with extant pieces of legislation, the Commission or Authority is mandated to approve such a plan when it complies with relevant environmental Acts.[34]

*4.1.4* The *Environmental Impact Assessment Act*, 1992 ("EIA")

It, amongst other things, provides that all public and private sector projects with a potential for a significant environmental impact to execute an environmental impact assessment of the project to mitigate the environmental effects.[35]

4.1.5 *Electricity Act*, 2023

Sections 164 – 171 of the *Electricity Act*, 2023, financially incentivise the promotion and integration of renewable energy in the national energy mix. This is expected to significantly cut down on the GHG generated from coal and gas-powered turbines.

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31 Enacted to provide a framework for mainstreaming of Climate Change actions, provide for a system of carbon budgeting, achieving low greenhouse gas emission (GHG), inclusive green growth and sustainable economic development. See, the explanatory note to the Act and section 1 of the Act.

32 Some relevant sections include sections 21, 22, 23, and 24.

33 Established under sections 4 and 29 of the PIA, 2021.

34 See, section 102 (2) and (3) of the PIA, 2021.

35 See, section 1 of the Act.

#### *4.1.6 International Conventions, Protocols, etc.*

A significant number of international conventions, treaties, and protocols have been incorporated into Nigeria's *corpus juris* through domestication in compliance with section 12 of the Constitution of the Federal Republic of Nigeria, 1999 (as amended). Some of these domesticated conventions include: the Montreal Protocol 1987 and its several amendments, the *Kyoto Protocol* 1997,[36] the *United Framework Convention on Climate Change* (UNFCC), the *Paris Agreement* 2015, etc.

Other pieces of legislation include the *National Environmental Standards and Regulations Enforcement Agency (NESREA) Act* 2007, the *National Oil Spill Detection and Response Agency Act*, (NOSDRA) 2006, and state based environmental laws like the *Lagos State Environmental Protection Agency Law*, 1996, the *Rivers State Environmental Protection and Management Law*, 2019.[37] Importantly, these statutory provisions aim to protect the environment and resultantly regulate GHG emissions.

### 4.2 **Policies**

*The National Industrial Decarbonisation Programme (NIDP) 2025,*[38] aims to amongst others, align Nigeria with its global commitments under the Paris Agreement and the Nationally Determined Contributions (NDCs) under the United Nations framework Convention on Climate Change (UNFCCC). The *NIDP, 2025* aims to achieve this by facilitating access to climate finance and green technology in partnership with the private sector to accelerate the adoption of renewable energy and energy-efficient solutions. This will ensure that Nigeria not only meets its environmental targets but also capitalises on new economic opportunities *through the generation* and *trading of carbon credits*.[39] Despite its highfalutin objectives on paper, this policy appears to lack clear-cut, definitive timelines, and repercussions for failing to meet these goals.

*The National Environmental (Energy Sector) Regulations, 2014* were formulated to prevent or minimise pollution and encourage *energy efficiency* in all operations and ancillary activities of the energy[40] sector in achieving sustainable economic development in Nigeria. Section 2 mandates the deployment of energy efficient

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36 The Kyoto Protocol was adopted on 11 December 1997. Owing to a complex ratification process, it entered into force on 16 February 2005. Currently, there are 192 Parties to the Kyoto Protocol. See, <https://unfccc.int/kyoto_protocol#:~:text=In%20short%2C%20the%20Kyoto%20Protocol,accordance%20with%20agreed%20individual%20targets>, accessed 29th June 2025.

37 15 Vol 55.

38 Launched in May 2025 by the Federal Government.

39 Habakkuk, 'Federal Government Places Support for Industries As Nigeria Launches Decarbonization Programme' available at <https://nesrea.gov.ng/2025/05/05/federal-government-pledges-support-for-industries-as-nigeria-launches-decarbonization-programme/><https://leadership.ng/fg-launches-industrial-decarbonisation-programme-to-mitigate-emissions/> accessed 13th July 2025.

40 The Regulations cover power generation, transmission and distribution. See section 1(2) of the Regulation.

processes that are cost effective and meet the requirements for *green investment in renewable energy and energy efficiency in line with the Kyoto Protocol; reduces emissions of greenhouse gases (GHGs); and address the problems of environmental degradation resulting from pollution, deforestation and vegetation loss amongst others*.[41] Despite its environmentally friendly provisions on GHG emission reduction in Nigeria, the penalty fees of ₦200,000 or a sentence not exceeding 1 year upon conviction for an individual and ₦1,000,000.00 for a facility are too paltry to compel compliance, hence there is urgent need for a review.

*The National Environmental (Air Quality Control) Regulations, 2014* aims to ensure improved control of the nation's air quality to such an extent that would enhance the protection of the Nation's flora and fauna, human health, and other resources affected by air quality deteriorations. It applies to Point, Mobile and Area sources of Application air pollution, as well as Indoor and Ambient air quality control.[42] The Regulations impose a fine of one hundred thousand Naira or a jail term not less than 6 months or both for an individual[43] or a fine of ₦1,000,000.00 and an additional fine of ₦50,000.00 for every day the offence subsists for a facility/corporation. These are a slap on the wrist fines that rarely deter, hence there is a need to increase the penalty fees to deter would-be offenders.

*The National Environmental (Control of Bush, Forest Fire and Open Burning) Regulations, 2011,* aims to prevent and minimise the destruction of the ecosystem through fire outbreaks and burning of any material that may affect the health of the ecosystem through the emission of hazardous air pollutants.[44]

*The National Council on Climate Change Regulatory Guidance on Nigeria's Carbon Market Approach*[45] was issued in June 2023 by the National Council on Climate Change (NCCC). It aims to establish a framework for carbon trading and emissions reductions in Nigeria. It further aims to create a transparent carbon market that supports Nigeria's climate change goals, including achieving net-zero emissions by 2060.[46]

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41 Section 2(2) provides that these Regulations shall encourage electrical power efficiency in all electrical appliances by adopting green technologies based on life cycle approach, anchored on the 5Rs ('reduce, reuse, repair, recover and recycle') from cradle to cradle as stated in the National Environmental (Electrical/ Electronic Sector) Regulations, 2011.

42 See, section 2 of the Regulations.

43 There is an additional fine of not less than ₦10,000.00 for every day the offence subsists for individual offenders. See, section 40 (a) of the National Environmental (Air Quality Control) Regulations, 2014.

44 See, section 1 of the Regulations.

45 FRN & NCCC, 'Regulatory Guidance on Nigeria's Carbon Market Approach' (2023, June) available at: <https://natccc.gov.ng/publications/NCCC%20Regulatory%20Guidance%2> accessed 29 June 2025.

46 See, <https://techcabal.com/2022/11/18/african-countries-are-warming-up-to-carbon-trade/>, accessed 14th July 2025.

Other policy framework with direct and remote bearing on the carbon credit market in Nigeria include; implementation of its current and future Nationally Determined Contribution in compliance with the *Climate Change Act*, 2021,[47] and Nigeria's launch, in collaboration with other African countries, of the African Carbon Markets Initiative (ACMI) during COP2,[48] are some policies initiatives with remote and direct bearing on Nigeria's carbon market.

4.3 **Institutions:**

Some of the institutions responsible for regulating GHG emission reduction in Nigeria include the Federal[49] and State Ministries of the Environment; the National Council on Climate Change (NCCC),[50] the Climate Change Fund[51] administered by the Climate Change Council,[52] the National Environmental Standards and Regulations Enforcement Agency (NESREA),[53] the National Oil Spill Detection and Response Agency (NOSDRA),[54] amongst others.

## 5 MATTERS ARISING AND RECOMMENDATIONS:

The carbon trading system, though a mechanism to incentivise GHG emission reduction and ensure sustainable development, has some issues associated with it. An inexhaustive itemization of some of these issues include:

5.1 **Just transition:** The transition to cleaner energy by developed nations requires significant investment in research and development. Oftentimes, these investments and groundbreaking research findings and innovation are disproportionately distributed between the developed and developing nations. A just and equitable climate financing will help low-income and emerging market economies, as well as vulnerable communities, adequately respond to tackling climate change challenges.[55]

5.2 **Reputation laundromat:** Most big corporations have turned their GHG emission reduction drive into a "reputation laundromat" by giving a false impression of progress in cutting down their GHG emissions but continue doing business as usual. This is also the case for most big corporations in environmental, social, and governance (ESG)

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47 See, section 4 (p).

48 See, <https://techcabal.com/2022/11/18/african-countries-are-warming-up-to-carbon-trade/>, accessed 25th June 2025.

49 See <https://environment.gov.ng/> accessed 29th June 2025.

50 Established to amongst others, coordinate the implementation of sectoral targets and guidelines for the regulation of GHG emissions and other anthropogenic causes of climate change; collaborate with the Federal Inland Revenue Service to develop a mechanism for carbon tax in Nigeria; collaborate with the Federal Ministry responsible for Environment and the Federal Ministry responsible for Trade to develop and implement a mechanism for carbon emission trading. See section 3 of the Climate Change Act 2021.

51 Section 15 of the Climate Change Act, 2021.

52 See, section 4 (c) of the Climate Change Act, 2021.

53 See, the NESREA Act, 2007.

54 The Act empowers the Agency to be responsible for enforcing all environmental laws, guidelines, policies, standards and regulations in Nigeria.

55 Vera Songwe, 'Carbon pricing: An integral part of a just transition', <https://www.daghammarskjold.se/wp-content/uploads/2023/09/a3-vera-songwe-dhf-financial-report-final.pdf> accessed 10th July 10225.

compliance. This situation is otherwise known as “greenwashing”. Thus, a more sincere and transparent audit system should be emplaced to forestall greenwashing.

5.3 **Transparency:** The need for transparency in the emission trading market cannot be overemphasised. Transparency is required, not just in tracking, monitoring, and managing GHG emissions, but also in the imposition of penalties, verification and certification standard, sale and purchase of carbon credit, audit of the revenue generated from the market, and in the decision-making process by government to invest or reinvest the revenue generated from the market, amongst others.

5.4 **Improper revenue management:** Though the carbon credit market is a veritable means for raising government revenue through private sector engagement, the revenue generated from this market is sometimes reinvested into GHG-emitting projects like refinery construction, thus continuing the never-ending cycle of emission production. Thus, the funds realised from the market should be reinjected/reinvested into GHG avoidance, sequestration, or mitigation projects.

5.5 **Political will:** The absence of political will only makes the laws and policies on carbon credit market in Nigeria mere paper tigers and toothless bulldogs that can bark but cannot bite. Thus, a strong political will is an indispensable catalyst for the effective operationalization of the carbon credit market in Nigeria.

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