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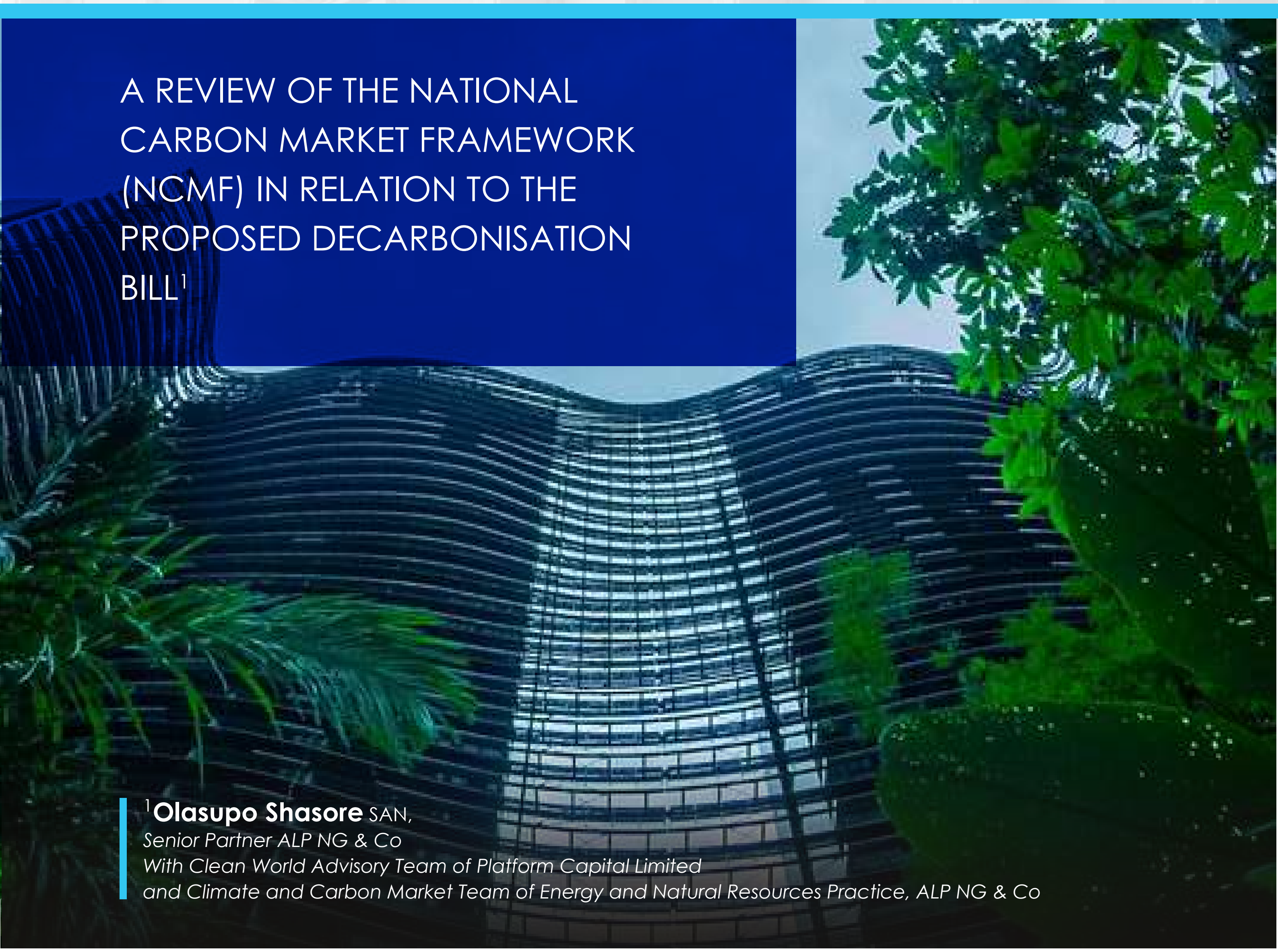
TOWARDS A LEGALLY ANCHORED DE-CARBONISED ECONOMY:

A REVIEW OF THE NATIONAL CARBON MARKET FRAMEWORK (NCMF) IN RELATION TO THE PROPOSED DECARBONISATION BILL[1]



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CONTEXT AND COMMENDABLE PROGRESS

The signing of the Nigeria's National Carbon Market Framework (NCMF) 2024 is a welcome development operationalising the 2021 Climate Change Act. It situates Nigeria within the framework of Article 6 of the Paris Agreement and the Voluntary Carbon Market (VCM), outlining plans for institutional architecture, fiscal incentives, ownership rules, and benefit-sharing mechanisms. This reflects a deliberate shift from abstract policy aspirations to market-oriented climate governance intended to monetise emissions reductions while advancing sustainable development goals.

The NCMF also articulates a forward-looking vision: to generate up to 124.7 $MtCO_2e$ of reductions and attract \$2.5 billion in market value by 2030. In doing so, Nigeria signals to investors and international partners that it seeks to move beyond donor-dependent climate finance and toward self-sustaining green capital markets. However, these ambitions, however, are largely conceptual and policy-driven, not yet anchored in legally enforceable structures.

POLICY AMBITION VS. LEGAL DELIVERABILITY

The National Carbon Market Framework (NCMF) represents a significant policy milestone, but it remains fundamentally a non-binding framework rather than a statutory regime. While it articulates a clear ambition to establish Nigeria as a leading hub for high-integrity carbon market investments, its provisions are largely aspirational instead of being data-driven, which was sourced through rigorous engagement with private sector participants and other actors key to ensuring that these goals are met. The framework outlines guidelines and operational procedures for voluntary carbon markets, Article 6 cooperation, fiscal incentives, and benefit-sharing, yet it stops short of creating legally enforceable obligations. Implementation depends heavily on ministerial discretion, memoranda of understanding, and voluntary cooperation among stakeholders. This reliance on administrative goodwill rather than legal compulsion risks inconsistent application, weak compliance, and limited investor confidence. Without statutory authority, mechanisms for monitoring, reporting, and verification (MRV), dispute resolution, or sanctions for non-compliance lack the force necessary to ensure credibility and accountability in Nigeria's carbon transactions.

By contrast, the proposed Decarbonisation Bill (DB.) is designed to close this policy-to-practice gap by making climate delivery legally binding and enforceable. It will create an independent Decarbonisation Authority (NDA) empowered by law to license and regulate market participants, enforce compliance, sanction violators, manage a national MRV, and carbon registry system and administer the National Green Transition Fund (NGTF). These statutory functions transform climate policy from a voluntary coordination exercise into a governance structure anchored in law.

While the NCMF aspires to transparency and integrity, it cannot by itself guarantee carbon credit validity, prevent double-counting, or ensure equitable revenue distribution without legal authority. The Decarbonisation Bill provides this missing legal scaffolding, institutional independence, and enforceability, shifting Nigeria from a policy coordination model to a rule-of-law-based climate governance model. This evolution is crucial to attracting large-scale investment, safeguarding public trust, and ensuring Nigeria's carbon market ambitions translate into measurable, credible, and inclusive outcomes.

INSTITUTIONAL OVERLAPS AND FRAGMENTATION

The NCMF adds another institutional layer to Nigeria's already complex climate governance ecosystem: the National Council on Climate Change (NCCC), the Climate Change Secretariat, and the proposed Carbon Market Governance Committee. This proliferation of coordinating bodies risks jurisdictional ambiguity, duplication, and bureaucratic delays, especially concerning MRV, project authorisation, and benefit-sharing.

For example:

- The NCCC currently oversees national climate policy.
- The Ministry of Environment manages NDC tracking.
- The NCMF introduces new structures for carbon governance.

Without a unifying legal authority, coordination among these entities could devolve into regulatory competition rather than synergy.

The Decarbonisation Bill, on the other hand, addresses this institutional fragmentation by vesting unified authority in the NDA. This independent agency would consolidate oversight of carbon markets, MRV systems, financing pipelines, and sectoral delivery plans, thereby closing the "many hands, no accountability" gap that has hampered Nigeria's climate policy implementation.

MRV AND MARKET INTEGRITY

A major weakness of the NCMF is its reliance on administrative Monitoring, Reporting, and Verification (MRV) rather than statutory Monitoring, Reporting, and Verification authority. Although it pledges robust accounting, transparency, and avoidance of double-counting under Article 6, it does not yet assign ownership of these functions to a legally empowered institution. This absence of statutory Monitoring, Reporting, and Verification custody makes Nigeria's carbon credits vulnerable to integrity risks, the same problem that undermined several early African VCM projects.

The Decarbonisation Bill proposes to solve this by:

- Granting the NDA statutory control over MRV operations,
- Mandating third-party verification and satellite monitoring,
- Creating a publicly accessible national carbon registry,
- Integrating registry functions with Article 6 and VCM platforms.

These legal provisions would elevate Nigeria's credibility in international carbon markets, ensuring that its credits meet ICVCM (Integrity Council for the Voluntary Carbon Market) standards and become globally tradable assets.

FINANCING ARCHITECTURE AND FISCAL CERTAINTY

The NCMF's fiscal framework remains indicative rather than legislatively binding. It promises tax incentives, VAT exemptions, and potential carbon taxation but leaves these subject to executive discretion and periodic review. Without statutory guarantees, private capital will remain cautious due to Nigeria's historical policy reversals and inconsistent fiscal enforcement.

The Decarbonisation Bill, by contrast, seeks to institutionalise predictable financing mechanisms:

- Establishing the National Green Transition Fund (NGTF), capitalised by statutory levies and green bond issuance.
- Embedding first-loss provisions to de-risk private capital.
- Allowing for structured benefit-sharing with host communities.

This framework moves climate finance beyond ad hoc incentives and toward a structured public-private finance ecosystem. It also ensures that fiscal mechanisms survive political transitions, a weakness that plagues the current NCMF policy regime.

COMMUNITY PROTECTION AND JUST TRANSITION

The NCMF highlights benefit-sharing and grievance redress mechanisms, but these are framed as policy commitments, not legal rights. There is no enforceable obligation on project developers or government agencies to compensate communities or reinvest revenues in local development. This leaves oil-dependent or resource-rich regions vulnerable to social displacement as the country shifts toward low-carbon pathways.

The Decarbonisation Bill explicitly addresses this by embedding a Just Transition Fund, mandating:

- Local reinvestment in affected communities,
- Reskilling and livelihood programs,
- Transparent community benefit-sharing structures.

Such legal codification transforms social protection from policy goodwill to legal accountability, ensuring that decarbonisation remains equitable and politically stable.

INTERNATIONAL CREDIBILITY AND CARBON DIPLOMACY

Nigeria's NCMF aspires to engage with Article 6 and the Paris Agreement Crediting Mechanism (PACM). However, without a binding domestic legal instrument, which can only be derived from a statutory Act, Nigeria's ability to authorise, transfer, and account for Internationally Transferrable Mitigation Outcomes (ITMOs) remains vulnerable to contestation or administrative uncertainty. Many partner countries and international investors require clear national authorisation laws before transacting in ITMOs.

The Decarbonisation Bill fills this gap by providing statutory authority for ITMO issuance, transfer, and tracking, harmonising Nigeria's domestic legal system with Paris Agreement obligations. This would enhance Nigeria's standing in global carbon diplomacy and make its mitigation outcomes bankable and exportable under international carbon markets.

The NCMF 2004 relies heavily on the voluntary carbon market (VCM) whereas the regulated (compliance) carbon market is Vastly larger and growing in global market share. The regulated market is characterized by its higher financial value and stricter oversight. It appears Kenya with its 2023 amended Climate Change Act and South Africa's Climate Change Act 2024 provisions for decarbonisation are leading the way for Africa in this regardMethane Omission

The NCMF insufficiently addresses the generation, capture and impact of methane (CH4) gas, which is the second most potent gas responsible for global warming. Methane's properties make it essential to the discussion because it is a colourless, odourless gas that is responsible for 30% of global warming and is 80 times more effective than carbon dioxide (CO2) at trapping heat in the atmosphere over a 20-year period. While methane breaks down faster than CO2, it heats the planet faster in the short term, making it a considerable option to help slow warming very quickly within years, rather than decades, if its emissions into the atmosphere are efficiently regulated.

A more crucial aspect of methane's omission is its use beyond its classification as a 'fugitive emission gas', the fact that when captured and managed efficiently, it can be a source of clean energy used as a primary fuel source for heating, cooking and electricity generation, makes it worth addressing wholistically within the broader climate and carbon framework in Nigeria.

Given the abundant sources of methane in Nigeria, with the world's ninth largest gas reserves, suffering from leaks across the oil and gas value chain, to coal mining, biomass burning from landfills and abundant shallow wetlands, where the the NCMF hasn't and the Decarbonisation Bill will be inclusive of objectives on methane emissions, capture and management toward quantifiable improved outcomes; the latter of which remain presently undefined.
The optimised utility of methane will capture a broader carbon market with untapped potential that satisfies the commensurate effect of generating economic value while facilitating a cleaner and sustainable environment.

GOVERNANCE AND ACCOUNTABILITY

While the NCMF envisions transparency and monitoring, its oversight remains executive-dominated. Most governance mechanisms are anchored in ministerial discretion, with limited parliamentary involvement. These risks undermine credibility and public trust, particularly if market revenues and carbon rights allocation become politicised.

The Decarbonisation Bill corrects this by mandating:

- Annual parliamentary reporting by the NDA,
- Public disclosure of registry data and revenue flows,
- Statutory audit requirements, and
- Civil society representation in oversight boards.

This democratic accountability mechanism ensures that carbon finance benefits are equitably distributed and transparently managed, a cornerstone for investor and citizen confidence alike.

STRATEGIC GAPS AND MISSED OPPORTUNITIES IN THE NCMF

- Despite its ambition, the NCMF faces several other limitationsNo statutory link between carbon market performance and Nigeria's national carbon budget.Weak integration with subnational governments, state and local actors remain peripheral.
- Unclear ownership of mitigation outcomes (public vs. private).
- Absence of a market readiness roadmap for establishing national carbon registries or pricing mechanisms.
- Dependence on future fiscal instruments without legislative backing.

The Decarbonisation Bill directly responds to these weaknesses by institutionalising the technical, legal, and financial machinery needed for market activation, turning what is currently a policy vision into a governable system.

TOWARDS A LEGALLY ANCHORED DE-CARBONISED ECONOMY

Nigeria's National Carbon Market Framework (NCMF) serves as a critical transitional mechanism between the Climate Change Act (2021) and the proposed Decarbonisation Bill (DA), linking national coordination with operational execution. The NCMF outlines the policy vision for establishing a transparent, inclusive, and efficient carbon market system. It identifies key pathways for stakeholder engagement, voluntary carbon trading, and alignment with international standards such as Article 6 of the Paris Agreement. However, as it stands, the NCMF remains a policy directive rather than a legal mandate, which means it lacks the statutory authority required to compel compliance or enforce accountability. Its reliance on administrative discretion, inter-agency coordination, and voluntary participation leaves the system exposed to institutional fragmentation, regulatory overlap, and fiscal uncertainty, thereby limiting its ability to attract large-scale private and international climate finance.

The proposed Decarbonisation Bill will unlock the vast pools of international climate and carbon finance currently seeking credible, verifiable, and rule-based investment destinations. Global capital, both public and private, is increasingly conditioned on legal certainty, transparent governance, and enforceable emission reduction frameworks. By providing these through statutory mechanisms, the Decarbonisation Bill positions Nigeria as a credible player in the global decarbonisation economy, enabling it to mobilise billions of dollars in green investment for infrastructure, energy transition, and community resilience

A Decarbonisation Bill represents the logical and necessary evolution of this policy framework into a rule-based legal system. It would establish a legally recognised National Decarbonisation Authority (NDA) to centralise oversight, licensing, compliance, and enforcement functions. By codifying Monitoring, Reporting, and Verification (MRV) standards, fiscal incentives, and penalties for non-compliance, the Bill creates the statutory backbone that can make Nigeria's carbon market credible, measurable, and bankable. The Bill also embeds a just transition framework, ensuring that vulnerable communities benefit equitably from climate finance, technology transfer, and green job creation.

In essence, the NCMF provides strategic direction and institutional guidance, while the Decarbonisation Bill provides regulatory propulsion and enforceability. Together, they transform Nigeria's climate ambitions from aspirational pledges into tangible economic and social outcomes. By enacting the Decarbonisation Bill, Nigeria not only strengthens its climate governance architecture but also positions itself as a leading carbon market hub in Africa, driving sustainable development, accountability, and green growth.

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