

# Carbon Regulation in Nigeria: Key Questions & Answers for Businesses (2026 Guide)

Navigating Nigeria's evolving carbon regulation landscape requires more than awareness, it demands informed legal and strategic action. Below is a practical guide to the current framework, compliance obligations and emerging opportunities.

## Understanding Carbon Emissions & Nigeria's Climate Goals

### 1. What is Nigeria's current Net-Zero target?

Nigeria is legally committed to achieving Net-Zero emissions by 2060 under the Climate Change Act, 2021, supported by the Energy Transition Plan. This reflects a national strategy to balance greenhouse gas emissions with carbon removal.

### 2. What are the primary sources of carbon emissions in Nigeria?

Emissions are largely driven by five sectors: energy and power, oil and gas (particularly gas flaring), transportation, agriculture and land use, and industrial activities such as manufacturing and cement production.

### 3. Does Nigeria currently operate a carbon tax regime?

At present, Nigeria has prioritized a carbon market approach over direct taxation. While the law permits carbon taxes, the current focus is on incentivizing emission reductions through tradable carbon credits. Carbon taxation remains a potential future policy tool.

Legal Advisory: Nigeria's Carbon Framework

### 4. What is the National Carbon Market Framework (NCMF)?

Introduced in 2026, the NCMF establishes the legal and operational structure for carbon credit generation, validation, and trading in Nigeria. It is designed to attract

significant investment and enable businesses to monetize emission reduction efforts.

### 5. Which authority regulates carbon emissions in Nigeria?

The (NCCC) serves as the central regulatory body. It oversees the national carbon budget, maintains the carbon registry, and administers climate-related funds.

### 6. Are companies required to report their carbon emissions?

Yes. Companies with 50 or more employees must comply with statutory obligations, including setting emission reduction targets, appointing a Climate Change Officer, and submitting annual reports to the NCCC.

### 7. What are the consequences of non-compliance?

Non-compliance may result in regulatory sanctions, including fines and compliance directives. The NCCC is empowered to enforce adherence to national climate policies and action plans.

## Sustainability Standards & Reporting Obligations

### 8. What sustainability reporting standards apply in Nigeria?

Nigeria is adopting the IFRS Sustainability Disclosure Standards (S1 and S2), issued by the . These standards establish global benchmarks for climate-related disclosures.

### 9. Which companies are required to comply with these standards?

Implementation is phased. Listed companies and financial institutions are early adopters, with public interest entities transitioning between 2026 and 2028. Broader compliance, including SMEs, is expected by 2030.

## 10. What is the Adoption Readiness Test (ART)?

The ART is a mandatory assessment introduced in 2026 to evaluate whether companies have the systems, data, and governance structures necessary to meet sustainability reporting requirements.

## 11. Is Scope 3 emissions reporting mandatory?

Scope 3 reporting, covering emissions across a company's value chain, will become mandatory over time. While transitional relief exists, larger organizations are already expected to comply to remain competitive globally.

## Opportunities, Incentives & Market Access

### 12. Are there incentives for reducing carbon emissions?

Yes. Businesses may benefit from tax exemptions on carbon credit revenues for up to 10 years, as well as accelerated capital allowances for investments in low-carbon technologies.

### 13. How can businesses generate carbon credits?

Carbon credits can be generated through projects that reduce or remove emissions, such as renewable energy adoption, clean cooking initiatives, or reforestation. These projects must be registered and verified within the national carbon registry.

### 14. What is the role of the Lagos Carbon Exchange?

The Lagos Carbon Exchange provides a structured marketplace for trading verified carbon credits, enabling businesses to derive economic value from sustainability initiatives.

### 15. How do these regulations impact international trade?

With mechanisms such as the EU's Carbon Border Adjustment Mechanism (CBAM), Nigerian exporters must accurately disclose their carbon footprint. Compliance with local and global standards is essential to avoid additional trade costs.

## Risk & Resilience: Protecting Your Business in the Green Economy

## 16. I keep hearing about this 2026 National Carbon Market Framework (NCMF). Is it just for big oil companies, or does it affect my factory too?

While the oil sector is under the most heat, the NCMF is designed for everyone. If you're a manufacturer or an agribusiness, the framework allows you to turn your "green" upgrades like switching from diesel generators to solar, into Carbon Credits. Essentially, the government has created a system where your emission reductions can be sold as a new revenue stream.

## 17. The Adoption Readiness Test (ART) sounds like a school exam. What happens if my company fails it?

Think of the ART as a "sustainability health check." If you fail, you won't be fined immediately, but you'll likely be flagged as "High Risk." This can make it harder to get loans from Nigerian banks, disqualify you from certain government tenders, and prevent you from listing on the Nigerian Exchange (NGX). It's a signal to investors that your data isn't reliable.

## ROI & Operations: Turning Compliance into a Competitive Advantage

### 18. I want to sell carbon credits. How do I actually get the cash in my hand?

It's a three-step process:

- Register: List your project (e.g., a reforestation site or a clean-energy plant) on the National Carbon Registry.
- Verify: An NCCC-accredited auditor must prove your project actually saved the carbon it claimed.
- Trade: Once verified, you can sell those credits on the Lagos Carbon Exchange to companies that need to offset their own emissions.

### 19. We already pay a lot for power. Are these new regulations going to make my electricity bills even higher?

In the short term, companies relying heavily on "dirty" energy may face higher costs due to potential levies. However, the 2026 incentives are designed to tip the

scales. With the 10-year tax exemptions on carbon credit income and accelerated capital allowances, the government is effectively subsidizing the move to gas-to-power or renewables.

Market Access: Navigating International Trade and Legal Liability

## **20. I export cocoa and textiles to Europe. How does a Nigerian law affect my buyers in the EU?**

European buyers are now strictly bound by the Carbon Border Adjustment Mechanism (CBAM). If you can't provide documented proof of your carbon footprint using the NCCC's digital platform, your EU customers might have to pay a "carbon tax" on your goods at their border. To stay competitive, your carbon reporting is now just as important as your product quality.

## **21. Do I really need to hire a 'Climate Change Officer'? Can't my HR or Legal person just do it?**

The law requires a designated person, but for many mid-sized firms, this can be an existing executive who has undergone NCCC-certified training. The key is that they are legally responsible for the accuracy of your annual carbon report. If the data is found to be intentionally misleading, that officer (and the company) faces significant legal liability.

Growth & Governance: Managing Your Carbon Budget for 2030

## **22. What is a 'Carbon Budget,' and will the government tell me I'm not allowed to grow my business?**

A carbon budget isn't a "stop growth" sign; it's an efficiency target. The NCCC sets a limit on how much carbon your specific sector should emit. If you grow your production but keep your emissions low (by being efficient), you stay within budget. If you exceed it, you may be required to buy credits from the Lagos Carbon Exchange to "balance the books."

## **23. Is there any financial help for small businesses to go green?**

Yes. The Nigeria Climate Change Fund (CCF) provides specific "Green Loans" for 2026. These have much lower interest rates than commercial banks. To qualify, you usually need a decent score on your Adoption Readiness Test (ART).

## **Need Guidance on Carbon Compliance in Nigeria?**

Understanding the law is only the first step. Structuring your operations, managing regulatory exposure and unlocking value from carbon markets requires precise legal and strategic support

### Disclaimer

*This publication is intended for general guidance only and should not be relied upon as a substitute for tailored legal advice.*

For further inquiries and tailored advisory on Nigeria's carbon framework, compliance obligations, and investment opportunities, contact us via [info@pthlp.co](mailto:info@pthlp.co)