UNLOCKING AFRICA'S CARBON MARKET POTENTIAL

BUILDING BLOCKS FOR MOBILISING FINANCE AND ADVANCING SUSTAINABLE DEVELOPMENT



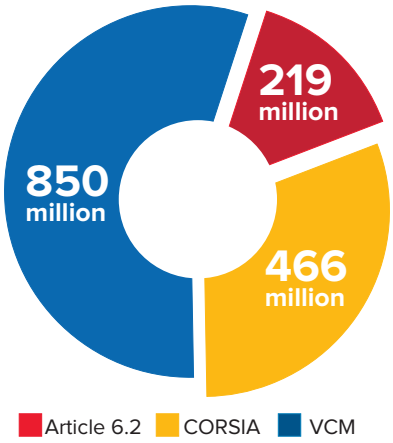
POLICY NOTE

UNLOCKING AFRICA'S US$6 BILLION CARBON OPPORTUNITY BY 2030



Africa could capture US$6 billion across carbon markets by 2030, trading **300 million high-integrity carbon credits** generated through inclusive climate action that creates **and supports 30 million jobs** (ACMI Roadmap Report, 2024)

BUYERS DEMAND (TCO2E)*



THE SAME TONNE CAN EARN UP TO 7X MORE**



AUTHORISATION AND ELIGIBILITY FOR SPECIFIC USE CAN INFLUENCE CARBON CREDIT PRICES

Article 6.2 credits receive higher average prices but still at modest volumes through bilateral deals with strong oversight

CORSIA credits are moderately priced, driven by compliance demand from the aviation industry

VCM has the highest demand but is dominated by low-price projects

FOUR BUILDING BLOCKS FOR CAPTURING AFRICA'S CARBON OPPORTUNITY

BUILDING THE PROJECT PIPELINE

Develop a bankable pipeline of high-integrity mitigation activities, supporting projects from concept through applicable approval, authorisation, validation and issuance processes

STRENGTHENING NATIONAL INSTITUTIONS

Build the policies, regulatory systems and institutional capacity countries need to participate credibly and equitably in global carbon markets

These pillars guide how UNDP helps countries turn this opportunity into results

MOBILISING CARBON FINANCE

Mobilise finance through high-integrity carbon credits and blended finance for low-carbon growth, job creation and resilience

POSITIONING AFRICAN NATIONS AS TRUSTED MARKET PARTICIPANTS

Participate as trusted market partners and help shape market rules and terms of participation

* Sources: VCM – Author's own estimates based on current retirement volumes; CORSIA and Article 6 taken from The Nature Conservancy report, 2025
** African cookstove credits (single developer); baseline USD 6/tCO2e (as at September 2025)

COUNTRY-LED APPROACHES TO CARBON MARKET DEVELOPMENT

Illustrative pathways from Ghana, Kenya and South Africa.

Example: Ghana demonstrates early-stage export-led growth under Article 6.2.

Article 6.2 Export-led Growth

Countries building bilateral Article 6.2 frameworks to attract international buyers and export authorised mitigation outcomes. Growth is driven by policy readiness, clear institutions, and foreign demand for high-integrity credits

1. Build national Article 6 policy and authorisation systems to enable transactions
2. Empower Designated National Authorities to approve Corresponding Adjustments
3. Use marginal abatement cost curves to identify high-cost actions for a methodology whitelist
4. Engage strategically with prospective buyer countries to trade target credit types, piloting first

Ghana's model shows that early policy credibility builds trust and attracts future carbon investment

OPPORTUNITY: Form structured bilateral relationships with buyer countries to support market access and greater revenue predictability, subject to agreed transaction terms

Example: Kenya illustrates a diversified model combining voluntary market activity with emerging compliance channels.

Diversified Export-led Growth

Countries combining established voluntary carbon market activity with emerging Article 6 opportunities. Growth is supported by clear approval procedures, private sector participation, diversified project pipelines and transparent governance

1. Define clear registration, transfer, and approval rules, with a planned whitelist (yet to be published) to enhance certainty
2. Lower project hurdles via strengthening VVB capacity and use of digital MRV systems
3. Promote diversified high integrity pipeline, targeting scalable projects with community benefits
4. Strengthen registry interoperability and public reporting to build credibility across markets

Kenya's model shows how innovation and private participation can scale high-quality carbon markets

OPPORTUNITY: Pursue multiple market channels by balancing voluntary and Article 6 transactions while improving integrity and transparency

Example: South Africa represents a domestic compliance-driven pathway anchored in carbon pricing.

Domestic Compliance-led Growth

Countries developing national carbon pricing and compliance systems to meet domestic targets while aligning with global trade requirements. Growth is anchored in carbon tax frameworks, regional cooperation, and industrial decarbonisation

1. Expand and align national carbon pricing frameworks with Article 6 principles
2. Synchronize carbon strategy with European Union Carbon Border adjustment mechanism (CBAM) and export competitiveness goals
3. Use domestic tax system to build trading capabilities and demonstrate climate policy commitment
4. Strategically monetise higher value-added credits, explore eligible international transactions while safeguarding domestic mitigation objectives

South Africa's model shows how integrating carbon pricing with trade can support competitiveness and regional leadership

OPPORTUNITY: Align domestic carbon market design with trade, developing strategies to maintain export competitiveness and attract low-carbon investment

WHAT IT WILL TAKE TO CAPTURE THE VALUE

AFRICA CAN STRENGTHEN CARBON MARKET RESILIENCE BY DIVERSIFYING ACROSS VOLUNTARY AND COMPLIANCE CHANNELS, WHILE SAFEGUARDING INTEGRITY AND NATIONAL CLIMATE PRIORITIES

WHAT COULD DERAIL THE OPPORTUNITY, AND HOW TO PROTECT IT

Delays in scaling Article 6 mechanisms	Accelerate readiness through clear Article 6 frameworks, streamlined authorisations and early internationally transferred mitigation outcome (ITMO) pilots that demonstrate capacity
Shifts in international climate commitments and buyer-country policies	Diversify demand through new partnerships (e.g. Africa-EU, Africa-Gulf, Africa-Japan) and regional compliance systems that sustain buyer interest
Evolving corporate climate claims and credit-use requirements	Support developers to meet applicable credit-quality requirements and help buyers navigate credible corporate claims guidance
Volatile and unpredictable demand	Strengthen regulations and institutions to serve pockets of demand for high-quality, high-integrity credits
Divergent standards and gaps in applicable methodologies	Advocate for Africa-relevant methodologies and a differentiated market strategy that targets compliance buyers for renewable energy and transition credits

PRIORITY ACTIONS: BLUE PRINT FOR NATIONAL IMPLEMENTATION

DEFINE A NATIONAL CARBON MARKET STRATEGY

Set **market positioning**, **ITMO exports** and **priority sectors**, backed by **MACC analysis** and a view on **domestic pricing or ETS** options

ESTABLISH LEGAL AND POLICY FOUNDATIONS

Enact carbon market laws aligned with **NDCs** and **Article 6** that define **authorisation, benefit-sharing** and **tax rules,** using consistent with applicable Article 6 guidance and national legal requirements

DEFINE PRIORITY ACTIVITIES AND ELIGIBLE METHODOLOGIES

Publish and regularly update priority activities and eligible methodologies, informed by marginal abatement cost analysis and aligned with national climate commitments and applicable integrity requirements

BUILD OR CONNECT TO A NATIONAL REGISTRY

Build a **modular national registry** (issuance, transfer, adjustments) or link to the **UNFCCC registry** and publish audit trails, benefit-sharing data and project performance

STRENGTHEN MRV, SAFEGUARDS AND BENEFIT-SHARING

Strengthen MRV and local verification capacity, safeguard NDC achievement, and ensure transparent, equitable benefit-sharing, with free, prior and informed consent where applicable and accessible grievance mechanisms

INCENTIVISE STRATEGIC PROJECT TYPES

Incentivise high-integrity projects, especially **CCP-approved or CORSIA-eligible** ones, **through tax incentives**

MOBILISE CLIMATE AND CARBON FINANCE

Partner with **DFIs** on **blended finance**, **guarantees and insurance** that derisk investment and move capital into domestic projects

PILOT ARTICLE 6 AND VCM TRANSACTIONS

Pilot Article 6 and voluntary market transactionsto test templates, registry APIs and audit procedures, building readiness for scale

STRENGTHEN REGIONAL COOPERATION

Pilot cross-border registry and MRV systems to **test interoperability**, identify gaps and **foster institutional trust** toward a unified African market

PUBLISH A ROLLING "MARKET INTEGRITY" NOTE

Release **quarterly updates** on authorizations, adjustments, issuances and **community payments** to maintain transparency and signal market maturity

Contact us at fsh.za@undp.org to explore partnerships. Scan the QR code full report and other related materials.
Together we can support African countries to unlock carbon markets opportunities to accelerate sustainable development.