

INSIGHT

Navigating Africa's Carbon Credit Projects

A Legal Landscape in
Transition

With the rising global demand for carbon credits, Africa’s voluntary carbon credit market presents a significant opportunity to attract climate finance and fund sustainable development. According to the United Nations Environment Programme, Africa contributes only 4% of global greenhouse gas emissions but remains disproportionately affected by climate change, including rising sea levels and prolonged droughts, making carbon projects vital for building resilience and driving economic growth.

It is estimated that there are over 100 carbon credit projects across 20 African countries focusing on renewable energy, household devices, forestry and energy efficiency. However, this pales in comparison to the continent’s vast potential for carbon credits and climate finance, which, according to the Integrity Council for the Voluntary Carbon Market (ICVCM), remains largely untapped, with only 2% of its nature-based potential being utilised through carbon credits.

ICVCM estimates that a mature African market could generate up to USD 6 billion annually and create approximately 30 million jobs. This underscores the need for coherent legal frameworks and transparent governance structures to unlock investment at scale.

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Recent Regulatory Developments

The launch of the Africa Carbon Market Initiative (ACMI) at COP27, aimed at developing carbon markets across Africa together with AUDA-NEPAD's efforts to establish an African Gold Standard for Carbon Offsets, is paving the way for more transparent and credible carbon credit frameworks. In line with these continental initiatives, several African countries have made significant strides in establishing and refining their carbon regulatory frameworks.

Kenya introduced the Climate Change Act, 2016, almost a decade ago, and more recently, the Climate Change (Carbon Markets) Regulations, 2024, creating a legal framework for carbon trading and outlining the statutory procedures for the development of carbon offset projects. South Africa has advanced its carbon tax policy, allowing companies to offset a portion of their tax liabilities through investments in certified carbon projects. Ghana has implemented the Ghana Forest Investment Programme, focusing on enhancing forest management and conservation. It has also signed bilateral deals with Switzerland, Sweden and Singapore, including USD 850 million from Switzerland's KliK Foundation to fund six carbon reduction projects in 2024.

These, and similar initiatives across the continent, represent a growing shift towards more structured and compliance-ready carbon markets in Africa.

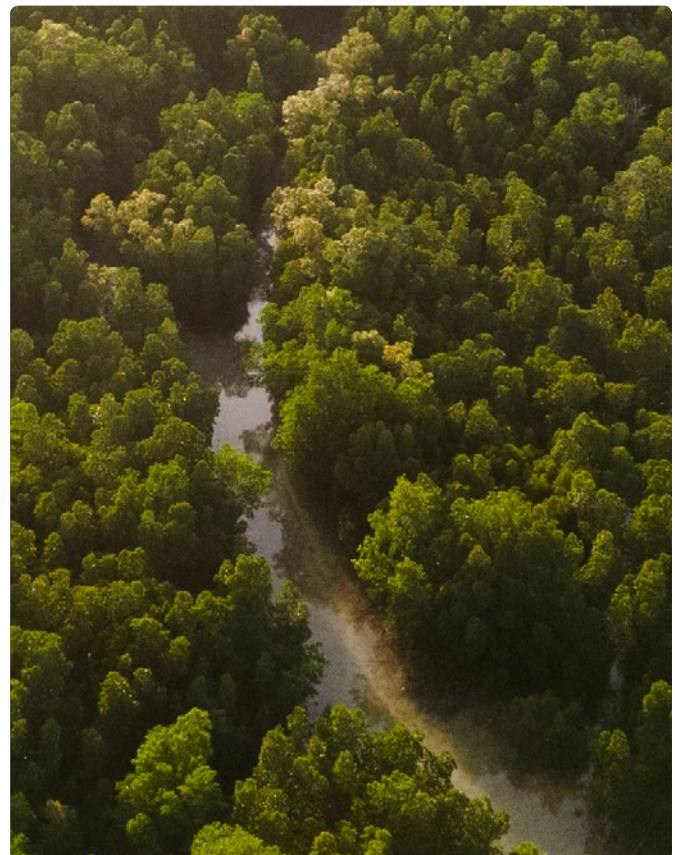
Legal Essentials for Carbon Credit Projects

1. Project Registration

Most African jurisdictions require prior registration or approval of carbon credit projects with relevant national authorities. For instance, in Kenya, carbon projects must first be approved by the Designated National Authority, while in Ghana, pre-approval is required by way of a Letter of Authorisation from the Minister responsible for the environment.

2. Environmental and Social Impact Assessment

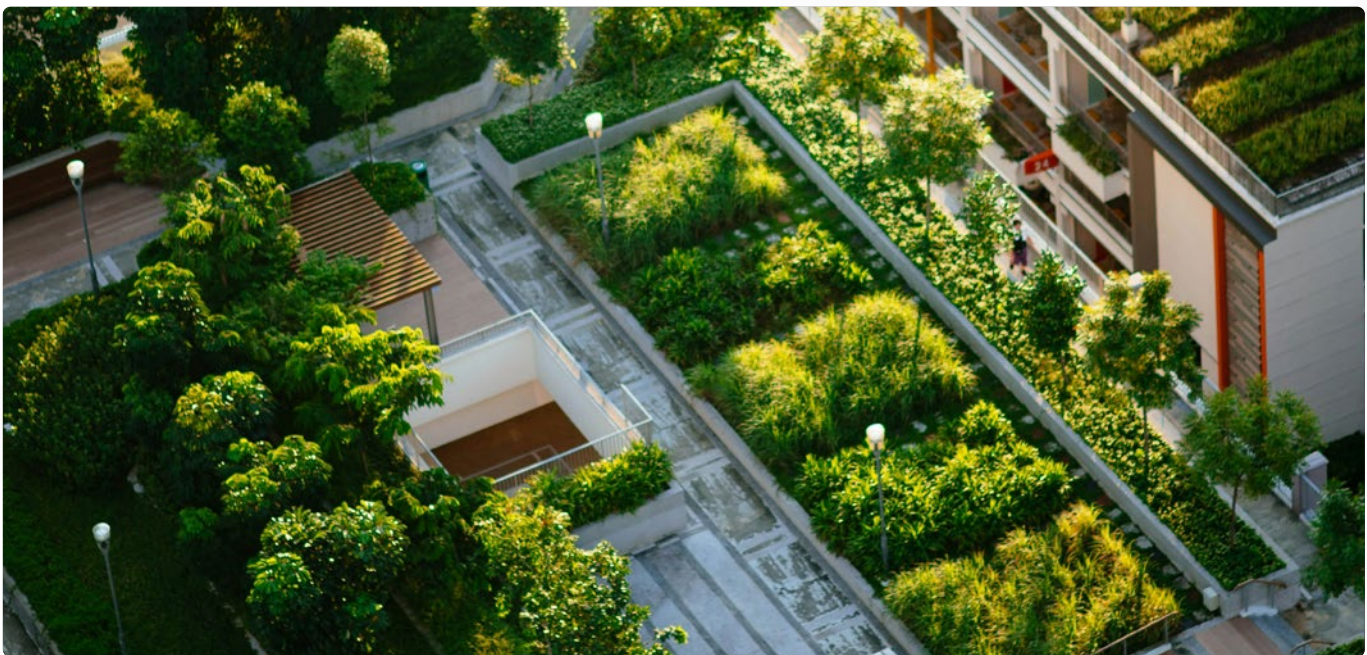
An Environmental and Social Impact Assessment (ESIA) is mandatory for carbon credit projects in most jurisdictions to ensure environmental sustainability and social acceptability, including addressing potential impacts on ecosystems and vulnerable communities. In South Africa, ESIA requirements flow from the National Environmental Management Act 1998, which mandates environmental authorisation through a rigorous assessment process.



3. Free, Prior and Informed Consent

Securing Free, Prior and Informed Consent (FPIC) for carbon projects involving community or indigenous lands is essential. It safeguards community rights and ensures fair, transparent negotiations and benefit sharing throughout a project's lifespan. Developers are expected

to engage meaningfully with communities, especially when projects impact communal land or livelihoods. In Kenya, FPIC is a statutory requirement, while in South Africa it remains voluntary.



4. Verification and Certification

Investors must seek verification and certification for carbon projects under recognised international standards such as the Verified Carbon Standard or the Gold Standard. Independent auditors validate the emission reductions to ensure that credits meet international climate market criteria.

5. Monitoring, Reporting & Verification

Monitoring, Reporting & Verification (MRV) involves systematic greenhouse gas emissions

data collection, independent audits, and transparent public reporting. These processes provide essential data and transparency to enable countries to measure their greenhouse gas emissions, monitor the implementation of policies, and verify the effectiveness of mitigation efforts. It is mandatory in most African jurisdictions for project proponents to submit periodic emissions reports verified by accredited assessors, to ensure credibility in carbon offset claims and regulatory compliance.

6. Alignment with Nationally Determined Contributions

Nationally Determined Contributions (NDCs) are at the heart of achieving the Paris Agreement's long-term goals. The Paris Agreement requires each country that is a party to the agreement to outline and maintain successive NDCs to reduce emissions beyond business-as-usual levels and contribute to the country's broader climate goals. Project approvals and carbon credit issuance are expected to align with these commitments to ensure compliance with both domestic and international climate frameworks.

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Looking forward

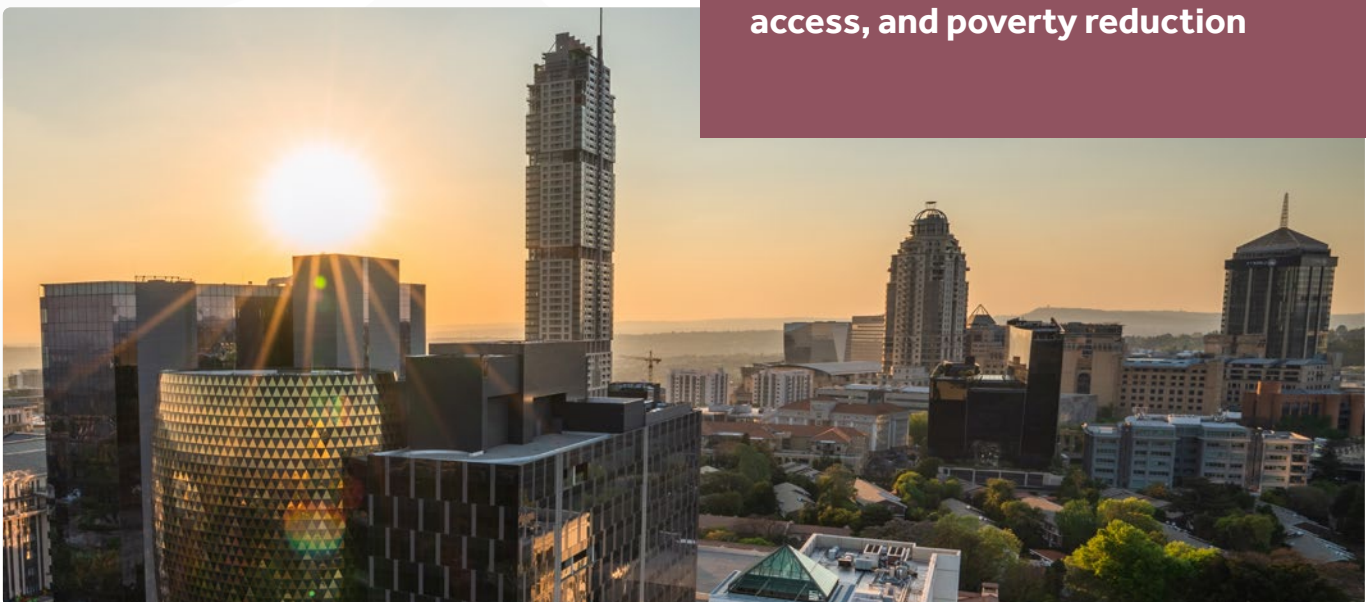
Much like any other dynamic market, Africa's carbon credit landscape faces various risks. These include risks associated with unclear obligations between communities and project developers, contractual ambiguities on project duration, credit allocation, and revenue sharing, which can lead to disputes. To help address this in Kenya, the regulations require any project being developed on community or public land to be governed by a community development agreement, which demarcates obligations and creates a mechanism for consultation with affected communities.

In South Africa, the carbon credit market faces notable challenges including prohibitively high costs for MRV emission reductions, burdening smallholder farmers and smaller enterprises, and limiting market inclusivity and scale. Nonetheless, the market's evolving policy frameworks, including South Africa's new Climate Change Act and ongoing international negotiations around Article 6 of the Paris Agreement, could reshape credit eligibility and market dynamics.

The increase in more robust regulatory frameworks in various jurisdictions is gradually moving Africa to a more predictable environment for carbon credit projects, through the creation of transparent and efficient systems to oversee market activities, and the definition of clear rules for carbon credit projects. The introduction of the anticipated African Gold Standard for Carbon Offsets could give African countries greater control over their carbon markets, through the carbon credit certification process, whilst also addressing development goals such as food security, energy access, and poverty reduction.

For investors and developers, understanding each jurisdiction's unique local challenges and evolving legal regime will be critical not only for compliance but for structuring transactions that balance commercial returns with community and environmental integrity.

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