



# THE AFRICAN CARBON MARKET CONUNDRUM

Souparna Lahiri<sup>1</sup> and Yemi Katerere<sup>2</sup>

## INTRODUCTION

The [African Carbon Market Initiative](#) (ACMI), launched at UNFCCC COP27, calls for carbon markets as a “crucial way of funnelling finance to developing countries”. ACMI has been formed with the support of a coalition of organisations focused on clean energy and sustainable development.

The architects behind ACMI include Global Energy Alliance for People and Planet (GEAPP), Sustainable Energy for All (SEforALL), and United Nations Economic Commission for Africa (UNECA), with United Nations Climate Change High-Level Champions as supporting partner. The other Steering Committee members and contributors are The Integrity Council for The Voluntary Carbon Market (VCM), Bill & Melinda Gates Foundation, USAID, VERRA (managers of the Verified Carbon Standard), Vertree (providers of net zero solutions), Conservation International and Climate Action Platform Africa.

[The Roadmap Report of the ACMI](#) states, that “its objective is to drive a dramatic increase in the production of African carbon credits while ensuring that carbon credit revenues are transparent, equitable, and create good jobs. Integrity of carbon credits is central to the mission of ACMI, as without integrity increasing demand for credits in the VCMs will pass Africa by”.

ACMI’s ambition includes four core objectives:

- i. Grow African carbon credits retirements ~19-fold from ~16 MtCO<sub>2</sub>e retired in 2020 to ~300 MtCO<sub>2</sub>e per annum by 2030 and up to 1.5-2.5 GtCO<sub>2</sub>e by 2050;
- ii. Create or support 30 million jobs by 2030 and more than 100 million jobs by 2050 through carbon projects development, execution, certification, and monitoring;
- iii. Raise the quality and integrity of African credits to mobilize up to US\$6 billion by 2030 and more than US\$100 billion per annum by 2050;
- iv. Ensure equitable and transparent distribution of carbon credit revenue, with a significant portion of revenue going to local communities.

While acknowledging the important role played by the Voluntary Carbon Markets (VCMs) in complementing direct decarbonisation, the ACMI Roadmap Report refers to carbon credits that reflect avoidance of CO<sub>2</sub> equivalent (CO<sub>2</sub>e) emissions or removal of CO<sub>2</sub>e from the atmosphere where the VCMs can create a robust and credible market to generate and trade these credits. The report, here, does not refer to credits that can reduce emissions. Creating a high integrity market and ensuring fair revenue sharing with local communities to deliver broad socio-economic benefits, are therefore, over-arching and critical areas of focus for ACMI. However, it is not certain that these ambitions can be realised.



# Africa Carbon Markets Initiative (ACMI)



## † The world of VCMs

A nine-month investigation and research into VERRA, VCM's leading carbon standard and a sponsor of the ACMI was undertaken by the Guardian, the German weekly Die Zeit and SourceMaterial, a non-profit investigative journalism organisation. The research results [published](#) in January 2023, concluded that the forest carbon offsets approved by the world's leading certifier and used by big corporations are largely worthless and could make global heating worse. The research also found that, based on analysis of a significant percentage of the projects, more than 90% of their rainforest offset credits, most commonly used by companies, are likely to be "phantom credits" and do not represent genuine carbon reductions.



Therefore, ACMI's dependence on VCMs and carbon standard certifiers like VERRA raises severe concerns and serious questions on the entire initiative. There is a risk that the voluntary carbon market undermines the objectives of the Paris Climate Agreement instead of supporting the required transformational change. ([R Joseph: 2023](#))

According to [Dr. Barbara Haya](#) (2023), Director of The Berkeley Carbon Trading Project, research on offsets shows "the large majority are not real or are over-credited or both." "The offset market is broken, and too far gone to fix." "It's like the Wild West, where anything goes," said [Stefan Reichelstein](#), professor emeritus of accounting at Stanford Business School in 2022.

Back in 2007, the [Guardian](#) referred to "a crisis of legitimacy in the voluntary market, as offsetters lay claim to certainties that are beyond their reach." Their "major investigation" showed "how greenhouse gas credits do little or nothing to combat global warming." They quoted Dan Welch, a journalist who scrutinized offsets: "Offsets are an imaginary commodity created by deducting what you hope happens from what you guess would have happened."



Significant over-crediting is commonplace in the voluntary Carbon Market (VCM). As one carbon management firm [wrote](#) in 2022, "Studies have found very high rates of over-crediting by all major offset programs that have developed offset protocols with credits available on the VCM, including the UN's Clean Development Mechanism, California's offset program, and a range of project types developed by the voluntary market registries, including soil carbon, improved cookstoves, and improved forest management."

Avoided deforestation refers mostly to REDD+ credits but could also include renewable ener-

gy projects. The amount of “avoided deforestation” credits supplied to the market “shrank by a third from 2021 to 2022,” explained a 2023 [BloombergNEF analysis](#). This drop has been attributed to a loss of confidence in the VCM due to “Some companies were accused of greenwashing after buying such offsets.”

On May 26, 2023, [Quantum Commodity Intelligence](#) reported, nature-based offsets hit “a new all-time low” of \$1/tCO<sub>2</sub>e. In June 2023, [CarbonCredits.com](#) did an “in-depth analysis” of the collapse in prices of Nature-Based Global Emissions Offsets (NGEOs), which are “generated by projects that reduce, remove, or prevent carbon emissions through nature-based solutions,” such as forest conservation or restoration projects.

The analysis noted that while the prices of all voluntary market carbon offsets had taken a beating, the decline in NGEO prices stands out due to the premium they were trading at over the other offsets in June 2022. (See Figure 1). They have been the most popular offsets, comprising 45% of all offsets in 2022. But this 90% drop in prices in just 12 months suggests that their myriad problems are making them much less attractive to corporate offset buyers and others.



FIGURE 1: NGEO Prices between June 2022 and June 2023: Source - [CarbonCredits.com](#)

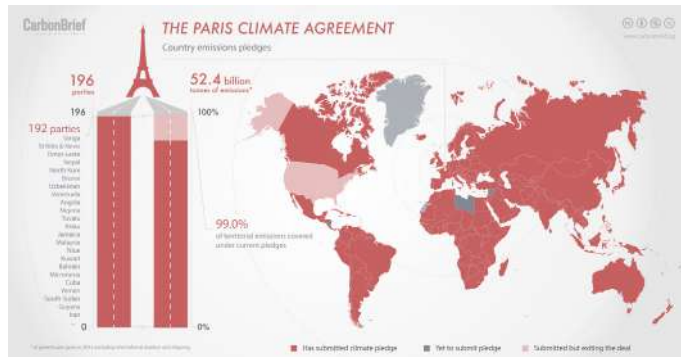
In 2019, the two largest offset certifiers, Verra and Gold Standard, stopped issuing offsets from grid-connected renewable projects anywhere but the poorest countries.<sup>1</sup>

1. Senior Climate and Biodiversity Policy Advisor, Global Forest Coalition  
2. Coordinator, African Civil Society Biodiversity Alliance (ACBA)

## Will the carbon market raise climate ambition and help African countries achieve the Paris Target?

There is a growing consensus even amongst the carbon market supporters that the only way carbon markets can operate and contribute to climate finance is by producing high integrity carbon offsets and setting a rule based regime. That is what is now being negotiated under Article 6.4 of the Paris Agreement.

A UNFCCC- run market of “authorized” offsets, experts say, will disincentivize developing countries from participating and from making strong CO<sub>2</sub> reduction pledges. While the details are yet to be finalized, as it stands now, authorized offsets would allow developed countries to make achieving their Paris climate commitments easier by paying developing countries to make achieving their commitments harder (R Joseph: 2023). Selling off emission reductions cheaply now may be a counterproductive policy for any country.



Under the Paris Agreement, the selling country will have to effectively agree to make their official climate commitment harder to achieve. For an offset to be genuine, if a developing country uses a project to reduce its own officially recognised emissions, as it will invariably want to do, then that same project should not be used to offset the buyer’s emissions too. So, in a nutshell, if an African country reduces emissions through an offset project, and sells it to a developed country or corporate, then that country cannot use the same emission reduction towards achieving its Nationally Determined Contribution (NDC) climate target. If the country refuses to do that then any

prospective buyer will not buy those carbon credits because the credits could not be used to meet their official Paris commitments.

As Favasuli (2022) explains, “the host country will have to issue a guarantee that it won’t use the transferred credits against its own NDCs,” the emissions reduction commitments it made under the Paris Agreement. To be an offset officially “authorized” under the Paris Agreement, its emissions reductions “can only be claimed once: either by the credit-generating country, or by the second country buying that credit from the international market.”



According to Schneider et., al, (2019), in practice this means “The country selling emission reductions makes an addition to its emission level, and the country acquiring the emission reductions makes a subtraction.” To be clear, at the start of the transaction, the seller has already counted the offset reductions (say 10 million tons of CO<sub>2</sub>), thereby reducing its total emissions 10 MT. Then, after the sale, it must add back those 10 MT. The seller must keep its official emissions total flat as if it never reduced its emissions in the first place.

What this essentially means is that an African country willing to assume the burden of reducing emissions, although while the continent emits only 4% of global emissions, cannot use that emission reduction to fulfil its Paris target, if it sells carbon credits to buyers in the developed west to receive climate finance.

Or, in simple terms, an African country will pledge its carbon credits, and therefore, rights over its lands and forests, generated through emission reduction projects, in lieu of climate finance which helps the developed west and its corporates to buy offsets to fulfil their own Paris commitments. The net effect is that the African countries will take longer to fulfil their Paris Agreement commitments while enabling emissions from the west to continue harming the planet and humanity and compromising Africa's future economic and social development.

As [Joseph Romm](#) aptly puts, “the buyer gets to pretend the reductions occurred in its country, while the seller must pretend their own emission reductions never occurred at all.” Moreover, the countries can receive climate finance only if their carbon credits are of high integrity and authorised under Article 6.4 of the Paris Agreement.

The alternative to the Paris carbon market is the VCM. But, the developed west will not buy offsets from a market which does not produce high integrity carbon credits, has a history of cheap credits flooding the market as earlier mentioned. While the VCM is still to clarify whether it will implement its rules in a similar way to the Paris Carbon market, a normal carbon credit produced through VCM offset, will not contribute in general to fulfilling the Paris targets for both the seller and the buyer. Therefore, carbon credits under VCM will not in any way help the African countries – neither in attracting climate finance nor in fulfilling NDC targets.

That is to say, under the carbon market, the richer countries are paying to weaken their original climate targets while shifting the burden to the poorer countries who must strengthen their original targets. That is not climate justice. A carbon market, therefore, is conceptually stacked against the developing countries and will lead them to a climate finance trap likely to lead to more debt.



## ‡ All gearing up and ready to go, but what is the impact?

Current developments in Africa show that governments are preparing to enter the carbon market, often and wrongly described as an obligation to the Paris Agreement commitments. The governments of Gabon, Liberia, Zimbabwe, Kenya, Zambia, Tanzania and Democratic Republic of Congo (DRC) are all geared to enter the carbon markets and ready to sell credits to the developed west to receive climate finance to fund their climate commitments - halting deforestation, enhancing conservation and protection of forests and restoration of forests and biodiversity.

But, recent happenings and case studies show that the carbon credit buyers are mostly oil and gas companies who have interests in these countries and are going to either continue with their polluting oil and gas production and/or looking for fresh explorations which means that emissions generated on the African continent are going to rise. By selling carbon credits, these African governments will not be able to fulfil their NDC targets and whatever finance they receive will be used to further reduce their rising emissions. Thus, Africa will be perpetually trapped in the emission trap.

Gabon has recently issued more than 90 million units of forest Carbon offsets (REDD+). This, combined with credits issued in other parts of the world like Guyana with more than 30 million 'TREES credits', could result in a huge surge of REDD+ credits of one kind or another. Prices for REDD+-like credits al-

ready [crashed in the second half of 2022](#), the trend continuing in 2023 as media revelations showed the extent of project over-crediting and widespread failure to prevent deforestation.

Therefore, while, there is every chance of the carbon markets crashing, and not generating any finance promised, this will also result in the failure of genuine climate action such as halting deforestation. We can also expect a typical boom and bust commodity pattern of high demand and high prices, leading to over-supply, continued heavily discounted credit

prices and the failure of projects.



A [Rainforest Foundation UK report](#)

quoting Carbon Pulse, says that by November 2022, a reported 16 million REDD+ credits were retired compared to 50 million in 2021, a 65 percent decline. Forest conservation projects, the report said, 'often battered by criticism of over crediting, have crashed

*out of favour with corporates amid deepening economic gloom*'. REDD projects, the report noted, 'have faced heightened scrutiny in the wake of wildfires, downwardly revised scores from the fast-emerging carbon ratings agencies, and difficulties with measuring the impact of forest-based mitigation, factors that have each added to the atmosphere of risk hanging over the market'.

African States, even if they become holders of

carbon rights, or carbon credit sellers, will not be able to change the architecture of carbon markets, dominated by the carbon traders, consultants and the certifiers. The case of forest carbon offset projects in Guyana is a good illustration of this. The day the Guyanese government announced issuance of carbon credits, the Hess Corporation – which has a 30 percent stake in an Exxon-led consortium exploiting oil from Guyana’s recently-opened Starbroek offshore oil block - announced its intention to buy some 37.5 million credits through The Architecture for REDD+ Transactions (ART) from 2022-2032, at a cost of \$750 million. Exxon has reportedly indicated that it might follow suit in buying [ART credits](#).

In comparison to the 33 million of forest carbon credits so far produced by ART, the 11 billion barrels of oil believed to be in the field being exploited by Hess/Exxon, could, by estimates, release somewhere between 3.3 billion

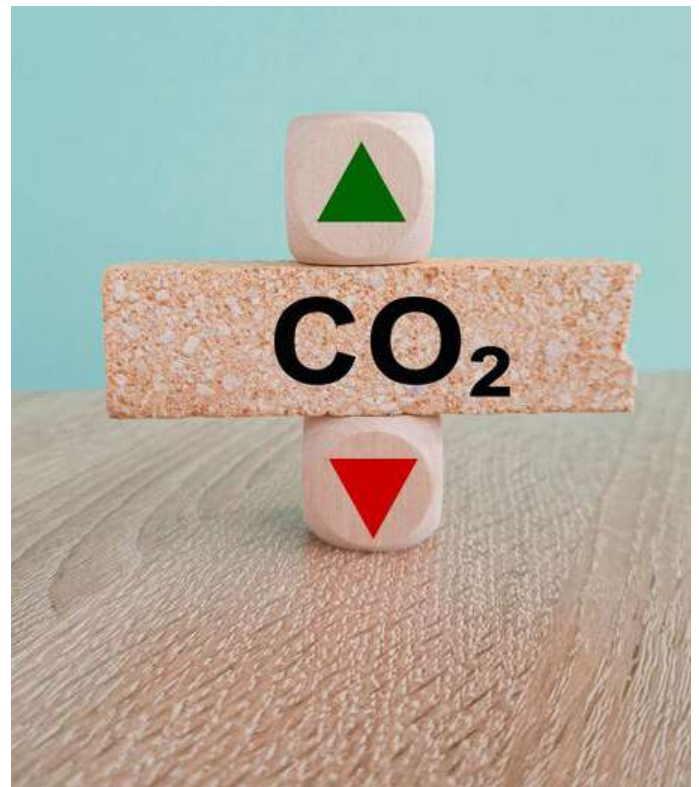


and 5.5 billion tonnes of CO<sub>2</sub> over its lifetime., These releases do and not accounting for emissions from gas flaring, leaks of methane etc. Guyana, with its population of less than a million people, will rapidly be propelled into the global top league of per capita carbon pol-

luters.

In [Gabon’s](#) much touted case of seeking to sell carbon credits, at the time Gabon’s sovereign credits were released onto the market, Minister Lee White said the country was seeking prices in the range \$25-30 per credit, and claimed there was ‘definite interest’ around \$15-\$16/t for ‘millions or hundreds of thousands of credits’. Three months later, he was forced to admit that there had yet been no interest in them from buyers.

In the case of the Democratic Republic [Con- go](#), the World Bank funded through the Forest



Carbon Partnership Facility (FCPF) a proposal for reducing deforestation. From a total of \$41.8 million to be paid by the FCPF for the supposed emissions reductions, 15 percent was destined for the government, a maximum 70 percent to logging and palm oil companies, and the remainder, up to a maximum 25 percent, to local communities (though in the latter case, all revenue is channelled through Development Committees which the communities themselves do not control and no credible mechanisms exist). Rather than representing



payments for genuine emissions reductions, these appear in reality to be thinly disguised subsidies to logging and palm oil companies for doing little or nothing, likely resulting in no additional emissions reductions whatsoever.

A shocking case is the recent decision by the government of [Liberia](#) to sign away the rights to more than one million hectares of forests for thirty-years to Blue Carbon, a private company based in the United Arab Emirates (UAE). Blue Carbon will 'harvest' carbon credits from emissions supposedly saved by protecting and restoring these forests to sell them to major polluters to offset their own emissions. This risks the livelihoods of up to a million people. It would also extinguish land ownership of the Indigenous Peoples, women in all their diversities and local communities in the selected areas, while violating communities' legal right to provide Free, Prior and Informed Consent for any developments on their land.

The draft contract detailing this agreement with Blue Carbon also removes Liberia's Government's chance to use the carbon credits generated itself. Only Blue Carbon will have the right to decide whether the carbon credits will be sold, and at what price. If they are sold, Liberia will not be able to use the carbon credits to meet its own climate targets. Liberia is therefore handing over decisions about how a substantial part of its carbon emissions for the next 30 years are to be managed by a UAE firm that has existed for less than a year, and which has no track record in carbon trading.

[Zambia](#) and [Tanzania](#) have signed memoranda of understanding (MOUs) with the same company. While the Tanzanian government has agreed to hand over 8 million hectares of forests including 56,000 ha of mangroves in the first phase, the Zambian government has



## ♣ So what's the alternative?

The alternative and real solution is to replace offsets with programs in which the richer countries and corporations first focus on meeting their climate targets by reducing their own emissions and second helping the developing countries reduce their emissions without offset projects

Real climate action through joint mitigation and adaptation is embedded in Article 6.8 of the [Paris Agreement](#) which, unfortunately, has gone unnoticed by many and regrettably with no real interests has been shown by the African countries in this [non-market approach under Article 6.8](#).

Real climate actions through joint mitigation and adaptation and with a gender just, rights based and ecosystems approach, can be spurred on by climate finance. This can be generated as contributions and grants from the developed west through Official Development Assistance (ODA), and public fund-

ed projects such as the Amazon fund, carbon tax and grants from philanthropic organisations. The potential of this was clearly seen in Glasgow where several such declarations were made for forest restoration, protection and conservation and direct access finance to the IPLCs by several developed countries, corporates and philanthropies.

One solution to addressing Africa's climate induced woes lies not in adopting carbon markets that compromise its sovereignty, nor in ceding precious forests, biodiversity, land and rivers and in undermining the rights and livelihood of its millions of peoples, but in supporting the implementation of Article 6.8 of the Paris Agreement. This non-market approach empowers developing countries to take real climate actions to build resilience and protect their biodiversity and forest resources on their own terms. Article 6.8 is now ready for full implementation.



## Conclusion

African countries, upon entering the carbon market, will reduce their own emissions, protect and restore their forests but cannot use them to fulfil their NDC targets if they sell carbon credits out of these actions. They are taking upon themselves the burden of reducing global carbon emissions while allowing the developed west to continue not only with their own emissions, but to use the carbon credits generated by the African countries to fulfil their own NDC targets. The paltry climate finance, that African countries will receive, has to be used by their governments to further reduce their own emissions to fulfil their NDC targets under Paris Agreement commitments. The buyers, such as oil and gas corporations will continue to ravage the continent with their polluting emissions, devastation and destruction of forests, land and rivers, evicting and displacing the communities, violating their rights. The cumulative emission of the African continent will continue to rise thus creating a perpetual emission trap.

As African countries rush to embrace carbon trading, they need to be aware of the problem with offset markets, more generally and especially with claims that offsets will lead to net zero. These markets are not compatible with climate justice, or the rights guaranteed in the Paris Agreement Preamble. Generating revenue from carbon trading does not necessarily translate to addressing the global warming crisis or guarding against land grabs and false solutions. African countries must harness the best science and knowledge including indigenous knowledge so that any claims of nature-based solutions and emissions reduction can be tested against scientific evidence, standards and indigenous knowledge.





# CARBON FOOTPRINT