



National Council on Climate Change

with

**United Nations Framework Convention on Climate Change,
Regional Collaboration Centre**

Collaborative Instruments of Ambitious Climate Action (CIACA)

Concept Note:

**Validation Workshop for the
Assessment of Carbon Pricing Initiatives in Nigeria**



INTRODUCTION

While it can be agreed that carbon emissions are on the increase, and the market has failed to represent the costs and hazards of emissions-intensive economic activities, economists agreed that putting a price on carbon to internalize the social costs of emissions is the most cost-effective strategy to meet global mitigation goals and avoid catastrophic climate change. Carbon pricing will raise the cost of carbon-intensive production and consumption, as such incentivizing economic players to pursue lower-carbon options, such as switching from the use of intensive fossil fuels for power generation to renewables. Carbon pricing systems, such as the European Emissions Trading System and Carbon taxes in Scandinavian countries like Sweden; are substantial drivers of emission reductions. Aware of these challenges, the Nigerian government has requested the support of the United Nations Framework Convention on Climate Change (UNFCCC) and the African Development Bank (AfDB) in building capacity on carbon market opportunities.

Collaborative Instruments for Ambitious Climate Action (CiACA) is an initiative implemented by the UNFCCC through its Regional Collaboration Centers (RCCs). The initiative launched at COP22 in Marrakech in 2016 is supported by voluntary contributions from several national governments, including the German Federal Government through the German Federal Ministry for Economic Affairs and Climate Action (BMWK). It assists countries in the development of domestic climate policies instruments such as carbon markets, carbon taxes, and other emission reduction instruments with strong monitoring, reporting and verification components.

In Nigeria, CiACA has been responsive through the capacity-building workshop held in August 2021 in Abuja. The workshop was organized by the Department of Climate Change of the Federal Ministry of Environment, with the support of UNFCCC through the Regional Collaboration Center. Sequel to the workshop, the Federal Ministry of Environment, having requested support from CiACA to assess the possibility of setting up carbon pricing instruments for Nigeria. Thus, a study was commissioned in 2022 by UNFCCC Regional Collaboration Centre (RCC) to consider initiatives that are pricing carbon and make recommendations on the appropriate direction Nigerian. A team of consultants led by Carbon Limits Nigeria was engaged to prepare this study under supervision of the Government of Nigeria.

The study is expected to provide a map of the domestic context within Nigeria to enable future efforts in determining which carbon pricing approach(es) could be the most suitable for the country. The rationale of this study is therefore to examine carbon pricing design options that fit the Nigerian context considering the current and future circumstances of the country. The validation workshop is organized to present the outcomes of the draft “initiatives pricing carbon in Nigeria,” to validate the main study recommendations with a select group of policymakers and stakeholders to discuss the next steps.

BACKGROUND

The concept of “Carbon Pricing” follows the “polluters pay principle” under the UNFCCC protocol that encourages economic operators to reduce or eliminate GHG emissions from their value chains, in the global effort to combat the adverse impact of climate change. Under this idea, polluters pay for GHG emission pollution or to continue with their business-as-usual operations and pay for the damages. This is an innovative way of achieving the 2° C target of limiting global atmospheric temperatures with the potential of yielding both private and public finance to support climate action.

According to the World Bank carbon pricing dashboard, businesses use internal carbon pricing to evaluate the impacts of mandatory carbon prices on their operations, and as a tool to identify potential climate risks and revenue opportunities. Also, long-term investors use carbon pricing to analyze the potential impacts of climate change policies on their investment portfolios, allowing them to reassess their investment strategies and reallocate capital towards low carbon technologies. In recent years, a growing number of countries have adopted carbon pricing instruments as an approach for achieving a low carbon development and the implementation of their current and future Nationally Determined Contributions (NDCs).

The major priorities of carbon pricing include reducing GHG (Greenhouse Gases) emissions, lowering climate risks, and putting the global economy on a low-carbon pathway which aligns with the goals of the Paris Agreement. In view of achieving and implementing Nigeria's current and future NDC under the Paris Agreement, it is timely to consider the different approaches for carbon pricing necessary to steer the country on the trajectory of a low-carbon policies while considering national priorities such as socio-economic development.

OBJECTIVES OF THE WORKSHOP

In 2022 a study to support the government of Nigeria through a stepwise approach, in identifying appropriate carbon pricing instruments to address GHG emissions, foster sustainable development, support the implementation of the NDC commitments that can steer the country towards a low GHG emission trajectory by focusing on mapping the domestic context was conducted. The report of the study was intended to guide national policy makers to determine carbon pricing approach(es) that are most adequate for Nigeria and how it should be successfully adapted.

This study was a fact-finding, it mapped out key elements that influences establishing of a domestic carbon pricing instrument in Nigeria and the type of instrument that is most suitable for the country.

Thus, the principal objective of the present workshop is to analyze and discuss the contents of the study on “Assessment of Carbon Pricing Initiatives in Nigeria”.

Specific objectives of the workshop include:

- Provide a chance for participants to provide feedback on the study's findings/ results.
- Remind the participants of the opportunities offered by carbon market instruments for achieving Nigeria's NDC targets, strengthening the legal climate framework, and increasing potential cooperative actions.
- Enrich the collection of existing policies and fiscal/economic instruments in place or planned with relevance to carbon pricing that may have gone unnoticed.
- Comment on the key elements of the social, economic, regulatory, legal, and institutional aspects which may influence the feasibility and choice of carbon pricing instruments and their specific design.
- Discuss the findings of the study on the overall readiness for carbon pricing in Nigeria considering technical, legal, and institutional requirements.
- Discuss the next steps for information dissemination and operationalization of the recommendations.

EXPECTED RESULTS

The expected results are linked to the objectives of the workshop and thus, the principal expected result is to deliver inputs and orientations to improve and finalize the study report on the “Assessment of Carbon Pricing Initiatives in Nigeria.”

Specific results of the workshop include:

- Feedback on the findings/results of the study is received from the participants.
- A reminder of the opportunities offered by carbon market instruments for achieving Nigeria's NDC targets, strengthening the legal climate framework and increasing potential cooperative actions is provided.
- The collection of existing policies and fiscal/economic instruments in place or planned with relevance to carbon pricing that may have gone unnoticed is enriched with inputs.
- Key elements of the social, economic, regulatory, legal, and institutional aspects which may influence the feasibility and choice of carbon pricing instruments and their specific design are commented on.



- Findings of the study overall readiness for carbon pricing in Nigeria considering technical, legal, and institutional requirements are provided with additional inputs.
- Next steps for information dissemination and operationalization of the recommendations are discussed.

NEXT STEPS

At the end of the workshop, participants will summarize the recommendations towards pertinent options for Nigeria and a way forward on how these could be considered for implementation. These elements will be part of the Workshop report.

REPORTING AND EVALUATION

A workshop report will be provided by the consultant with support and validation from the UNFCCC RCC and the National Council on Climate Change (NCCC).

As CIACA is funded by the IKI initiative (International Climate Initiative), the final workshop report will contain some metrics to measure the impact of the workshop:

- Evaluation of the understanding of key concepts and options presented regarding Carbon Pricing thematic.
- Assessment and evaluation of the number and quality of participants.
- Rating of the quality of the workshop by participants (0 to 10 scale).

The Report will be considered validation/endorsement by the host country through a specific mention.



AGENDA

<u>Time</u>	<u>Theme</u>	<u>Responsible</u>
08:00-09:00	Arrival of Participants	Organization / RCC
09:00-09:05	Welcoming ▪ RCC West and Central Africa	▪ RCC WAC Africa- Mr. Walters Tubua
09:05-09:30	Opening remarks ▪ Government Representative Welcome and Opening Speech ▪ West African Alliance Coordinator Introduction Speech	▪ DG, NCCC ▪ WAA – Mr. Ousmane Fall Sarr
9:30-9:50	Review of the workshop program and introduction of participants	Moderator: RCC WAC Africa – Mr. Yohann Zaba
9:50-10:20	Presentation of the Results of the study Part1: ▪ Introduction / Quick reminder of key definitions and concepts ▪ Objectives & Scope of the study ▪ Introduction to Carbon Market and Pricing Instruments	Consultant – Carbon Limits
10:20-10:40	Questions & Answers	Participants Moderation by RCC WAC Africa – Mr. Yohann Zaba
10:40–11:00	Coffee break and Group photo	Organization
11:00-11:30	Presentation of the Results of the study Part2: ▪ Carbon Pricing at the International and Regional Level ▪ Analysis of Key GHG Emitting Sectors as Indicated in NDC ▪ Analysis of National Context	Consultant – Carbon Limits
11:30-12:30	Questions & Answers / inputs	Participants Moderation by RCC WAC Africa
12:30-13:30	Lunch break	Organization
13:30–14:00	Presentation of the Results of the study Part3: ▪ Design Options for Carbon Pricing in Nigeria	Consultant – Carbon Limits
14:00-14:30	Questions & Answers / inputs	Participants Moderation by RCC WAC Africa –Mr. Yohann Zaba
14:30-15:00	Recommendation and Conclusion ▪ Overview of recommendations and selection of options ▪ Validation of the study by the participants and the Government representatives ▪ Proposition of next steps with partners (WAA, UNFCCC, etc.)	Consultant – Carbon Limits Moderation by RCC WAC Africa – Moubarak Moukaila
15:00-15:45	Questions & Answers / inputs	Participants Moderation by RCC WAC Africa – Yohann Zaba
15:45-16:00	Workshop impact evaluation ▪ Evaluation of the understanding of key concepts and options presented ▪ Rating of the quality of the workshop	Participants Moderation by RCC WAC Africa – Yohann Zaba
16:00 -16:20	Conclusion & next steps ▪ West African Alliance Coordination conclusion speech ▪ UNFCCC next step ▪ Vote of Thanks	▪ WAA – Mr. EL Hadji Mbaye Diagne ▪ RCC WAC Africa- Mr. Walters Tubua Government Representative Validation ▪ DG, NCCC