

TREND.

# Leveraging carbon markets to unlock finance for Kenya

It is critical to establish avenues to unlock demand today and structure and scale advance purchase commitments

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Africa stands at the crossroads where climate ambition meets economic opportunity. As carbon markets rapidly evolve, Kenya is poised to set a new benchmark for integrity, inclusivity, and innovation, showing how smart solutions can deliver real benefits for people, communities, and earth.

During the London Climate Action Week (LCAW) in June 2025, global stakeholders gathered with a sense of urgency and optimism, hope that the world remains committed to a sustainable future. Ahead of COP30 in Belém, Brazil, LCAW underscored the collective determination required to tackle climate change.

A major milestone of the week was launch of The Coalition to Grow Carbon Markets, spearheaded by climate envoys of the United Kingdom, Kenya and Singapore. This promising partnership aims to reinvigorate high integrity carbon markets, which have recently suffered a crisis of confidence, reflected by a decline of carbon credit purchases in the Voluntary Carbon Markets.

Carbon markets are a mechanism through which a price is placed on a tonne of carbon dioxide equivalent, and provides the financial incentive to undertake activities to avoid, cut or remove emissions.

It is critical to emphasise that carbon credits alone cannot solve climate change and climate injustice. Instead, they represent one essential mechanism within a broader suite of strategies necessary to bridge the global development finance gap.

Reduction of overseas development assistance, exacerbated by geopolitical tensions including ongoing Ukraine-Russia war, necessitates exploring every available financing channel, particularly for Africa. Thus, carbon credits must be leveraged effectively, transparently, and sustainably.

Ratification of the Paris Agreement and finalisation of Articles 6.2 and 6.4 rules at COP 29 in Baku, has expanded opportunities for trading carbon credits, beyond the voluntary carbon markets, through internationally Transferred Mitigation Outcomes



The Gazi women mangrove boardwalk project in Kwale County, which is helping the community through carbon credit sales. FILE

**‘Restoring confidence in carbon markets hinges on integrity, transparency, and verifiable impacts. Progress has been made in Paris Agreement Crediting Mechanisms, and frameworks such as ICVCM’s Core Carbon Principles that are increasingly shaping the integrity in the market.’**

(ITMOs). In 2023, prior to the inaugural Africa Climate Summit in Nairobi, Kenya set a commendable example by enacting the Climate Change Amendment Act, establishing a robust framework for carbon trading.

Subsequently, the Carbon Markets Regulations reinforced Kenya’s position as a leading trading hub in Africa by providing clear provisions for mandatory environment and social assessments as well as benefit sharing. Kenya is currently developing the county’s National Carbon Regis-

try infrastructure which will enhance transparency, integrity, and efficiency by providing visibility on all carbon projects implemented in the country.

The signing of two bilateral agreements with Switzerland and Sweden under Article 6.2 promises to unlock further investment to the country, reflected by a recent Carbon Markets Association of Kenya study that speaks of the potential debt free financing of more than \$1 billion through these mechanisms.

The global carbon market remains promising. The Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) has opened the door to demand of up to 161 million units between 2024-2026. Notably, the European Union (EU) is proposing to reintroduce the use of international carbon credits into its climate strategy.

Under amendments to the EU Climate Law, the bloc is setting a legally binding target to reduce net greenhouse gas emissions by 90 percent by 2040, compared to 1990 levels. Beginning in 2036, the EU may permit limited purchases of high-quality credits from international markets, capped at around three percent of 1990 net emissions.

According to analysis by the Oeko-Institut, this could translate into cumulative demand of roughly a billion carbon credits between 2036 and

2049. At a conservative estimate of \$20 per tonne, this represents a potential market of \$20 billion. These plans, however, remain subject to negotiation and approval by the European Parliament and Council before they can enter into force.

This move underscores a significant market opportunity that cannot be overlooked. Carbon developers in Kenya urgently need firm investment today. It is therefore critical to establish avenues to unlock demand today and structure and scale advance purchase commitments and results-based finance.

The Coalition to Grow Carbon Markets is a step in this direction. It will release Shared Principles at COP30 offering greater clarity to businesses from governments on the use of carbon credits as part of corporate decarbonisation plans, therefore unlocking critical financing today.

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It is also critical to ensure that communities and the youth are not left behind as this results in tension and blockage of carbon projects. Recent engagement with the youth and community groups highlighted the need for stronger enforcement of consent procedures, clear community development agreements, and inclusion of youth and women, particularly in land-based projects.

Prioritising investments in digital measurement reporting and verifications systems unlocks increased opportunities for innovation by leveraging technology to establish trust, enhance investor confidence in the market.

To unlock the full potential of carbon markets for Kenya and Africa, integrity must remain the foundation. The upcoming Africa Climate Summit two in Ethiopia offers a pivotal moment to shape the narrative.

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