# Unlocking Kenya’s Carbon Market Potential

FSD Kenya & Article Six Group, June 2026

# Agenda

1. Methodology
2. Kenya’s Carbon Market Strengths
3. Authorization Process
4. Areas of Focus
5. Case Studies
6. Recommendations

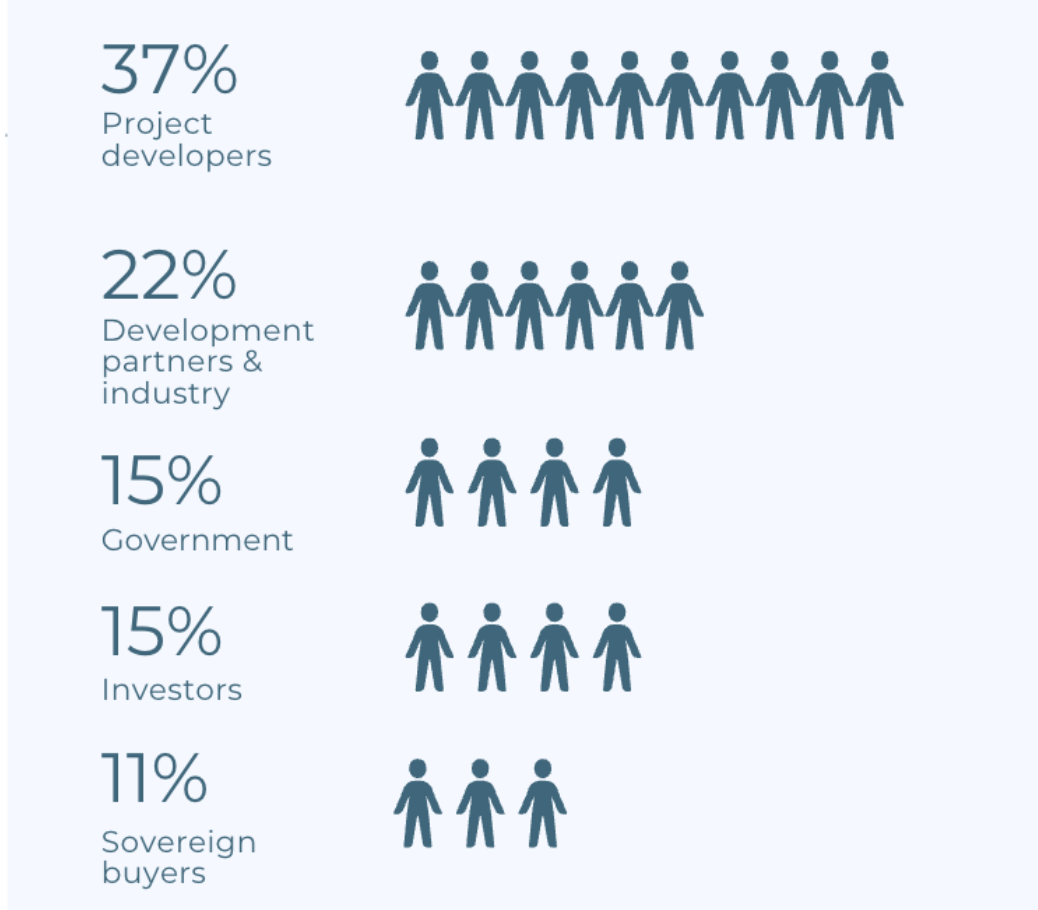
# This report is based on extensive interviews with leaders in Kenya's carbon ecosystem

**Commissioned By:** FSD Kenya & Special Envoy for Climate Change (Executive Office of the President)

**Period:** November 2025 – April 2026

**Approach:**

- **Regulatory review:** Kenya's carbon markets framework and international frameworks
- **Stakeholder Engagement:** Interviews with 27 developers, government, financiers, buyers
- **Workshop:** In-person consultation held in Nairobi March 26 2026 at ROAM Park: 276 registered, ~100 attended in person



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# Kenya’s Carbon Market Strengths

# Kenya’s government is visibly committed to carbon markets at the highest level

1

Political Commitment

- **Kenya is 1 of 10 countries actively implementing Article 6 cooperation** (Wuppertal Institute, Oct 2025)
- **Highest-level political signals**
  - **NDC 3.0 submitted:** 80% of conditional mitigation (60 $MtCO_2eq$) linked to Article 6
  - Presidential commitment from H.E. Hon. President Ruto at COP28, Africa Climate Summit, UNGA
- **Legal architecture implemented (since 2024)**
  - Climate Change (Carbon Markets) Regulations, 2024
  - Multi-Sectoral Technical Committee (MSTC) appointed to review applications
  - National carbon registry launched February 2026

# Kenya’s Technical Ecosystem is Mature

2

Technical Capacity

- **Kenya has issued 71M+ voluntary carbon credits across 307 projects, second only to DRC in Africa**
  - **Forestry & Land Use (51% of credits issued)**, Northern Rangelands Trust, Wildlife Works Kasigau Corridor REDD+
  - **Household & Community (47% of credits issued)**, 248 cookstove projects
  - Emerging sectors, agriculture, waste, transport, and renewable energy account for less than 2%
- **Recognized technical capacity**
  - Developer ecosystem operating to Verra (VCS) and Gold Standard
  - NEMA and CCD recognized as technically capable by developers and international counterparts

# Strong Inbound Interest From Buyers and Finance

3

Article 6.2 Buyers Interest

- **Active compliance demand**
  - **Operational bilateral agreements:** Switzerland (KliK), Sweden, Japan
  - **Frameworks in progress:** Singapore, South Korea

***Indicative Article 6 revenue potential by sector***

| Sector | Share of Emissions | $MtCO_2e$ | Revenue Potential | Example Developers |
|---|---|---|---|---|
| **Agriculture, Forestry, Land Use** | 54% | 32.4 Mt | $486M – 972M | Wildlife Works, Northern Rangelands, Mikoko Pamoja |
| **Energy** | 32% | 19.2 Mt | $288M – 576M | BURN (clean cooking), ROAM Electric |
| **Waste** | 8% | 4.8 Mt | $72M – 144M | HomeBiogas, Home Bay Biogas, Sanergy |
| **Industrial Processes** | 6% | 3.6 Mt | $54M – 108M | Bamburi Cement, Pyrogen Energy |
| **Total** | **100%** | **60 Mt** | **$900M - $1.8 Bn** | |

# Kenya’s Authorization Process

# Kenya's Authorization Process: Stage-by-Stage Assessment

***Working Well*** • ***Needs Improvement*** • ***Critical*** • ***Untested***

| # | Stage | Critical constraint |
|---|---|---|
| 1 | **Eligibility & Whitelist** | **Critical.** No clear Article 6 eligibility signal has been published, but PACM submission may serve as indicative whitelist for Article 6.4. |
| 2 | **Project Concept Note (PCN)** | **Needs Improvement.** PCN template lacks technical standards (baselines, additionality, methodology). |
| 3 | **Letter of Non-Objection (LoNO)** | **Working well.** LoNOs have been successfully issued and are well understood by the market. |
| 4 | **PDD Development** | **Needs Improvement.** Mature developer ecosystem means PDDs well executed; issues on county approval. |
| 5 | **Letter of Approval** | **Critical.** Approval criteria undefined with no timeline for sign-off; Letter does not commit to authorization. |
| 6 | **Securing Offtake and Financing** | **Critical.** No ex-ante commitment to Letter of Authorization means investors lack bankable commitment to corresponding adjustment. |
| 7 | **Letter of Authorization (LoA)** | **Critical.** LoAs issued after credits generated; verified / revocation conditions inconsistent with Baku. |
| 8 | **Project Implementation** | **Needs Improvement.** Carbon rights disputes on community land create implementation risk. |
| 9 | **Corresponding Adjustment** | **Untested.** No CA has been applied to date so procedure is untested. |
| 10 | **Credit Issuance & BTR** | **Untested.** ITMO accounting untested ( 1st BTR contains no A6 transfer). |

# Kenya's Authorization Process: Stage-by-Stage Assessment

1

**Eligibility & Whitelist**

***(Critical)***

- No formal whitelist of eligible sectors, technologies or methodologies has been published
- **For Article 6.4 projects:** NEMA indicated that its Host Party Participation Requirements mechanism to the UNFCCC should serve as an interim whitelist
- **For Article 6.2 projects:** NEMA indicated that eligible sectors are defined in the bilateral agreements with Sweden and Switzerland
- **GGGI and CCD are currently finalizing an Article 6 strategy expected to address this**

2

**Project Concept Note Submission**

***(Needs Improvement)***

- PCN requirements exist, but technical assessment standards remain underdeveloped
- The absence of guidance on baselines, additionality and methodologies creates inconsistent submission quality
- Government review processes currently focus more on administrative completeness than technical carbon integrity

# Kenya's Authorization Process: Stage-by-Stage Assessment

3

**Letter of Non-Objection**

***(Working Well)***

- The LoNO is issued by NEMA within fourteen days of a complete PCN submission.
- According to our interviews, there are no issues regarding the LoNOs.

4

**Project Design Document**

***(Needs Improvement)***

- Developers have twelve months from the issuance of the LoNO to submit a PDD
- This stage is generally working well since Kenyan developers have a long track record of working to recognized standards
- **The main bottleneck is a requirement for county letters of approval:** NEMA's interpretation is that letters are only required from counties where a project has a principal operational footprint, but this interpretation has not been formally published

# Kenya's Authorization Process: Stage-by-Stage Assessment

**5**

**Letter of Approval**

***(Critical)***

- This is the first stage where the government takes a substantive position on a project
- The market is not clear on:
  i. **When Letters of Approval will be issued -** No timeline exists for Cabinet Secretary concurrence
  ii. **Under what conditions they will or will not be granted -** No decision criteria exists
  iii. **Whether Letters of Approval lead to a Letter of Authorization –** Ambiguity on ex-ante authorization

**6**

**Securing Offtake and Financing**

***(Critical)***

- Kenya's authorization framework creates barriers to finance as neither LoNO nor the Letter of Approval contains a commitment regarding eventual authorization
- Without a bankable government commitment developers cannot raise the capital needed to implement their projects and generate the credits that would trigger authorization

# Kenya's Authorization Process: Stage-by-Stage Assessment

**7**

**Letter of Authorization**

***(Critical)***

- **Kenya's current approach is to issue Letters of Authorization (LoAs) only after credits have been generated and verified** ("Ex-post" authorization)
- Neither the Letter of Approval nor the LoA currently provides a bankable ex-ante government commitment during project financing
- This is the major financing bottleneck for Article 6 projects
- Also, the current LoA template does not align with the revocation approach reflected in the COP29 Baku guidance

**8**

**Project Implementation**

***(Needs Improvement)***

- Developers reported continued uncertainty around Kenya's two implementation-related payment obligations:
  i. 25-40% annual social contribution
  ii. A USD 4 per unit fee on authorised mitigation outcomes, with 50% remitted to the Climate Change Fund

# Kenya's Authorization Process: Stage-by-Stage Assessment

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|---|---|---|
| 9 | **Corresponding Adjustment** *(Untested)* | ▪ No corresponding adjustment has yet been applied in practice<br>▪ Implementation would require coordination between NEMA and the Climate Change Directorate |
| 10 | **Credit Issuance & Biennial Transparency Review** *(Untested)* | ▪ Kenya submitted its first Biennial Transparency Report (BTR) in December 2024, ahead of the UNFCCC deadline<br>▪ However, no Article 6.2 transfers have yet been reported because no LoAs have been issued to date<br>▪ This implementation gap is not unique to Kenya, as Article 6.2 accounting remains globally untested at the transaction level |

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# Case Studies

# Case Study | KOKO Networks

## Reliance on informal government engagement produced extremely negative results and investors now want LoA guarantees

**Context**

**A clean cooking network secured MIGA backing and private investment ahead of formal LoA**

- KOKO distributed clean cooking fuel via smart dispensers across Nairobi, serving thousands of households
- Secured a 2024 investment agreement with the Ministry of Finance, used to assure investors a LoA would follow

**Challenge**

**Proceeding without formal authorization left the business exposed**

- NEMA declined the LoA when sought through the standard process
- Without it, the carbon revenue stream could not be confirmed. **KOKO ceased operations in January 2026**
- LPG-linked credit eligibility under Article 6 was never formally established

**Lesson**

**The market cannot rely on informal guidance. Following KOKO's closure, every investor treats the LoA as a condition precedent for capital deployment**

# Case Study | ROAM Electric

## A commercially mature project affected back by the lack of an ex-ante LoA

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|---|---|
| Context | **One of Kenya's most advanced Article 6.2 project developers**<br>• ROAM manufactures and deploys e-motorcycles in Kenya<br>• Secured a Mitigation Outcome Purchase Agreement with KliK (Switzerland) and a Letter of Non-Objection from NEMA |
| Challenge | **Regulatory uncertainty on the LoA is raising the cost of capital**<br>• In the wake of KOKO, investors require LoAs as a condition precedent to any investment<br>• Lenders will not structure project finance without one, pushing companies toward higher-cost capital<br>• Different stakeholders indicate different pathways to authorization, uncertainty persists |
| Lesson | **Even Kenya's most advanced projects with bilateral offtake, government engagement, and a cleared LoNO, are affected in access project finance, because the LoA is only issued after credits** |

# Case Study | BURN Manufacturing

## A developer unable to model carbon returns because Kenya's Share of Proceeds rules are undefined

| | |
|---|---|
| **Context** | **Kenya's largest cookstove developer, modeling long-term carbon revenue**<br>• BURN is among the most advanced developers in Kenya's Article 6 pipeline<br>• Seeking to structure long-term carbon revenue agreements and model expected project returns |
| **Challenge** | **Key terms needed to calculate the 25% obligation are undefined**<br>• Regulations require non-land-based projects to contribute a share of net earnings via community benefit agreements<br>• "Cost of doing business" needed to calculate net earning, is not defined<br>• No clarity on whether cookstoves qualify for the private-land exemption |
| **Lesson** | **Until Kenya formally publishes its position, developers like BURN cannot model returns or structure due diligence around guidance that exists only in conversation** |

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# Recommendations

# 1. Commit to authorization in the Letter of Approval

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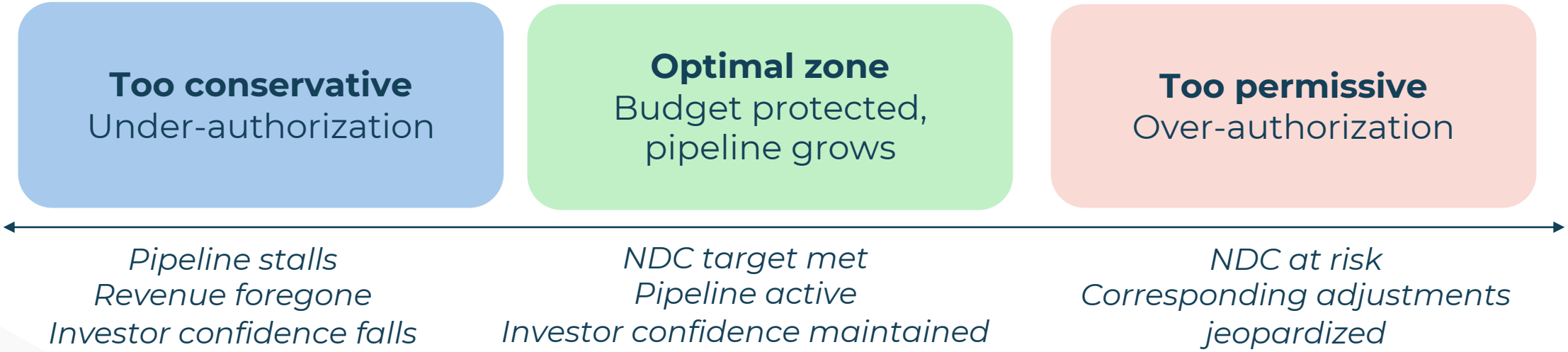
|---|---|
| Objective | Incorporate a conditional authorization commitment into the Letter of Approval to give developers a bankable government commitment at the financing stage |
| Specific actions | ▪ **Update the Fifth Schedule template** to incorporate a conditional authorization commitment, specifying authorized volume range, applicable methodologies, and compliance milestones<br>▪ **Issue a Cabinet Secretary notice** confirming commitment applies to all authorized project types, bilateral and non-bilateral (voluntary, CORSIA, Article 6.4) |
| Implementation | ▪ **Owner:** Cabinet Secretary + NEMA<br>▪ **Legal change:** None required<br>▪ **Drafts:** Appendix A (Fifth Schedule template) + Appendix B (CS notice) |

# Carbon Budget Management

**How does Kenya avoid over-authorizing against its NDC carbon budget while preventing under-authorization that would stall the pipeline?**



# Two approaches to managing carbon budget risk under ex-ante authorization

1

## Authorize up to confirmed MOPA volumes

- Kenya only commits to authorization once a signed MOPA with a buyer exists
- Authorization volume capped at contracted MOPA volume, not PDD
  - ✓ **Pro:** More realistic volumes; credits guaranteed to be sold
  - ✗ **Con:** MOPAs are private – difficult to implement and projects may still under-deliver

2

## Require under-delivery penalties

- Developers contractually compensate Kenya if they fail to deliver authorized volumes
- Compensation may be financial or via credit haircuts on future authorized volumes
  - ✓ **Pro:** Incentivizes developers to submit accurate PDDs
  - ✗ **Con:** Increases financial risk for developers and penalty structures difficult to enforce

# 2. Publish a formal interim Art. 6 whitelist & carbon budget

| | |
|---|---|
| Objective | Give developers, buyers, and bilateral counterparts a single operative reference for eligibility, pending finalization of the Article 6 Strategy in August 2026 |
| Specific actions | ▪ **Publish a NEMA notice** formally adopting Kenya's PACM submission as the operative whitelist for all projects receiving corresponding adjustments (Article 6.2, 6.4, and voluntary)<br>▪ **Publish an indicative carbon budget** disaggregated by NDC sector, using 2022 baseline emissions; update annually against actual authorizations |
| Implementation | ▪ **Owner:** NEMA + CCD<br>▪ **Legal change:** None required<br>▪ **Drafts:** Appendix C (whitelist notice) + Appendix D (carbon budget) |

# 3. Issue county letters guidance and standard template

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|---|---|
| Objective | Clarify which counties must provide letters of support and equip counties with a template that defines what they are being asked to assess |
| Specific actions | ▪ **Publish a NEMA operational guidance note** clarifying letters of support are required only from counties where the project's principal operational footprint is located, not every county where the product is used<br>▪ **Issue a standard county letter template** specifying assessment scope, required content, and basis of approval |
| Implementation | ▪ **Owner:** NEMA<br>▪ **Legal change:** None required<br>▪ **Drafts:** Appendix E (guidance + template) |

# 4. Issue operational guidance on Share of Proceeds

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|---|---|
| Objective | Enable developers to model project returns with confidence and counties to plan against expected receipts, by clarifying how the annual social contribution is calculated and paid |
| Specific actions | ▪ **Define "aggregate earnings", "cost of doing business", and "deductible costs"** in operational guidance<br>▪ **Clarify classification of cookstoves, e-mobility, and biogas as non-land-based (25% rate)** and clarify documentation for private-land exemption under Reg. 29(3)<br>▪ **Confirm that community payments are routed directly via Community Development Agreements**, not collected by NEMA |
| Implementation | ▪ **Owner:** NEMA<br>▪ **Legal change:** None required<br>▪ **Drafts:** Appendix F (operational guidance note) |

# 5. Strengthen inter-ministerial coordination & capacity

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|---|---|
| Objective | Address the capacity bottlenecks that will determine whether Kenya's authorization framework functions in practice as project volume grows |
| Specific actions | ▪ **Establish bi-weekly cross-ministerial working group** with one mid-level representative per ministry, focused on execution<br>▪ **Designate carbon focal points** in Energy, Natural Resources, and Environmental ministries to streamline cross-ministerial approvals<br>▪ **Embed a Ghana EPA expert** at CCD/MSTC for three months. Ghana has confirmed willingness; activatable immediately<br>▪ **Hire additional CCD staff** to support GHG inventory and authorizations |
| Implementation | ▪ **Owner:** CCD<br>▪ **Legal change:** None required<br>▪ **Drafts:** No standalone draft. Activation pathway via Ghana EPA. |

# Conclusion

- Kenya has demonstrated huge potential as an Article 6 host country.
- Five areas of focus within Kenya's authorization process prevent the pipeline from moving
- These areas of focus can be easily addressed; none requires new legislation.
- In our full report, we provide draft cabinet notices, updated schedule templates, and operational guidance notes to address each. These can be found in the Appendices to the full report.