



*Turning on-the-ground experience into actionable
policy and investment intelligence*

Carbon Credits: Powering a new era of green opportunity

Lessons from
Manufacturing Africa on
unlocking climate
finance to shape Africa's
green future





Introduction

Manufacturing Africa is an FCDO-funded programme that seeks to create inclusive and sustainable jobs, and drive Foreign Direct Investment (FDI) into Africa.

To date, the programme has mobilised £2 billion in FDI and secured commitments for over 125,000 direct and indirect jobs, exceeding the original targets of £1.2 billion and 90,000 jobs.

Through its transaction facilitation and technical advisory work, Manufacturing Africa provides beneficiary companies with guidance on compliance and climate positive practices, and recommendations to become climate competitive.

This insights piece synthesises expert analysis, global and African carbon market trends, and on-the-ground experience from Manufacturing Africa's portfolio, providing lessons and actionable recommendations for African policymakers, manufacturers, and carbon ecosystem actors.

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Manufacturing Africa's impact at a glance

£2B

In foreign direct
investment mobilised

125K

Jobs
committed

250+

Companies
supported

55

Companies
raised capital

The Manufacturing Africa programme is funded by UK aid from the UK Government; however the views expressed in this document do not necessarily reflect the UK Government official policies

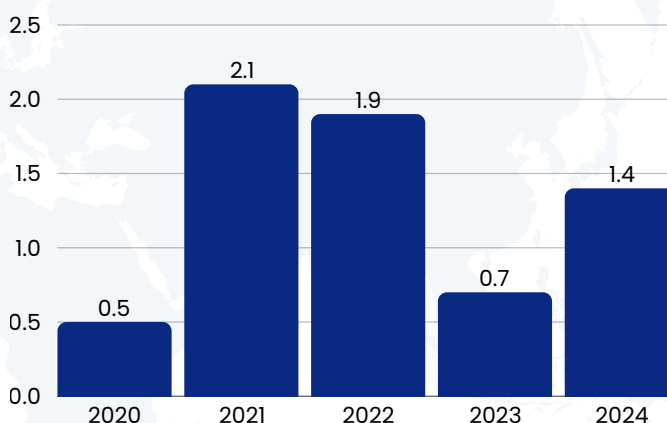
The Global "Flight to Quality"

The global carbon and climate finance landscape is undergoing a significant transformation, driven primarily by evolving corporate demand. In 2025, this demand is characterised by a "flight to quality," leading to a growing premium for high-integrity carbon credits and a shift towards long-term supply agreements.

This trend is fuelled by stricter scrutiny of net-zero claims, the need to mitigate greenwashing risks, evolving regulatory frameworks, and clearer guidance from initiatives such as the SBTi¹, which has reinforced the role of high-integrity carbon credits as a tool for beyond-value-chain mitigation while keeping science-based emissions reductions at the core of corporate net-zero strategies.

Carbon market value rebounded to \$1.4 billion in 2024

Voluntary carbon markets, billions of dollars, 2020–2024



Source: UN Trade and Development (UNCTAD), based on Ecosystem Marketplace, MCSI (2024)

Key effects of corporate demands



Premium on quality and integrity: Corporations are demanding credits that align with independent standards like the Integrity Council for the Voluntary Carbon Market's (ICVCM) Core Carbon Principles (CCPs). This leads to a price premium for verified, high-integrity projects, particularly Nature-Based Removals (NBR) and Carbon Dioxide Removal (CDR) solutions.



Shift to removals: Corporations are moving from traditional avoidance credits (e.g., some renewable energy projects) toward CDR projects (e.g., Direct Air Capture, biochar). These offer them greater permanence and durability, essential for long-term net-zero alignment.



Long-term certainty: Buyers are increasingly using multi-year offtake agreements instead of spot market purchases to secure reliable, high-quality supply and manage price volatility. This provides developers with the revenue certainty needed for capital-intensive projects.



Sector shifts: Demand for renewable energy credits continues to decline in most sectors, though transportation and logistics remain exceptions. Professional services firms have accelerated their use of cookstove project credits.



Transparency and compliance: Companies are increasingly choosing carbon credits that can meet formal regulatory requirements, not just voluntary sustainability goals. Credits that qualify for official schemes such as CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation) are therefore more attractive and tend to command higher prices.

¹The Science Based Targets initiative (SBTi) is a global framework that helps companies set greenhouse gas emission reduction targets aligned with climate science and the goals of the Paris Agreement.

State of African Climate Finance

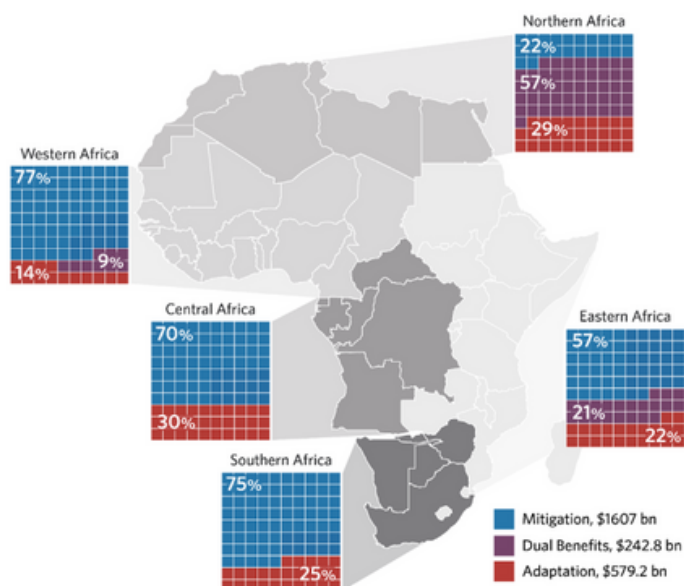
Africa requires climate financing to address mitigation, adaptation, and dual-benefit needs.

Mitigation covers resources for actions that cut or avoid greenhouse gas emissions or protect natural carbon stores. This takes the largest share at \$1,607 billion, ~two-thirds of the need.

Adaptation focuses on reducing the vulnerability of people and ecosystems to climate impacts (e.g., through early warning systems), while **dual-benefit** efforts support both needs (e.g., agroforestry).

While Africa faces significant financing needs, it is essential to emphasise the importance of having verifiable, timely measurement systems, transparent processes, and clearly defined standards to attract the necessary funding.

Subregional climate finance needs in Africa by use (2020–2030), USD billion



Source: Climate Policy Initiative: The State of Climate Finance in Africa: Climate Finance Needs of African Countries

Trends and their impact on manufacturing in Africa

As Western economies reprioritise and reduce aid spending, there has been a shift in climate financing. While this is creating a challenging financing environment, given the carbon adaptation potential, Africa could emerge as a leader in carbon markets.

Growing interest among local governments in establishing carbon markets, combined with new investments directed toward Africa, signals concrete steps toward seizing this emerging opportunity. Across the continent, countries are developing coordinated strategies and policy frameworks—such as the African Union’s Action Plan on Carbon Markets (AAPCM) and recent regulatory reforms in Kenya—to strengthen their position and participation in global carbon markets.

Opportunities

- Access to diverse climate finance streams
- Competitive advantage in quality and compliant green production
- Job creation and economic growth
- Development of local expertise moving from imported expertise, with IP and ownership maintained within the regions

Risks

- Trade barriers and export impacts (e.g., international regulations like the EU’s Carbon Border Adjustment Mechanism (CBAM))
- Regulatory uncertainties and complexity
- Quality data requirement



Manufacturing Africa's approach

Manufacturing Africa offers support to strengthen investment readiness and competitiveness of African manufacturers. For companies where climate and carbon considerations are now core to value chain and investment logic Manufacturing Africa's approach goes beyond compliance. Among other areas, support focuses on integrating climate-positive practices that enhance resilience and investment attractiveness.

Manufacturing Africa helps companies identify and act on both risks (e.g., carbon-intensive inputs, trade barriers such as CBAM) and opportunities (e.g., low-carbon innovation, the circular economy, and emerging carbon finance).

Impact achieved to date

75+

**Companies
provided with C&E
support**

9m+ tCO₂

emissions reduced

Manufacturing Africa's portfolio lessons

Based on our extensive experience working with carbon market businesses, we have drawn the following lessons:

1. African carbon markets are still emerging

Most manufacturers are primarily focused on goods production (food, plastics, textiles) and are not core players in the carbon markets. While many engage in low-carbon activities, few have implemented quantifiable, verifiable methodologies (Measurement, Reporting, and Verification – MRV systems) needed to generate tradable credits.

Recent discussions at UNEA-7 reinforced a growing global consensus that robust MRV systems, clear governance frameworks, and policy certainty are now central to sustaining investor confidence in climate finance.

2. Profitability is dependent on project type

Profit potential is strongly linked to project type, scale, and additionality

- **High-profit potential:** Projects with measurable, scalable, household-level impact, or those generating co-benefits, like clean cooking technologies (e.g., [BURN](#) see case study below), biochar, waste-to-energy, and solar-integrated refrigeration (e.g., [Koolboks](#)).
- **Lower-profit/high-risk:** Projects dependent on volatile carbon prices or uncertain future policy frameworks, and industrial retrofit projects (modifying industries for less emission), because the cost of measuring and verifying emissions reductions is high.

3. Strategic fit matters

Diverting operational capital into carbon credit projects can introduce liquidity and strategic risks if carbon finance is not core to the business model. The majority of manufacturers are better positioned to integrate climate co-benefits (efficiency, circularity) and partner with specialised developers who can aggregate carbon assets at scale. Assessing your business model and strategic fit is essential to creating a profitable carbon credit model.



About

BURN is Africa's leading **clean cooking** company and one of the only carbon project developers **managing the entire carbon value chain** — from project design and in-house monitoring to credit issuance and sales. Since 2011, BURN has distributed over **6 million** biomass, LPG, and electric cooking appliances across **12** African countries, including its award-winning, IoT-enabled ECOA Induction Cooker. These stoves reduce fuel use by up to 80%, cut household emissions, and lower exposure to deadly indoor air pollution.

How it works

The efficiency of BURN's stoves significantly reduces the amount of wood or fossil fuel burned, translating directly into avoided carbon emissions (typically 1–2 tons of CO₂ per stove per year) that are converted into carbon credits.

Carbon investors provide upfront funds that subsidise the stove's retail price for low-income families (e.g., from ~\$40 without subsidy to \$3–\$5 with a carbon subsidy). This enables accelerated adoption among households that wouldn't otherwise have access to clean cooking.




Lesson learnt

Carbon finance is complex and risky, requiring significant upfront capital, long time horizons, and confidence that carbon markets will remain viable. Increased scrutiny has tightened rules, and raised monitoring costs. Despite the difficulty, carbon finance is currently unlocking impact at scale in clean cooking.

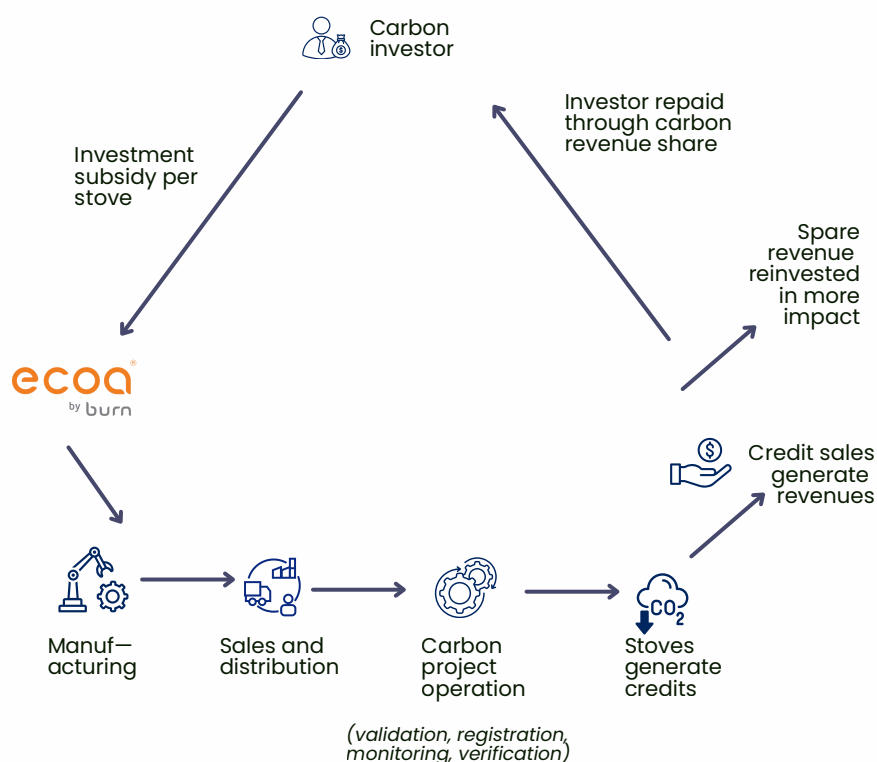
Manufacturing Africa support

Manufacturing Africa helped BURN refine its Nigeria expansion plans by identifying targeted enhancements to their Environmental and Social Management System, governance, and permitting frameworks, in line with IFC¹ standards.

BURN's impact to date

9m	 Gold Standard carbon credits ² issued.
6m	 Clean cooking units distributed.
\$60m	 Deployed as price discounts to customers across 10 countries.

Carbon investment structure



1. International Finance Corporation (IFC) Performance Standards, which guide environmental and social responsibility for investment.
2. A 'carbon credit' represents one ton of carbon emissions avoided.

Key recommendations



Policy recommendations



- **Standardise regulations:** African nations should continue efforts to reduce policy uncertainty (e.g., the African Union Action Plan on Carbon Markets) and provide a stable, predictable environment for investors.
- **Streamline project authorisation:** Governments must clarify the process and provide multi-year commitments for project authorisation (e.g., Letters of Authorisation) to meet investor demands for certainty and attract finance.
- **Invest in data and MRV infrastructure:** Governments must create transparent, verifiable, and timely data infrastructure that meets international standards to address the risk of inadequate data and monitoring systems.

Recommendations for manufacturers



- **Prioritise decarbonisation over direct trading:** Small to mid-sized manufacturers should focus on core operational improvements (e.g., energy efficiency, renewable integration) to enhance competitiveness. Carbon finance should be seen as a complementary enabler, not a primary revenue driver.
- **Partner for carbon monetisation:** New players should partner with experienced, specialised carbon aggregators or developers to share expenses and leverage scale to generate credit. This avoids the high upfront costs and risks of developing poor quality independent carbon projects.
- **Ensure strategic separation:** Companies exploring the carbon market should consider structuring carbon projects separately from core manufacturing operations to protect the business from carbon market price volatility and project risks.

Carbon ecosystem actors (Programmes, DFIs, experts)



- **Focus on foundational readiness:** Programmes such as Manufacturing Africa are key for building carbon-market readiness for beneficiaries. A key focus should be in strengthening literacy on market structures and pricing, and building capacity in MRV.
- **Develop a carbon readiness toolkit:** Ecosystem players should create and standardise tools across sectors, including MRV templates, cost benchmarks, and methodology guidance, to equip manufacturers to integrate emission-reduction systems early in operations.
- **Facilitate ecosystem linkages and partnerships:** Ecosystem players should act as a convenor or knowledge broker to connect manufacturers with key ecosystem players – registries, verifiers, aggregators, DFIs, and private investors – to unlock blended finance opportunities and facilitate cross-country learning.