

Old Ghost, New Shadows: Resource Curse Dynamics and the Growing Illicit Flows in Africa's Carbon Market

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Abstract: This essay explores the emerging threat of illicit financial flows (IFFs) within Africa's expanding carbon market, drawing parallels to the historical "resource curse" seen in mining and oil. It illuminates how fraudulent project baselines, inflated offsets, and opaque shell companies allow foreign and domestic actors to exploit the continent's environmental assets for illicit gain. The essay adopts Polanyi's theory of fictitious commodities and Akerlof's information asymmetry to explain how market failures and a lack of transparency enable "carbon colonialism" and corruption. Detailed case studies from Zimbabwe, Kenya, and Liberia illustrate the socioeconomic harms caused, including land-grabbing and the displacement of local communities. To combat these systemic vulnerabilities, the author proposes a multi-level policy framework involving international oversight, blockchain-enabled registries, and robust community-led benefit-sharing. Finally, the essay advocates for structural reforms and regional cooperation to ensure Africa's climate finance contributes to genuine ecological sustainability rather than further financial exploitation.

Keywords:

1. Africa
2. Carbon Market
3. Climate Finance
4. Illicit Flows
5. Resource curse

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1. Introduction

1.1. Africa and IFFs Risk in the Carbon Market

In contemporary times, the shift toward the carbon market as a mitigating mechanism to climate change has raised several risks of illicit financial flows (IFFs). Some analysts project a significant expansion of the market, with annual investment between USD 7 billion and 35 billion

by 2030 and between USD 45 billion and 250 billion by 2050.¹ Yet, this anticipated growth sits uneasily alongside persistent structural vulnerabilities, as IFFs, together with other pre-existing challenges, have been identified as a threat to achieving a just energy transition (OECD 2023, p. 9). Transparency International (2024) indicates corruption, undue influence, and dirty money as the biggest challenges facing climate change mitigation.² In the same reports, Sub-Saharan Africa scores lowest (33/100), with 90% of its countries scoring below 50.³ Clearly, as an established carbon trader in the Global South, Africa sits at the centre of this quagmire. Attracted by its vast forest resources, under-industrialized economies, and perceived low-cost mitigation opportunities, the continent has become a frontier in global climate finance amid mounting pressure from countries in the Global North to meet net-zero targets (CPI 2024, p. 26). In addition to holding 30% of the world's mineral resources, the continent also has enormous potential for carbon sequestration, with an estimated USD 100 billion in carbon credits available each year by 2050.⁴ However, there have been legitimate concerns about new and poorly understood channels for IFFs, corporate greenwashing, and environmental exploitation (Sasaki 2025, p. 12), after investigations into carbon offset projects in Kenya and Uganda found discrepancies in emissions accounting and questionable benefit claims (Policy Brief 2025, p. 10). This vulnerability is further amplified, considering the continent loses about half (USD 40 billion)⁵ of its total IFFs (USD 88.6 billion)⁶ to the extractive sector, such as forestry, agriculture, oil, and minerals, where carbon sequestration projects are usually executed.

Against this backdrop, the present essay examines the extent and magnitude of IFFs' risk to the carbon trade in Africa. In advancing its discourse, the essay adopts Polanyi's (1944) theory of "fictitious commodities,"⁷ which frames assets, including carbon credits, as abstract and artificially constructed, prone to speculative manipulation, and Akerlof's (1970) "information asymmetry" theory,⁸ which explains how markets, including carbon markets, fail when buyers and regulators cannot reliably distinguish between genuine and inflated products. Given the absence of scholarly research exploring IFFs, the carbon market, and the African continent, this essay, drawing on the aforementioned theories, demonstrates that this nascent "carbon rush"

¹ Frozen Carbon Credit Market May Thaw as 2030 Gets Closer, 2025. <https://www.msci.com/research-and-insights/blog-post/frozen-carbon-credit-market-may-thaw-as-2030-gets-closer>

These projections include both the voluntary carbon market (VCM) and the Compliance Carbon Market (CCM).

² <https://www.transparency.org/en/cpi/2024>, Retrieved August 28, 2025

³ <https://www.transparency.org/en/news/cpi-2024-sub-saharan-africa-weak-anti-corruption-measures-undermine-climate-action> Retrieved August 28, 2025

⁴ Africa's development and climate needs are huge. Retrieved August 24, 2025 <https://mo.ibrahim.foundation/our-research/data-stories/financing-africa>

⁵ Africa loses \$40 billion annually to illicit financial flows in the extractive sector — UN ECA. Retrieved August 24, 2025 <https://nairametrics.com/2025/06/06/africa-loses-40-billion-annually-to-illicit-financial-flows-in-extractive-sector-une-ca/>

⁶ Africa's public services face a more significant threat than corruption: the unchecked outflow of resources by multinationals. Retrieved August 24, 2025 <https://globaltaxjustice.org/news/africas-public-services-face-a-more-significant-threat-than-corruption-the-unchecked-outflow-of-resources-by-multinationals/>

⁷ Polanyi argued that labour, land, and money are *fictitious commodities* because they were not originally meant to be bought or sold but were commodified artificially through social and political processes. The concept originates from his book "The Great Transformation", referring to labour, land, and money, which are treated as though they were originally meant to be produced for sale on a market (like a typical good does) but weren't. According to him, this has led to socio-ecological destruction because they are cardinal to life and nature, not mere products. He argued that commodifying these elements disrupts society, giving rise to protective counter-movements (the "double movement") to re-embed the economy in social relations.

⁸ Akerlof highlights the risk of "markets for lemons" in which buyers cannot distinguish between real and inflated credits because of limited transparency. Sellers exploit this asymmetry to overestimate volumes and launder illicit finance.

risks repeating similar resource-curse patterns seen in oil, mining, and agriculture. This essay conceptualizes the carbon market as a new frontier for IFFs and foregrounds African agency in mitigating this ugly trend.

1.2. Structure of the Work

This essay proceeds as follows: first, it introduces the evolution of global carbon markets and Africa's strategic positioning, tracing the institutional trajectory from the Kyoto Protocol to more recent frameworks such as the African Carbon Markets Initiative (ACMI). Next, the essay shifts to a conceptual analysis of IFFs, coining the term "illicit carbon trading" (ICT) as an emerging IFF variant. Furthermore, the essay provides a detailed analysis of the mechanisms and typologies of ICT, by interrogating practices such as overinflated or "phantom" credits, systemic misreporting, shell entities, and the so-called carbon cowboys. It further disaggregates the constellation of actors involved: from state authorities and multinational corporations to transnational criminal and mafia-styled networks. Subsequently, the essay approximates the scale of ICT by triangulating historical patterns from extractive sectors with country-level analysis of emerging carbon frontiers: Zimbabwe, Kenya, Liberia, South Africa, and Tanzania. The essay then examines the consequences of these illicit dynamics and structural and systemic factors. Finally, the essay advances policy recommendations and implementation pathways for international institutions, national governments, and private actors.

2. The Rise of Carbon Markets and Africa's Strategic Position

2.1. The Genesis: Global Round Table

In 1997, the United Nations Framework Convention on Climate Change (UNFCCC) adopted the Kyoto Protocol, which recognized the benefits of using market-based mechanisms to combat climate change. With the Protocol, the concept of emissions trading and carbon credits came onto the global scene as tools to help countries realize their greenhouse gas (GHG) reduction commitments cost-effectively, primarily on carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O).⁹ By buying "units" equivalent to one tonne of CO₂ (with other GHG emissions converted to CO₂), carbon trading allowed nations to offset a portion of their emissions (World Bank 2021, p. 69). This ushered in a new commodity of emission reductions or removals and established the basis for *carbon markets*, where each tradeable unit is known as a "carbon credit". However, the 2015 Paris Agreement introduced cooperative approaches under Article 6,¹⁰ laying the foundation for a globally linked system in which emissions reductions could be traded as commodified units.

Broadly, the carbon market is categorized into two components: the compliance carbon market (CCM) and the voluntary carbon market (VCM). The CCM involves the trading of carbon credits and the offsetting of carbon emissions by countries or intergovernmental bodies that are legally bound to comply with the emission targets set by the Kyoto Protocol (World Bank 2018, p. 14). The European Union Emissions Trading System (EU ETS) is the largest of the CCM operations, raising cumulatively over €175 billion since 2013 from the sale of allowances.¹¹ The VCM, on the other hand, allows private citizens or institutions (without government or regulatory oversight) to offset their GHG emissions by trading carbon credits (Ajayi et al. 2025)

⁹ Emissions Trading. Retrieved August 24, 2025, <https://unfccc.int/process/the-kyoto-protocol/mechanisms/emissions-trading>

¹⁰ Article 6 of the Paris Agreement. Retrieved August 24, 2025 <https://unfccc.int/process-and-meetings/the-paris-agreement/article6>

¹¹ About the EU ETS. Retrieved August 24, 2025 https://climate.ec.europa.eu/eu-action/carbon-markets/about-eu-ets_en

Common in this category are voluntary efforts to offset emissions from the production of goods, air travel, and carbon footprints of conferences or other public events (Jäckle 2022, pp. 19-53). In 2024, the global market size was pegged at USD 4.04 billion, with a projection of 23.99 billion by 2030.¹²

2.2. Africa's Positioning in the Global Order

In the fast-rising global carbon market, Africa has positioned itself not as a buyer but as a seller. This is noteworthy, given that the continent contributes only 4% of greenhouse gas emissions.¹³ Thus, it is a *ready-made* market for carbon sequestration to high-emission corporations and affluent countries. As an instance, the world's greatest carbon sink is the Congo Basin, which spans eight African nations (World Economic Forum 2022).

Engagements on the continent with VCM date back to the late 1990s. One of the prominent ones was the Kasigau Forest Conservation Project in Kenya. Initiated in 1998 by Wildlife Works, it became East Africa's first carbon offset scheme and the first "Reducing Emissions from Deforestation and Forest Degradation" (REDD+) project in the world to achieve Verified Carbon Standard Certification.¹⁴ The project's achievements encouraged similar ventures such as the Mikoko Pamoja initiative in Southern Kenya, which garnered annual offsets from 117 hectares of mangroves, reinvesting proceeds into clean water access, school materials, and ecotourism.¹⁵

More recently, African countries have increased their engagement with VCM. A major milestone came at COP27 with the launch of the African Carbon Markets Initiative (ACMI), which aimed to scale the continent's VCM participation to generate 30 million jobs by 2030.¹⁶ Subsequently, several states, including Liberia, Zambia, and Tanzania, have signed large-scale concession agreements for carbon credit projects, covering millions of hectares for activities such as reforestation and deforestation prevention. Tanzania alone attracted over USD 20 billion in pledges from global investors (BBC 2023). Other commitments include USAID's USD 1.4 million support for Kenya towards market development and regulatory reforms, and the UAE Carbon Alliance's USD 450 million pledge on African credits by 2030.¹⁷

Persistent shortfalls in climate finance partly drive this momentum. Despite achieving the USD 100 billion annual pledge to developing countries before 2025 (OECD 2022), Africa, which needs an estimated USD 6 trillion by 2030 to meet half of its climate targets,¹⁸ faces debt burdens and insufficient international support. In response, countries are turning to innovative solutions. In this regard, Morocco's soil sequestration programs, a collaboration between the OCP Group and the American start-up Regrow, enhanced soil health and provided farmers with

¹² Voluntary Carbon Credit Market Summary. Retrieved August 24, 2025, <https://www.grandviewresearch.com/industry-analysis/voluntary-carbon-credit-market-report>

¹³ How much does Africa contribute to global carbon emissions? Retrieved February 5, 2026 <https://www.aljazeera.com/news/2023/9/4/how-much-does-africa-contribute-to-global-carbon-emissions>

¹⁴ <https://wildlifefriendly.org/wildlife-works-first-wildlife-friendly-certified-carbon-offsets/> (Retrieved August 24, 2025)

'REDD' stands for 'Reducing emissions from deforestation and forest degradation in developing countries. The '+' stands for additional forest-related activities that protect the climate, namely, sustainable management of forests and the conservation and enhancement of forest carbon stocks. <https://unfccc.int/topics/land-use/workstreams/redd/what-is-redd>

¹⁵ Kenyan Coastal Villagers earning a living from selling Carbon Credits. <https://www.un.org/pt/Nairobi-unic/story3>

¹⁶ Nigeria, others launch new Africa carbon markets initiative at COP 27. <https://guardian.ng/news/nigeria-others-launch-new-africa-carbon-markets-initiative-at-cop-27/>

¹⁷ UAE Carbon Alliance Joins Africa Carbon Market Initiative's Advance Market Signal to Purchase US\$450 million of High-quality African Carbon Credits by 2030. <https://energyalliance.org/uae-carbon-alliance-joins-acmi-advance-market-signal/>

¹⁸ <https://unfccc.int/topics/climate-finance/workstreams/needs-report>

revenue through carbon credits.¹⁹ At COP30, the climate finance pledge was tripled from USD 100 billion to USD 300 billion for developing countries by 2035.²⁰ Still, there remains an annual estimated adaptation finance shortfall of tens of billions of dollars, and a projected USD 2.5 trillion deficit for Africa by 2030.²¹

3. Africa's Carbon Credit Trade and IFFs: Spotting the Dark Links

As mentioned above, Africa's engagement in the VCM and the launch of ACMI carry profound significance. Besides aiming to support millions of jobs by 2030, the initiative aims to scale the market to 300 million and 1.5 billion carbon credits retired annually by 2030 and 2050, respectively, as well as unlocking revenues, up to USD 6 billion and USD 120 billion over the same period (Power Shift Africa 2023, p. 16). Yet, the scale, speed, and transnational character of these anticipated heights raise critical governance, transparency, and regulatory concerns. A recent survey of companies showed that transparency on the use of revenues was the main obstacle discouraging greater utilisation of carbon credits.²² It is on this basis that the analytical foundation for assessing how illicit financial flows may arise, operate, and proliferate within this emerging climate finance ecosystem is established.

3.1. Conceptual overview of IFFs within Africa's Carbon Market

UNODC and UNCTAD (2020) stated that IFFs are multi-dimensional, spanning activities that include: flows originating from illicit activities, illicit transactions to transfer funds that have a licit origin, and flows stemming from licit activity being used illicitly. The figure below maps Africa's carbon trading against this UNODC-UNCTAD tripartite framework. Though some overlap with categories 1 and 2, the bulk of IFFs in Africa's carbon markets arises from licit activities (the market itself) being turned illicit via overinflated offsets, misreporting, shell companies, etc.

Notably, these numbers are illustrative rather than precise values, depicting a conceptual hierarchy of dominance. On a scale of 1.0, the navy blue bar is at 0.9, but the others are at 0.3 and 0.1, respectively. This illustrates that Africa's carbon trading is not inherently illicit; instead, it becomes so through the methods by which lawful activities are exploited for financial gain. This is consistent with the joint UNODC-UNCTAD (2020, pp. 7-9) study, which reveals that the complexity of IFFs has led to the creation of conceptual frameworks and pilot methodologies rather than to definitive sector-specific metrics. Hence, this definition gap is not unique to this study but is characteristic of the field more generally. A horizontal bar chart was selected as the output format, whose bar lengths easily convey the hierarchy and dominance of one category over the others.

¹⁹ OCP, UM6P et Regrow sign a partnership to develop an MRV system. <https://www.ocpgroup.ma/press-release-article/ocp-um6p-et-regrow-sign-partnership-develop-mrv-system>

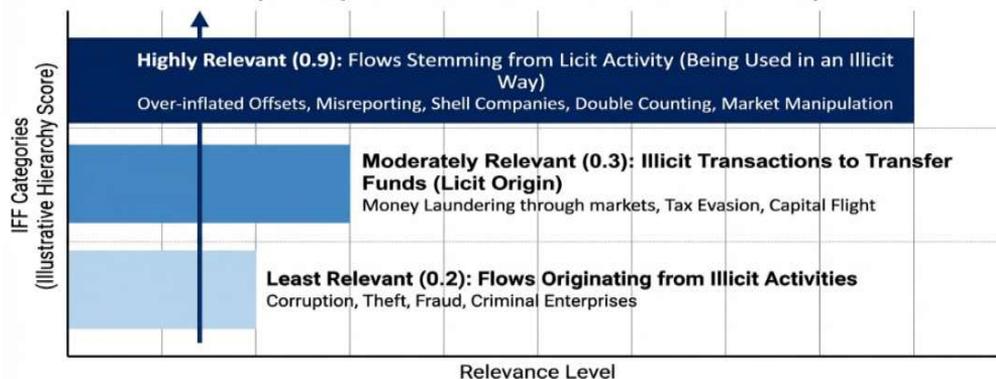
²⁰ <https://www.ecofinagency.com/news-industry/1211-50371-cop30-africas-climate-cost-and-finance-exclusion>
Note that, considering inflation over the 2020 to 2035 period (15-year period), the amount does not even represent a doubling: at a 3% inflation rate, USD 300 billion in 2035 is equivalent to USD 193 billion in 2020.

²¹ <https://africanclimatewire.org/2025/11/a-trillion-dollar-promise-on-a-warming-planet-can-cop30s-finance-deliver-for-africa/>

²² Conservation International & We Mean Business Coalition (2023) In race to reach net zero, businesses look to carbon credits, survey finds | Conservation International

Figure 1. A conceptual hierarchy of IFFs in Africa’s Carbon Trade: 0.2 (Least Relevant), 0.3 (Moderately Relevant), and 0.9 (Highly Relevant).

Africa’s Carbon Trading: Illicit Financial Flows (IFFs) Hierarchy (Conceptual based on UNODC 2020 framework)



Note: Hierarchy numbers (0.9, 0.3, 0.2) are illustrative to show conceptual dominance, not exact percentages.

Source: Author’s Conceptualisation on a 1.0 Scale

3.2. Emergence of Illicit Carbon Trading (ICT)

Drawing on the above exposition, Evans-Ibe (2023, p. 3) highlighted four indices – geographical coverage, mode of earning, mode of transfer, and usage of proceeds – that characterize IFFs. Relying on his work, this essay examines African trade in the global carbon market as a new frontier of IFFs.

3.2.1. Geographical Coverage: Essentially, IFFs involve movement of funds across borders, often through opaque channels. Africa’s carbon credit trading operates within a global value chain mostly dominated by buyers and brokers from the developed world in Europe, North America, and Asia. Fewer than 28% of companies involved in carbon sequestration projects in Africa are actually based in Africa.²³ A prime example of this trend can be seen with Tanzania VCM, where over 20 companies from diverse countries such as the United States, Canada, Switzerland, Russia, Italy, Singapore, Estonia, Kenya, and the UAE have invested over USD 20 billion towards carbon offset credits.²⁴

3.2.2. Mode of Earning: The funds involved in IFFs may be obtained through either legitimate or illegitimate means. Since the sale of carbon credits is in itself legal, fraudulent project baselines, inflated carbon savings, and “phantom credits” can generate *revenue* under false pretences. A report by The Guardian found that more than 90% of rainforest carbon offsets certified by Verra (the world’s leading carbon standard setter for VCM) do not represent *genuine* carbon reductions.²⁵ Multiple African carbon projects have come under investigation for allegedly claiming emission reductions between 5 and 30 times more than they had actually achieved. Among the accused is the Kariba carbon megaproject in Zimbabwe—although

²³ Carbon Credits in the Congo: The Cost of Capture, Part 1 <https://pulitzercenter.org/stories/carbon-credits-congo-cost-capture-part-1>

²⁴ Tanzania Carbon Credit Projects Attract \$20B from Companies. <https://carboncredits.com/tanzania-carbon-credit-projects-attract-20b-from-companies/>

²⁵ Revealed: more than 90% of rainforest carbon offsets by the biggest certifier are worthless, analysis shows. <https://www.theguardian.com/environment/2023/jan/18/revealed-forest-carbon-offsets-biggest-provider-worthless-verra-aoe>

strongly denied by its developer (SouthPole).²⁶ Such potential misrepresentations, nonetheless, put carbon credit revenues, though obtained via market mechanisms within IFF's risk. As shown by Mikoko Pamoja (a mangrove conservation and restoration initiative in Gazi Bay, Kenya), rigorous accounting involving the community in project design and a thorough auditing and verification process can preserve the legitimacy of carbon revenues (Flint, Herr, and Smith 2018, pp. 10-15).²⁷

3.2.3. Mode of Transfer: IFFs involve the illegal or deceptive transfer of funds. Payment in African carbon trading is often through multi-jurisdictional chains of secretive intermediaries, including private brokers, carbon exchanges, online resellers, cryptocurrency platforms, certifiers, consultancies, and financial firms (Carbon Market Watch 2023, p. 7). This routing obscures the final beneficiaries and can bypass domestic reporting requirements (Camacho 2024, p. 11). Kariba project founder Wentzel devised an untraceable way to move money, which he claimed “*was illegal...but it got looked over*”.²⁸ Power Shift Africa (2023, p. 29) captured succinctly in the following description of intermediary behaviour in carbon markets:

As intermediaries perform different functions, they also earn money in different ways while taking on much less risk than the actual project owners. Some intermediaries charge a fee for merely connecting buyers and sellers. Others charge an annual fee to sellers for seeking buyers and negotiating a credit price. Yet others buy credits directly and earn money...marking up the price of that credit and then deducting processing fees from the sales price when reselling it (or adding the fees on top of the price) ...The same credit can then be traded between brokers an ‘infinite’ number of times before it is sold to its final end-user, the offsetting company...The end-users, in turn, are seeking cheap and abundant carbon credits and have little incentive – beyond the reputational damage of purchasing false or faulty credits – to ensure the credits actually reduce emissions and deliver sustainable development benefits.

Consequently, fees are added to existing fees that project owners have to pay to the standards for registration and issuance, as well as to the verification and validation bodies. Intermediaries invoke the concept of “confidentiality” in keeping data out of the public eye (Carbon Market Watch 2023, p. 12). Hence, there is very little transparency about the amount of money that actually reaches the mitigation activity.²⁹

3.2.4. Usage: Funds may also be classified as IFFs on account of how they are employed. There is no established evidence linking African carbon credits to criminal enterprises. However, a

²⁶ South Pole ends agreements with Carbon Green Investments (CGI), owner of the Kariba REDD+ project. <https://www.southpole.com/news/statement-27october>

²⁷ The project has been a huge success because of site-specific elements, the community's involvement in the design process, and the close relationship between the project developers and the community; the community directly benefits from the sale of mangrove carbon credits. Important takeaways from this case study include the necessity to: examine project revenues and expenses more methodically and thoroughly, and determine whether the revenue truly has the desired positive effects.

²⁸ <https://reddmonitor.substack.com/p/i-probably-will-go-to-jail-says-steve> Retrieved August 28, 2025

²⁹ Analysis of Voluntary Carbon Market Stakeholders and Intermediaries, Allied Offsets 1 February 2023. <https://carbonmarketwatch.org/wp-content/uploads/2023/02/Stakeholder-Analysis-for-the-Voluntary-Carbon-Market.pdf>

widely shared criticism of the continent’s carbon market is the neglect of local communities and the absence of value addition to indigenous people.³⁰

3.2.5. Horizontal and Vertical Flows: In addition to the aforementioned four indices, this essay adopts a fifth component. Horizontal flows, in this context, refer to illicit activities facilitated by African actors (governments, agencies, community organisations, and local brokers/companies) to transfer funds. Conversely, vertical flows trickle down from buyers and intermediaries, mostly from the Global North. As the former could lead to the latter, the latter may not necessarily flow from the former. For instance, in the 2025 Kenya court’s decision, the alleged inflated baselines on which the suit was instituted were traced solely to the corporations buying the carbon credits.³¹

4. Mechanisms and Typologies of ICT

The foregoing analysis demonstrates that carbon credits are rarely illicit *per se* but are rendered so through specific modes of project design, certification, valuation, and financial transfer. This reflects a deeper structural problem in which carbon (an inherently socio-ecological function) is commodified without the necessary institutional and informational safeguards to discipline behaviour. Consequently, recurring mechanisms and patterned behaviours emerge, constituting discernible typologies of ICT across African jurisdictions and reinforced by global precedents.

4.1. False Carbon Trading and Overinflated Offsets: Through inaccurate disclosure on the need and use of carbon credits, often based on unverifiable assumptions, outdated baselines, or additionality³² claims, buyers, and/or brokers have questionably legitimized the ongoing harmful practices of ICT. According to Behn (2011, p. 13), “the potential for over-estimation of emissions in the EU ETS is substantial”. As portrayed by the investigative report of Barratt and Sandler Clarke (2022), many carbon offset payments do not go to conservation projects, but rather to brokers who sell them at inflated prices, reflecting Akerlof’s adverse selection: when quality cannot be credibly signalled, fraudulent or low-integrity credits drive market outcomes.

A case in point was the Kariba REDD+ project in Zimbabwe. In October 2023, it was found that South Pole (a US-intermediary company) had profited millions of dollars from trading offsets by “overestimating” their climate benefits, buying them for as little as €0.50 and selling them for more than €20. It was also found that most of the project’s proceeds had gone to the two partners of the local project implementer, Carbon Green Investments (CGI), rather than to people in the communities combating deforestation (Cooksey 2024, p. 6).

4.2. Misreporting: A major flaw in the carbon market, especially as seen in Africa’s reforestation projects, is that any estimation of carbon credits depends on an unknowable future; for the estimation usually rests on an imaginary counterfactual. This window for speculation has inspired misreporting – a practice whereby project developers inflate the projected emissions reductions, thereby generating and selling more carbon credits than the underlying

³⁰ Carbon markets: Time to listen to Indigenous Peoples and local communities.

<https://www.recoftc.org/stories/carbon-markets-time-listen-indigenous-peoples-and-local-communities>

³¹ Osman & 164 others (Suing on Their Behalf and Behalf of Residents of Merti Sub-County, Chari, and Cherab Wards in Isiolo County) v Northern Rangelands Trust & 8 others (Petition E006 of 2021) [2025] KEELC 99 (KLR) (24 January 2025)

³² A carbon project is additional if the emissions reductions or removals would not have occurred without revenue from the sale of carbon credits.

environmental performance can legitimately warrant (Loffler and Anubhav 2025, p. 13). As a result, the carbon credit market has been closely associated with repeated scandals and corruption.³³ A striking illustration comes from Liberia's first carbon deal with Carbon Harvesting Corporation (CHC), a UK-based carbon trading firm.³⁴ The country's government investigations revealed that project documents had been manipulated through plagiarism and inflated projections. By copying a US Forest Service Study and misrepresenting the expected carbon sequestration potential, CHC presented an exaggerated cost-benefit profile, thereby manufacturing artificial credit volumes and misleading both regulators and communities. This case illustrates that asymmetric information enables private actors to extract rents from Africa's carbon credit trading.

4.3. Shell Companies & Carbon Laundering: According to INTERPOL (2013, p. 14), this practice is made easier “by the fact that there is no physical indication of the identity of the person who holds the carbon rights, beyond a piece of paper or record in a government register.” The same applies to the purpose for which a buyer retires a carbon credit – whether it is toward a carbon neutrality claim in a given year, for a specific product or brand, or for some other purpose (Carbon Market Watch 2022). With no apparent legitimate business activities or purpose, shell companies purchase carbon credits to introduce illicit proceeds into the financial system, with subsequent trades used to hide the illegal source (Chan et al., 2023, p. 15). This was evident in Kenya's 2025 landmark ruling, where the evidence gathered showed that the two conservancies in the Northern Rangeland Trust (NRT) lacked a clear legal basis and therefore could not ‘own’ or ‘transfer’ carbon credits to the NRT. The court held that the Western donors (USAID, EU, and France) must stop funding, as they had been funding an illegally established organisation.³⁵

4.4. Cowboys: Another recurrent mechanism involves the deployment of concealed or surrogate actors who front for the true beneficiaries of the fraudulently designed carbon project. Often, these “cowboys” are nominal representatives used to secure government approvals, negotiate contracts, and create a façade of legitimacy, when the real owners or financiers remain hidden. Due to information asymmetry, this mechanism enables elite capture by obscuring accountability, facilitating rent-seeking, and disguising the origins of financial gains.

A classic example of a “ghost” implementer/cowboy was Liberia's first carbon deal, where Michael Foster, the actual owner of CHC, was largely unknown to Liberian authorities. Instead, he used the services of George Antwi, a Ghanaian associate, who acted as the visible broker to establish CHC's operation in Liberia. The country would have lost over USD 2 billion had Foster not been arrested by the UK police.³⁶

³³ Laundering Carbon—The Gulf's 'New Scramble for Africa'. <https://merip.org/2024/07/laundrying-carbon-the-gulfs-new-scramble-for-africa/>

³⁴ Global Witness investigation leads to UK arrest over carbon deal in Liberia. <https://globalwitness.org/en/campaigns/corruption-and-money-laundering/global-witness-investigation-leads-to-uk-arrest-over-carbon-deal-in-liberia/>

³⁵ Kenya: Court halts flagship carbon offset project used by Meta, Netflix and British Airways over unlawfully acquiring community land without consent. <https://www.business-humanrights.org/en/latest-news/kenya-court-halts-flagship-carbon-offset-project-used-by-meta-netflix-british-airways-over-unlawfully-acquiring-public-land-without-community-consent/>

³⁶ *Ibid*, 33

4.5. Carbon VAT Fraud: Both Interpol³⁷ and the IMF³⁸ documented that the global carbon market has been targeted by “missing trader” value-added tax (VAT) scams (otherwise known as Carousel Fraud) because of the intangibility, high value, and ease of transfer of carbon credits. This occurs when fraudsters exploit cross-border VAT rules to purchase credits tax-free in one country, resell them domestically with VAT added, and then vanish without remitting the tax.³⁹ Most infamous was the EU’s saga between 2009 and 2010, which led to an estimated revenue loss of €5 billion to the government.⁴⁰ More specifically, Britain lost about £10 billion from carbon VAT fraud.⁴¹

In Africa, though there are no publicly reported cases of carbon-credit VAT fraud, the risk is real as carbon instruments are increasingly drawn into domestic VAT regimes. From ample interpretive suggestions, professional tax advisors in countries such as Zambia,⁴² Mozambique⁴³, and Congo⁴⁴ indicate carbon credits *could* be VAT-able services when supplied. This rests on the assumption that carbon credits are intangible assets and thus should be recorded as ‘services’ under accounting rules (KPMG 2023). There are potential loopholes for carousel fraud if not backed by concrete preventive measures, especially as the continent adopts ACMI.

4.6. Phishing and Hacking: Africa’s trade in the carbon market is exposed to cyber-enabled IFFs. Interpol’s *Africa Cyber Threat Assessment* warns of rising phishing and ransomware schemes, in which hackers steal, encrypt, and demand payment.⁴⁵ In the carbon market, this mechanism has been used to infiltrate trading platforms, steal login credentials and permits, divert payments, and manipulate credit registries.⁴⁶ Even the Kyoto Protocol, establishing the International Transaction Log (ITL) system and national registries to safeguard the issuance and transfer of carbon credits, has not been immune to cyber vulnerabilities. In 2011, the UNFCC itself acknowledged that several national registries had been compromised through phishing attacks that stole user passwords.⁴⁷ In a notorious case, Spain’s carbon registry was exploited by a group of hackers who siphoned off 350,000 credits valued at about €15 each and later resold some to BP for nearly €89,000.⁴⁸ Today, as many African countries, Kenya, Ghana, Djibouti, Gabon, and Guinea, now have respective national carbon registries, these precedents are instructive.

³⁷ <https://www.interpol.int/content/download/5172/file/Guide%20to%20Carbon%20Trading%20Crime.pdf>

³⁸ <https://www.elibrary.imf.org/view/journals/061/2023/001/article-A001-en.xml> Retrieved August 25, 2025

³⁹ Ibid

⁴⁰ <https://www.theguardian.com/news/article/2024/jun/04/the-warring-commen-at-the-heart-of-a-5bn-carbon-credit-scam> Retrieved August 25, 2025

⁴¹ <https://www.theguardian.com/business/2010/jan/11/eu-carbon-trading-carousel-fraud>

⁴² Ernest & Young (2023) ‘Establishing a robust carbon credits market is crucial to reducing carbon emissions in Zambia.’ <https://www.ey.com/content/dam/ey-unified-site/ey-com/en-zm/documents/ey-carbon-credits.pdf>

⁴³ Ana & Joana (2023) ‘Tolerable Taxation for a Tolerable Planet: How to Tax Carbon Credits Generated in Connection with Petroleum E&P Activities in Africa?’ *International Energy Law Review*, 2. https://www.mirandalawfirm.com/documents/2023_ielr_issue_2_print_pinto_moura.pdf

⁴⁴ Ibid

⁴⁵ INTERPOL Africa Cyberthreat Assessment Report 2025, 4th Edition, May.

https://www.interpol.int/en/content/download/23094/file/Cybercrime_Africa%20Cyberthreat%20Assessment%20Report_Design_FINAL.pdf

⁴⁶ INTERPOL (2013) ‘Guide to Carbon Trading Crime’.

<https://www.interpol.int/content/download/5172/file/Guide%20to%20Carbon%20Trading%20Crime.pdf>

⁴⁷ <https://www.theguardian.com/environment/2015/dec/03/paris-climate-summit-hackers-leak-login-details-of-more-than-1000-officials>

⁴⁸ Black Dragon: UK hacker comes clean on carbon credit thefts. <https://www.reuters.com/article/technology/black-dragon-uk-hacker-comes-clean-on-carbon-credit-thefts-idUSKBN0EV1EB/>

5. Actors: who are involved?

Building on the above mechanisms, this section identifies the principal actors implicated in ICT by adopting the Global Organized Crime Index, which classifies criminal participation across illicit markets. This essay maintains that they emerge within a market architecture characterized by commodification, social embedding, and persistent information asymmetries. To this end, carbon credits—abstract, intangible, and difficult to verify—invite capture by actors positioned to exploit regulatory loopholes, institutional weakness, and epistemic obscurity.

As observed in this section, this constellation of actors is related to the multiplicity of intermediaries operative in the market. One report estimates that, back in 2007, there were at least 60 intermediaries in the VCM, and that there has been a consolidation of actors in recent times.⁴⁹ In the United States, at least 239 intermediaries are registered on its two main VCM programmes (Carbon Market Watch 2023, p. 9). However, not all intermediaries are equal, with a range of sizes, operating ethos, commitment to climate action, and financial profiteering.

5.1. State Actors: These are criminal actors embedded and acting from within the state's apparatus.⁵⁰ Under this category are individuals holding positions in government and its agencies, the military, civil service, and public parastatals who influence or facilitate illicit activities within the African carbon market. Liberia's case is a classic example.⁵¹ Following the CHC scandal, an investigation committee set up by the President revealed that senior officials across multiple institutions colluded in the fraudulent concession. Senator Jonathan Banney of Rivercess County was cited for facilitating the fraudulent deal. Former Minister of Internal Affairs, Ambulai Johnson, was referred to the Ministry of Justice for investigation. Within the country's Forestry Development Authority (FDA), Augustine B.M. Johnson, then GIS Manager, emerged as the principal architect. He was dismissed and prosecuted alongside FDA Technical Advisor Joseph Neufville, for accepting bribes, forging documents, and manipulating biomass studies to legitimize the concession. FDA Managing Director John Woods and Legal Officer Benedict Sorgbeh were formally reprimanded for negligence in authorizing fraudulent paperwork. Hence, this constellation of actors demonstrates how state institutions can become central facilitators of IFFs in carbon markets.

5.2. Foreign Actors: In this category are state and/or non-state criminal actors operating outside their home country.⁵² Here, it refers to foreign nationals, states, and organisations that parade themselves as harbinger of illicit activities through buying credits, implementing projects, and lobbying with state actors. The recent Isiolo court ruling against the Northern Rangelands Trust (NRT) in Kenya's carbon trading is instructive. Upstream, NRT, whose establishment was later declared unconstitutional for lack of community consent, was bankrolled by international donors, USAID, the E.U, France, Denmark, and some 46 others. Downstream, corporations like Meta, Netflix, British Airways, and other multinationals were the purchasers of the carbon sink project. The illegality of the NRT's operations undermines the carbon project's credibility and classifies their revenues as illicit flows into global markets.⁵³

⁴⁹ Ecosystem Marketplace (2019): <https://www.forest-trends.org/wp-content/uploads/2019/12/SOVCM2019.pdf> p.2

⁵⁰ https://ocindex.net/crime/state-embedded_actors

⁵¹ *Ibid*, 33

⁵² https://ocindex.net/crime/foreign_actors

⁵³ *Ibid*, 34

5.3. Mafia-Styled Groups: In consolidating illicit activities at all costs, the services of armed militias in the upstream (carbon-sinking sites) have been documented. Several accusations were made against the NRT about using armed men to drive away indigenous people in Northern Kenya. Through their activities, these men, called “NRT Rangers,” allegedly exacerbated interethnic tensions, keeping herders off long-held traditional grazing areas. The court found no evidence that NRT Rangers were properly registered or supervised under the National Police Reserve framework as claimed by NRT. As critics argue, the term “militarization of conservation” has now entered the jurisprudence of African carbon trading.⁵⁴

5.4. Private Sector Actors: According to Betz et al. (2022), in the carbon market, private actors (not only the ones trading but also the carbon credit verifiers and standards) create a conflict of interest, which could result in fraud, misreporting, overinflation, and embezzlement.⁵⁵ In Liberia’s CHC case, Michael Foster (a British Businessman) operated through his Ghanaian associate to fraudulently secure carbon rights through his front company (CHC). Private entities such as Delta, Gucci, Shell, Disney, ExxonMobil, Nestle, and Volkswagen, among others, have been caught in the scandal of purchasing carbon credits that are “likely junk”.⁵⁶ This status quo is not a result of corporate negligence but of the VCM, particularly of intermediaries in obscuring price signals. In this regard, Carbon Market Watch (2023, p. 6) notes that: “...*very few companies publish the price at which they purchase carbon credits. When they do, it is usually impossible to know how many times this credit has been traded by various intermediaries before it was used, and what the markup of each of these intermediaries was. The result is that for virtually all cases where a company pays for a carbon credit, it is impossible to know how much of that money is actually serving climate action as opposed to enriching intermediaries.*”

5.5. Criminal Organisations: As opposed to the mafia-actors, criminal organisations in carbon trading do not rely on territorial control; rather, they take advantage of the fragmented structure of carbon markets, where projects are authorized nationally, verified by private actors, and governed transnationally. They operate through complex financial schemes that are difficult to trace, often involving collusion with state officials and private certifiers to legalize fraudulent transactions. A striking case emerged in France, where an organized criminal group comprising 36 people exploited VAT loopholes, having bought carbon credits tax-free abroad, resold them domestically with VAT, and kept the proceeds without paying the state.⁵⁷

6. Estimation of IFFs in Africa’s Carbon Market

Although the continent produces about 13%⁵⁸ of the globe’s carbon credits, there are no definitive statistics on IFFs in the African carbon trade due to the market’s nascent and hidden

⁵⁴ *Ibid.* The militarization of conservation refers to the use of military or paramilitary logics, practices, technologies, and personnel in the name of protecting biodiversity and spaces of conservation. This is often referred to as ‘green militarization’. <https://biosec.sites.sheffield.ac.uk/our-research/militarisation-and-conservation>

⁵⁵ In Russia and Ukraine, carbon credits were sold from projects that do not exist or were known not have caused additional carbon reductions. Also, in Slovakia, emission units were traded at half of their market price and allocated to a small firm that turned out to be a shell company, which then sold them at a mark-up. The party of the minister in charge of the transaction had connections with the company. See Camacho (2024, p. 7).

⁵⁶ Corporations invested in carbon offsets that were ‘likely junk’, analysis says.

<https://www.theguardian.com/environment/article/2024/may/30/corporate-carbon-offsets-credits>

⁵⁷ 36 in dock in France’s second massive carbon tax fraud trial. <https://www.rfi.fr/en/20180129-carbon-tax-fraud-france>

⁵⁸ Africa’s carbon market dilemma. <https://www.miningreview.com/energy/africas-carbon-market-dilemma/>

nature. Analysis by AlliedOffset (cited in Carbon Market Watch 2023, p. 11) on the two main U.S.-focused VCM programmes (the Climate Action Revenue and America Carbon Registry) found that in terms of market transparency, only a small fraction of data on retirements and transactions is publicly available, making corporate and non-profit offsetting efforts opaque and more difficult to examine. This peculiarity of the carbon market is not anomalous but rather a broader, well-documented challenge in IFFs. As revealed in UNODC and UNCTAD (2020, pp. 11-13) studies, IFFs are deliberately concealed, multidimensional in form, and frequently embedded within otherwise lawful economic activities, rendering precise quantification empirically difficult.

Moreover, existing scholarship understudied the African carbon credit through the lens of integrity risk, accountability gaps, and corruption, dampening the scale of IFFs in empirical records. For this reason, estimation in this essay relies on a triangulated approach: extrapolating from historical IFF patterns in extractive industries and country analysis, benchmarking against illustrative case studies in carbon trading, and drawing on proxy indicators such as price discrepancies, underreporting, and offshore leakages.

6.1. Sectoral Vulnerability and Inferred Risk Pathways

This essay draws on historical IFF patterns in extractive industries, particularly forestry, minerals, and fossil fuels, which currently dominate Africa’s carbon-sinking and offset-generating activities (UNECA 2024). These sectors are extensively documented as major conduits of IFFs, primarily through mechanisms such as illegal logging, profit shifting, trade mispricing, and illicit resource extraction. The structural continuity between extractive governance failures and these historical patterns gives a credible baseline for assessing carbon market vulnerability.

Table 1 presents a sectoral overview of pre-carbon IFFs in Africa’s extractive sectors, which now serve as primary sites for generating carbon credits. The figures are not presented as direct estimates of carbon-related IFFs, but as indicators of institutional vulnerability and risk transfer. Forestry-related losses associated with illegal logging and wildlife trafficking suggest heightened exposure to phantom carbon credits and misreported sequestration. Similarly, the extensive history of IFFs in minerals and fossil fuels, driven by tax evasion, profit repatriation, and bunkering, raises concerns regarding the integrity of methane and energy offset credits. In this sense, carbon trading does not introduce new illicit dynamics but re-packages existing ones within a novel financial architecture.

Table 1. Sectoral Vulnerability to IFFs in Africa’s Extractive Sectors

Sector	Pre-carbon IFFs ~ (USD lost/year)	Year	Mechanisms	Implications for Carbon Trading
Forestry	17 billion ⁵⁹ 1.6 billion ⁶⁰	2016 2014	illegal logging, illegal wildlife	phantom carbon credits, misreported sequestration
Minerals & Fuel (Oil & Gas)	50 billion ⁶¹ 110 billion ⁶² (Nigeria)	2010 2000-2014	tax evasion, profit repatriation illegal bunkering and mining	from selling unverified methane credits

Source: Author’s Compilation and inference

⁵⁹ Africa loses \$17bn to illegal logging annually. <https://www.cnbc.com/media/5572045821001/africa-loses-17bn-to-illegal-logging-annually/>

⁶⁰ C. Vandome and A Vines (2018). Tackling Illegal Wildlife Trade in Africa, Economic Incentives and Approaches. Chatham House.

⁶¹ Kar. D. and Cartwright-Smith, D. (2010): “Illicit Financial Flows from Africa: Hidden Resource for Development. Washington DC Global Financial Integrity. In: Africa Center for Energy Policy (2015) Illicit Financial Flows and The Extractive Industry in Ghana p. 2 <https://acep.africa/wp-content/uploads/2023/03/Illicit-Financial-Flow.pdf>

⁶² B. Ayodele and O. Bamidele. In the Shadows: Illicit Financial Flows in Nigeria’s Oil and Gas Sector. Dakar: Trust Africa. 2017. IN: Mercena Hunter, (2019). African illicit financial flows Designing and prioritising responses. p. 7 <https://globalinitiative.net/wp-content/uploads/2019/12/2019-11-26-african-illicit-financial-flows-012pdf.pdf>

6.2. Country-Level Inference and Carbon Market Exposure

Table 2 offers a country-level assessment of IFFs susceptibility in selected African carbon market frontrunners. Countries such as Kenya, South Africa, and Tanzania exhibit long-standing patterns of illicit resource extraction, trade mispricing, and tax abuse – mechanisms that are readily adaptable to carbon trading through overstated offsets, carbon laundering, and the use of shell companies. Rather than implying equivalence between pre-carbon and carbon-era losses, the table below illustrates how existing IFF infrastructures and governance weaknesses lower the transaction costs of illicit behaviour in carbon markets, thereby increasing exposure.

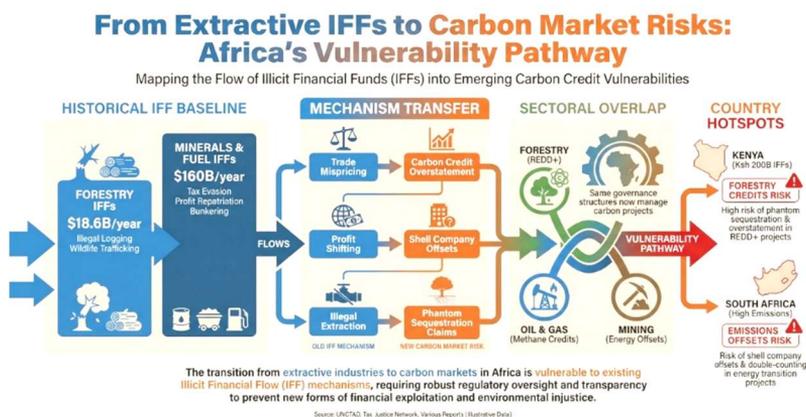
Table 2. Country-Level Analysis

Country (S/N)	Pre-Carbon IFFs ~ (Annual Loss)	Mechanism	Implications for Carbon Trading
Kenya	KSh 200 billion ⁶³	illegal mining, logging, And natural resource trade	phantom forestry carbon credits
South African	rand 1,007 billion ⁶⁴	trade mispricing, corporate tax abuse	overstated energy offset
Tanzania	sh 3.3 trillion (USD 1.5 billion) ⁶⁵	illicit wildlife, trade, bribery, and tax evasion	carbon laundering, shell companies

Source: Author's compilation

Hence, the estimates and inferences in this section are indicative rather than definitive, and consistent with the current state of IFF research, prioritising conceptual clarity, typological consistency, and policy relevance over precise quantification, obscurity, and data fragmentation (Africa Mineral Development Centre 2017, p. 20).⁶⁶

Figure 2. From Extractive IFFs to Carbon Market Risks



⁶³ Kenya Is Losing KSh 200bn Annually Through Illicit Financial Flows. <https://kenyanwallstreet.com/kenya-is-losing-ksh-200bn-annually-through-illicit-financial-flows/>

⁶⁴ <http://www.africanmonitor.org/wp-content/uploads/2017/04/IFF-Report-1.pdf>

⁶⁵ Tanzania loses Sh3.3 trillion annually to illicit trade. <https://www.thecitizen.co.tz/tanzania/news/national/tanzania-loses-sh3-3-trillion-annually-to-illicit-trade-4119948>

⁶⁶ According to the High-Level Panel (HLP) called for by the 4th Joint African Union/United Nations/Economic Commission for Africa (AU/ECA) Conference of African Ministers of Finance in 2012, the adopted term illicit financial flows reflect a much narrower and more focused definition: targeting unrecorded cross-border capital flows from criminal, corrupt (bribery and theft by government officials) and commercial activities”.

Figure 2 (an infographic) visualizes the structural continuity between the extractive sector's IFFs and the carbon markets. As shown in the left panel, forestry-related IFFs (USD 18.6B annually) and minerals (fuel) sector losses establish a robust baseline for assessing institutional vulnerability. The center panel demonstrates transferability: trade mispricing tactics employed in commodity exports readily adapt to carbon credit overstatement; profit shifting through obscure corporate structures now facilitates shell company offset schemes.

6.3. Case Evidence and Market Practices

Practically, there have been existential IFF risks in carbon trading. In Brazil, for instance, a criminal network led by Ricardo Stoppe illegally extracted and exported Amazon timbers to Europe and the United States, disguising the operation as carbon trading.⁶⁷ Another compelling case study is the Kariba carbon project in Zimbabwe, revealing a stark discrepancy in disclosed revenues. The developer (South Pole) initially reported transferring €40 million to its local project implementer to disburse to the local community in a media interview, but subsequently changed its tune to €57 million when confronted, making more from Kariba than it disclosed to the outside world.⁶⁸ Still, only €6 million of the money could be accounted for in the investigative report. As noted by Steve Wentzel (founder of the Kariba project), the money “had no backing, nothing behind it”. This mismatch exemplifies how opaque project accounting creates room for hidden flows.

Comparable dynamics are evident elsewhere. In Tanzania, a national audit found that only 3% of the projected revenue of TZS 1.2 trillion (USD 455 million equivalent) was captured due to poor pricing and opaque reporting.⁶⁹ Similarly, Kenya's carbon credits have reportedly been sold for as little as USD 8/tonne, below the international price of USD 80, indicating systemic underpricing and offshore arbitrage.⁷⁰ Fraudulent practices have also surfaced at the project level: CQC Impact Investor's USD 100 million carbon fraud,⁷¹ inflated cookstove usage data to generate approximately 30% more credits than actually existed, depicts how carbon projects in Africa have already been manipulated for illicit gains.

These patterns are not confined to Africa. In Europe, the Danish government admitted “that 80% of the country's carbon trading firms were fronts for the racket”.⁷² Likewise, a recent assessment of corporate carbon offset portfolios found that over one-third of credits held by the top-50 corporate buyers were classified as “likely junk”, with particularly high exposure in *forestry, energy, and waste-related* schemes across developing countries.⁷³ Notably, the fossil fuel companies accounted for the largest share of investment in flawed offset schemes with 43 per cent of their 81 million purchased credits.⁷⁴ This convergence lends empirical support to the OECD's (2023, p. 8) warning that the IFFs' vulnerabilities historically associated with oil commodity trading are likely to persist in the carbon market, given the “commonality of actors, institutions, the proliferation of opaque and complex financing vehicles or instruments, and the sheer scale and pace of change envisaged”.⁷⁵

⁶⁷ <https://news.mongabay.com/2024/12/illegal-timber-from-amazon-carbon-credit-projects-reached-europe-u-s/> 5

⁶⁸ <https://reddmonitor.substack.com/p/i-probably-will-go-to-jail-says-steve>

⁶⁹ <https://share.google/rtiDFhXnXnxK79DU>

⁷⁰ <https://nation.africa/kenya/health/saudi-arabia-buy-carbon-credits-kenya-against-recommended-price-4848408>

⁷¹ <https://www.theguardian.com/environment/2024/oct/04/ex-carbon-offsetting-boss-kenneth-newcombe-charged-in-new-york-with-multimillion-dollar>

⁷² <https://www.newyorker.com/magazine/2023/10/23/the-great-cash-for-carbon-hustle>

⁷³ *ibid*, 53

⁷⁴ *ibid*

⁷⁵ Ref: interview with Petrobras Compliance Officer, and panel event at International Anti-Corruption Conference (IACC), December 2022.

7. The Resulting Harms and Impacts of Illicit Carbon Trading in Africa

7.1. Political Impacts: Questions on sovereign erosion, legitimacy strain, and bargaining asymmetry have been raised, reinforcing the existing geopolitical inequity. Akinwumi Adesina (outgoing President of the African Development Bank) has warned of a shift from “land grabs” to “carbon grabs”, stressing that carbon in Europe can fetch up to USD 200/tonne, while Africa’s credits sink as low as USD 3/tonne.⁷⁶ The African Development Bank (AFDB) estimated that African lands, despite generating USD 66 billion in carbon in 2022, accounted for only a fraction of this amount by African states. A reality Adesina describes as “nature rich and cash poor”.⁷⁷

At the project level, Zimbabwe’s 2023 attempt to cancel offset deals and demand 50% of all profits (following fraudulent activities on the Kariba REDD+ project)⁷⁸ exemplifies state-level sovereignty claims made from a position of weakness, with no clear guarantee that proceeds would support conservation or local communities, as over €100 million in revenues flowed to intermediaries, and communities received little. Little wonder, the whole idea of the carbon market has been likened to ‘carbon colonialism’ by activists.⁷⁹ Also, at the systemic level, Africa remains a price-taker in carbon markets despite being the world’s largest carbon sink. Auction platforms and voluntary standards set abroad dictate value and integrity benchmarks, whereas African negotiators have little or no say. These regulations, as empirical analyses have shown, are prone to persistent integrity risks, weak baselines, opaque accounting, and fragmented oversight that enable rent extraction and illicit outflows (Interpol 2013b, p. 11).

7.2. Socio-Economic Harms: Proceeds that should have been driven towards promises of community empowerment, sustainable development, and economic upliftment have remained unfulfilled. In Zimbabwe, villagers lamented that despite being told of the scheme’s financial success, they “do not know where the money is going,” as one community ranger, Rogers Kavura, testified.⁸⁰ In the East African states of Kenya, Uganda, and Tanzania, allegations of brokers cheaply buying from landowners and reselling at triple the price with little to no financial return reaching the people whose lands underpin the trade have been a common trend.⁸¹ In places like Liberia, where the financial allocation quota was publicly reported, there are no measures in place to ensure the purported allocated share of 30% reached the community. As David Young noted with Liberia’s UAE-backed Blue Carbon projects, “the methods of exploitation might be new, but the consequences are not so different from the last 200 years of land grabs.”⁸²

Rather, what prevails are issues of restricted land use, displacement of the local population, and loss of sustainable livelihoods. The IIED (2023) report warns that carbon credits are “distorting markets and destroying local businesses”. More perturbing are the human rights and

⁷⁶ Head of African Bank Warns of ‘Carbon Grabs’ by Foreign Firms. <https://e360.yale.edu/digest/akinwumi-adesina-carbon-grabs>

⁷⁷ *Ibid*

⁷⁸ Zimbabwe voids all existing carbon offset agreements, lays claim to half of future proceeds –report. <https://carbon-pulse.com/203600/>

⁷⁹ <https://panafricanreview.com/carbon-colonialism-and-land-grabs-africa-must-eat-or-be-eaten/> Retrieved August 26, 2025

⁸⁰ <https://www.theguardian.com/environment/2024/mar/15/money-carbon-credits-zimbabwe-conservation-aoe> Retrieved August 26, 2025

⁸¹ *Ibid*

⁸² African land grab – in the name of Carbon Credits. <https://euromed-economists.org/african-land-grab-in-the-name-of-carbon-credits/>

sexual abuses the market has facilitated. In Kenya's NRT case, this status quo was well documented with 31 testimonies drawn from current and former employees, along with members of the local community, unveiling a collection of evidence on sexual abuse of women at the project site.⁸³ In an interview, an employee in the NRT stated, "I can't allow my sister or wife to work at that company because the things that would happen to her there can affect her for the rest of her life."⁸⁴ Such abuses underscore how ICTs are not merely abstract financial leakages but concrete enablers of violence and inequality at the grassroots.

7.3. Environmental Impacts: Ample investigations reveal that many voluntary carbon credits traded globally do little to reduce GHG emissions, with billions wiped off their market value as investors lose confidence.⁸⁵ As such, rather than incentivising genuine decarbonisation, these markets often allow corporations to purchase cheap, low-quality credits as a license to continue polluting and double-counting. For Africa, the environmental consequences are particularly severe. Offsets frequently target high-biodiversity landscapes in countries such as Mozambique and Tanzania, where forests and fertile land are commodified for carbon storage. This fuels land grabbing, displaces subsistence farmers, and intensifies local conflict. An estimated hundreds of millions of hectares across Africa, collectively far larger than Uganda, have been leased or sold for carbon offsetting projects.⁸⁶ This worsens food insecurity and community resilience to climate change, for when the local population loses access to arable land and forest resources, they become more vulnerable to droughts, floods, and famine. In a continent that spends more than USD 50 billion on food imports and, at the start of this century, was more dependent on food aid than it was 35 years ago,⁸⁷ ICT intensifies both environmental degradation and climate vulnerability, thereby putting African countries into deeper cycles of ecological and economic dependence.

Case study: Nhambita Community Carbon Project in Mozambique⁸⁸

In 2003, Envirotrade (UK-based Company) presented a REDD+ project in Sofala's Púngue administrative area, engaging around 1400 local farmers, requiring them to cultivate and maintain trees on their farmland. Under a seven-year agreement, farmers are bound to care for the trees well beyond the contract period, potentially 50 to 100 years, effectively transferring these responsibilities to their descendants. In 2018, following Envirotrade's abrupt termination of the project, questions emerged regarding the project's actual contribution to poverty alleviation and biodiversity conservation, as compensation was tied to the size of land enrolled. Participants shouldered considerable implementation costs. Many farmers faced reduced earnings for failing to maintain the stipulated 85% tree survival rate. Others experienced delayed payment due to financial shortfalls. Even more troubling, scepticism spread among community members on whether carbon credits generated by their labour continued to be resold after the project's closure, heightening tensions within the community and dividing those who gained from the project and those who did not.

⁸³ Allegations of extensive sexual abuse at the Kenyan offsetting project used by Shell and Netflix. <https://www.theguardian.com/environment/2023/nov/07/accusations-of-widespread-sexual-abuse-at-offsetting-project-used-by-netflix-and-shell-aoe>

⁸⁴ The sexual abuse case rocking the carbon offsetting industry. <https://www.fairplanet.org/story/the-sexual-abuse-case-rocking-the-carbon-offsetting-industry/>

⁸⁵ Carbon credit speculators could lose billions as offsets deemed worthless. <https://www.theguardian.com/environment/2023/aug/24/carbon-credit-speculators-could-lose-billions-as-offsets-deemed-worthless-aoe>

⁸⁶ *Ibid*, 75

⁸⁷ *Ibid*

⁸⁸ The Legacy of the Community Carbon Project in Nhambita, Mozambique: Nostalgia, Disillusionment and Indignation. <https://www.wrm.org.uy/15-years-of-redd-Legacy-Community-Carbon-Project-Nhambita-Mozambique>

8. Structural and Systemic Enablers: Mapping Horizontal and Vertical Flows

The proliferation of illicit flows in Africa's carbon market is not accidental but the outcome of enabling conditions co-mingling at multiple strata. These enablers can be compartmentalized through a horizontal-vertical framework.

8.1. Horizontal Enablers: Structural Vulnerabilities

- a) **Weak Regulatory Oversight:** The architecture of carbon markets, already complex and transnational, becomes porous when situated in the African context, where regulatory systems are either underdeveloped, fragmented, or inadequately enforced. In West Africa, the Global Initiative Against Transnational Organized Crime (2023, p. 29) identifies serious weaknesses in anti-money laundering frameworks and insufficient information-sharing with other jurisdictions. Such gaps provide a convenient regulatory loophole for actors seeking to channel IFFs by disguising them as carbon trading. The absence of standardized, context-appropriate methodologies compounds regulatory weakness on the continent. Ernst & Young (2021) emphasizes that African VCM "require more oversight in terms of credit quality and transparency regarding the estimation of truly reduced or sequestered emissions." The reliance on global methodologies that are not tailored to African ecological realities (such as pastoral agriculture or savannah fire management) creates ambiguities in measurements and verification. Although certification bodies like Verra and Gold Standard have begun publishing localized modules and using satellite data to improve baselines, "there are still gaps" allowing project developers and intermediaries to exploit methodological inconsistencies (Verra, cited in Wolcott 2022). This structural weakness paves the way for dubious credits to enter the market, thereby undermining environmental integrity and facilitating illicit trading practices.
- b) **Institutional Capacity Deficits:** Many African states do not have the tools and technical know-how to develop effective carbon market regulations (African Carbon Market Initiative 2024/5a, p. 34), leaving enforcement patchy and fragmented. The World Bank's Partnership for Market Implementation, for instance, operates in only five African countries, further underscoring limited coverage. Weak monitoring, reporting, and verification (MRV) systems intensify these gaps; even "the continent's biggest project developers struggle to access MRV support" (African Carbon Market Initiative 2024/5b: 34). This creates bottlenecks enabling low-quality or fraudulent credits to circulate. The existence of initiatives such as Natural State's training and digital MRV tools from firms like Verst Carbon remains insufficient to meet the scale of demand. These institutional deficits heighten vulnerability to corruption and illicit trade.
- c) **Market Informality and Opacity:** Many African project hosts and local communities are not adequately informed about the true market value of carbon credits, leaving them vulnerable to "carbon cowboys" who capitalize on this knowledge asymmetry to extract disproportionate profits (Lyster et al. 2013, p. 16). A new report noted that projects are often negotiated in opaque settings, with contracts signed individually with farmers or local actors who neither understand the terms nor the long-term implications.⁸⁹ Similarly, buyers face limited visibility over the breadth of African credits and their wider co-benefits. Although platforms like Xpansiv and AirCarbon Exchange showcase some projects, stakeholders

⁸⁹ Assessments argue carbon offsets are failing communities and climate goals. <https://www.farmlandgrab.org/post/33198-assessments-argue-carbon-offsets-are-failing-communities-and-climate-goals>

consistently decry the absence of a centralized, transparent registry that aggregates Africa's carbon credit supply.⁹⁰ These foster illicit practices such as double-counting credits, misreporting emissions reductions, and diversion of revenues through shadow financial channels.

- d) **Corruption and Elite Captures:** As seen in Liberia's CHC scandal, rather than transparent procedures, bribery, clientelism, or political patronage have become ways in which allocation of land concessions and permits are executed on the continent (World Rainforest Movement 2020, p. 31). The principle of Free, Prior, and Informed Consent (FPIC) is frequently undermined, with communities excluded from decision-making about land encompassed by offset projects. Alongside, independent auditors who are paid and selected by project developers themselves face inherent conflicts of interest, creating incentives to overlook non-compliance (Carbon Market Watch 2025). Inspectors may accept bribes to ignore breaches, facilitate fraudulent carbon rights, or endorse exaggerated emission reduction claims (UNDP 2011, p. 41). These practices distort the integrity of carbon credits, allowing fraudulent or low-quality offsets to enter the market.

8.2. Vertical Enablers: Systemic Drivers

- a) **Global Corporate Dominance:** Global players ranging from project developers to commodity traders, verifiers, and brokers control the standards, finance, and downstream demand, shaping Africa's carbon market. In the wake of the 2022 market downturn, African projects were reported among the "hardest hit", particularly forestry and cookstove projects, which constituted nearly 90% of the continent's credit supply.⁹¹ Consequently, over-the-counter (OTC) prices fell drastically by 30-50%, with credits averaging USD 3 for renewable energy and USD 13 for REDD+.⁹² And as expected in a buyer-dominated market, corporations arbitrage standards and price differentials, pressure verifiers, and route trades through illicit channels like ghost credit, double counting, etc.
- b) **Regulatory Arbitrage:** This occurs when corporations exploit differences in legal, regulatory, and pricing systems across jurisdictions in maximizing profits. African credits trade predominantly in the OTC voluntary market at steep discounts (often USD 7-12 per credit), in stark contrast to pricing structures in Europe or North America, where credits routinely exceed USD 100/tonne (e.g., USD 109-110 in the EU ETS).⁹³ This pricing disparity creates room for multinational corporations and intermediaries to purchase cheaper African credits, resell or bundle them elsewhere, and capture wide margins, further facilitating underreporting, profit shifting, and transfer mispricing. Additionally, weak domestic regulations in many African states make the continent structurally dependent on international demand. Corporations and traders exploit this dependency not just in prices but also in monitoring and verification standards. Investigations show some certification systems overstated deforestation risks by 400%, with 90% of rainforest offsets failing to represent real reductions.⁹⁴

⁹⁰ African Carbon Market Initiative (2024) 'Africa Carbon Markets: Status and Outlook Report 2024-25' https://africacarbonmarkets.org/wp-content/uploads/2024/07/ACMI_Status-and-Outlook-Report-2024-_v2.pdf (August 25, 2025)

⁹¹ African Carbon Projects Bear the Brunt of Market Dip. <https://africanclimatewire.org/2024/09/african-carbon-projects-bear-the-brunt-of-market-dip/>

⁹² *Ibid*

⁹³ How can Africa get a fair price for its carbon credits? <https://african.business/2023/07/resources/how-can-africa-get-a-fair-price-for-its-carbon-credits>

⁹⁴ <https://www.morfo.rest/article/verra-vs-guardian-carbon-offsets> Retrieved August 26, 2025

- c) Climate Finance Asymmetry: The case of Gabon’s Forest Reference Emission Level (FREL) is illustrative.⁹⁵ In its 2021 submission to the UNFCCC, Gabon applied methodological “adjustments” that transformed the projected 16.5 million tonnes net emissions balance into a claimed 90.6 million tonnes carbon removals. Despite these inflated baselines, the UN technical review described the data as “mostly consistent” and “mostly accurate”, allowing Gabon to position itself for large volumes of carbon finance. As such, countries like Gabon that demand carbon finance from external sources face pressure to present inflated baselines or questionable additionality to access scarce funding streams. Such practice enables structural inequities and overstated credits, allowing global buyers to profit rather than genuine mitigation.

9. Recommendations: Policy Interventions and Implementation Pathways

Adopting a top-down approach, this essay outlines a set of policy proposals together with key actors responsible for addressing illicit carbon trading in Africa.

9.1. International Communities:

- a) First, international partners comprising UNDP, AFDB, and World Bank should endeavor to support the development of regional shared-service registries on the continent. These registries, when linked to global transaction logs, would deter double issuance and create immutable trails of carbon trades. This would enhance transparency in the carbon market and limit the structural space within which illicit flows thrive. At the same time, this would ensure beneficial disclosure of ownership: those who own carbon credits from a given project would be publicly known. Technically and legally, this is not impossible. It is technically possible to make information about account holders and owners publicly available, and all registries that operate with accounts linked to particular businesses. This is a viable option, as evidenced by the fact that at least two registries currently do this: the Global Carbon Council and the UK Woodland Carbon Code (Carbon Market Watch 2023, p. 12).
- b) Standard frameworks like the Integrity Council for Voluntary Carbon Markets (IC-VCM) and VCM Integrity initiative (VCMI), which provide a complementary approach in governing supply and demand sides of VCM, should be embedded into Africa’s ACMI as a regional anchor in ensuring that African projects are benchmarked against Core Carbon Principles (CCPs). This integration would reduce systemic loopholes in vertical accountability.
- c) Given that carbon market IFFs are often masked as financial crimes, international enforcement platforms like the Egmont Group of Financial Intelligence Units (FIUs), INTERPOL, and regional prosecutor networks can help African FIUs detect, investigate, and prosecute illicit flows linked to carbon trading. The US-Peru MoU on environmental crime provides a useful precedent: targeted bilateral agreements can enhance training, intelligence sharing, and disruption of trade-based laundering.
- d) With inconspicuous price flows allowing large portions of proceeds to be siphoned off by intermediaries, international standard setters like Verra should therefore require disclosure of gross prices, transaction fees, and net revenues accruing to local communities. In turn, regional transparency portals linked to international platforms would expose discrepancies, ensuring African projects and communities are not financially hollowed out.

⁹⁵ Bank-of-evidence-climate-false-solutions_EN_Nov-2023.pdf https://www.foei.org/wp-content/uploads/2023/11/Bank-of-evidence-climate-false-solutions_EN_Nov-2023.pdf

- e) Operationalization of the sanction framework (suspension, delisting, and cross-border recognition of penalties) to deter bad actors should be facilitated by international supervisory bodies. In turn, African states, through regional economic communities (RECs), can domesticate such enforcement tools, ensuring penalties imposed internationally are reflected in their registries. This would dispel the system against regulatory arbitrage.

9.2. Government, Policymakers, and Regulatory Agencies

- a) As the African carbon market is relatively new with a weak financial tracking system and complex governance, robust legislative frameworks clearly defining carbon rights, ownership structures, and benefit-sharing mechanisms should be established by African governments. Recent calls on Kenya's Parliament to halt carbon credit fraud⁹⁶ underscore the urgency of codifying transparent procedures for registering, monitoring, and transferring credits to minimize exploitative practices and concealment of proceeds from carbon trade.
- b) Regulatory agencies like the African Organisation for Standardisation (ARSO) and its National Standard Bodies (NSB) must be strengthened to monitor compliance and enforce standards. This includes integrating digital verification systems, such as blockchain-enabled registries, that enhance traceability and reduce manipulations of carbon accounting, thereby ensuring that credits generated within Africa are not mispriced to the detriment of domestic economies. The World Bank's Climate Warehouse program has been the vanguard of this effort, culminating in the operationalization of the Climate Action Data Trust (CAD Trust).⁹⁷ Established in collaboration with the Government of Singapore and the International Emissions Trading Association (IETA), the CAD Trust is a decentralized, open-source platform that implements a public metadata layer for the global carbon market.⁹⁸ The CAD Trust does not replace existing registries; rather, it connects them using blockchain technology.⁹⁹ Participating registries, ranging from national systems in Chile, Rwanda, and the UK to independent standards like Verra and Gold Standard, publish standardized information about their projects and credits to the CAD Trust.
- c) In addition, regional harmonisation of standards through platforms such as the African Union (AU) and RECs should be fostered. This would prevent regulatory arbitrage, where buyers exploit weaker jurisdictions. Ultimately, this would strengthen Africa's collective bargaining power in global carbon governance—rather than divergent national approaches which undermine cross-border enforcement.
- d) Likewise, inter-agency collaboration must be championed across FIU, environmental ministries, and revenue authorities. This would enable data gathering and sharing, risk mapping, and joint enforcement actions, addressing the inherent cross-sectoral peculiarity of carbon markets, and reducing systemic vulnerabilities.

⁹⁶ Parliament called upon to stop carbon credit fraud <https://nation.africa/kenya/health/parliament-called-upon-to-stop-carbon-credit-fraud-5111648>

⁹⁷ mdb's climate actions on article 6, https://www.ebrd.com/content/dam/ebd_dxp/assets/pdfs/green/knowledge-hub/MDB-s-Climate-Actions-on-Article-6.pdf. Also, see Climate Warehouse: End-to-End Digital Infrastructure for Carbon Markets, <https://academy.worldbank.org/en/planet/climate-change/climate-warehouse-end-to-end-digital-infrastructure-for-carbon-markets>

⁹⁸ Climate Warehouse | PARTNERSHIP FOR MARKET IMPLEMENTATION, <https://www.pmiclimate.org/node/579>

⁹⁹ Climate Warehouse Simulation III – World Bank Documents & Reports, <https://documents1.worldbank.org/curated/en/099605009212233328/pdf/IDU09ef226cf0a663041d60869f07078d1af9fd3.pdf>

9.3. Industry Groups, Professional Alliances, and Associations

- a) Through setting codes of conduct, industry associations can mandate transparency, disclosure, and integrity in carbon credit generation and trading. Regular auditing, public disclosure of financial flows, and participatory monitoring can become membership obligations. By aligning their standards with initiatives such as the ICVCM and VCMI, they can help harmonize verification protocols and benefit-sharing mechanisms. This would reduce opportunities for misreporting or manipulation of carbon credits, foster comparability across markets, and address grievances fueling distrust in carbon markets.
- b) As parallel pressure groups, industry associations could advocate better governance regimes such as centralized registries, quality-assured MRV systems, and restrictions on eligibility similar to the South Korean Emission Trading Scheme (K-ETS), where only registered, compliant, and traceable entities could trade.¹⁰⁰ This would reduce the grey areas where speculative middlemen thrive.
- c) Professional alliances can establish independent verification networks that complement national registries and third-party raters. These associations could maintain shared digital repositories of verified projects, supported by blockchain-based traceability tools, to track the life-cycle of carbon credits and ensure their authenticity. Such industry-driven transparency would mitigate risks posed by shell companies or double-counting of credits.
- d) Given the transnational nature of both carbon trading and IFFs, industry alliances should foster cross-border information exchange. Regional coalitions of African carbon market associations could collaborate with international partners to share intelligence, harmonize compliance practices, and identify suspicious transactions that may involve tax havens or regulatory arbitrage.

9.4 Carbon Registries

Existing fragmentation of registries, often operating in isolation, creates silos that illicit actors can exploit. To address this, African carbon registries should be both regionally and globally (ITL) linked to facilitate real-time cross-checking of transactions. Such interoperability would reduce phishing and hacking, enhancing due diligence in monitoring cross-border flows. This would ensure double authentication of credit transactions.

9.5. Buyers (Companies and State Purchasing Credits)

- a) From project developers, buyers should request disclosure of free, prior, and informed consent, revenue flows, risk management, and benefit-sharing plans before approving purchases. By doing so, buyers can help in establishing an integrity filter that reduces the likelihood of financial latency and hidden profit diversion.
- b) By collaborating with project investors, buyers could set due diligence criteria that reward projects with fair revenue allocation, opportunity-cost compensation, and non-monetary benefits (e.g., community capacity-building), upon which projects can be qualified for premium offtake. This would deter exploitative practices that often underpin IFFs. Equally, contractual levers in purchase agreements, such as performance guarantees and credit-recall clauses, should be leveraged by buyers to deter non-compliance by developers. This would deepen accountability across the carbon value chains.
- c) As a caveat, buyers should conduct independent monitoring and impact assessments as prerequisites for purchasing credits. Such independent checks across socio-environmental

¹⁰⁰ South Korea Emissions Trading Scheme (ETS). https://ieta.b-cdn.net/wp-content/uploads/2023/10/2023_IETA_BizBrief_SouthKorea_V2.pdf

impacts and periodic monitoring of community benefits create an audit trail that minimizes opportunities for misreporting or financial manipulation. This would further anchor integrity by aligning purchases with recognized international and regional standards such as ISO 4064, the Gold Standard, Verified Carbon Standards, and Plan Vivo. Reliance on established standards enhances comparability, ensures environmental and social integrity, and reduces the risk of “junk credits” entering the market.

9.6. Sellers and Project Developers

To stem illicit practices, sellers should use tools that guarantee fairness and transparency. For instance, an escrow arrangement can be utilized to manage revenues so that funds are released as agreed, preventing hidden diversion. Also, sale contracts should include clauses imposing penalties on developers to meet standards. Independent auditing of both project performance and revenue flows should be performed before issuance of credits. Necessary buffer pools or reversal insurances should be put in place by sellers to ensure financial transparency and stability in project operations. Moreover, sellers should commit to trading credits on publicly accessible exchanges rather than hidden, OTC channels. Public trading platforms expand participation, foster price transparency, and reduce the opportunities for fraudulent dealings or hidden profit diversion.

9.7. Financial Intermediaries (FIs)

- a) As seen in both African financial institutions and global AML/CFT means Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) experiences, FIs (commercial banks, investment funds, insurers, pension funds, brokers, and development finance institutions) strengthen internal controls to address risks linked to environmental crimes. For carbon trading, this means integrating carbon-market-specific due diligence in customer onboarding, credit evaluation, and transaction monitoring. FIs can employ red-flag indicators such as inconsistencies in project documentation, dubious project origins, or unexplained spikes in credit volumes to identify suspicious activity. Just as Singapore’s AML/CFT Division partnered with industry associations in the precious stones sector, African banks and associations could collaborate to develop tailored guidance for carbon credit transactions.
- b) Globally, FIUs have found supply chain choke-points—refineries, mills, ports—to be critical nodes for detecting IFFs. Similarly, FIs in carbon markets should focus oversight on project verification entities, registries, and brokers; points where manipulation is most likely to occur. Enhanced monitoring of funds at these nodes, alongside parallel financial investigations, can disrupt laundering networks. Brazil’s *Operation Archimedes* demonstrates the value of tracing unusual surges in exports (timber) to uncover more financial crimes.¹⁰¹ In relation to the carbon market, sudden surges in credit issuances from projects should trigger reviews.
- c) Suspicion Transaction Reports (STRs), which have been pivotal globally in mapping environmental crime networks, can be adopted. In Africa, FIs should be mandated and encouraged to file STRs specific to carbon market transactions, particularly where there are anomalies in project financing, sudden transfers through tax havens, or opaque ownership structures of project developers.

¹⁰¹ <https://www.unodc.org/cofrb/en/noticias/2025/7/after-training-provided-by-the-unodc--brazils-federal-highway-police-carries-out-operation-and-seizes-seven-lorries-carrying-illegal-timber-in-the-amazon.html> Retrieved August 28, 2025

- d) Just as financial institutions involved in logging or wildlife trade request Convention on International Trade in Endangered Species of Wild Fauna and Flora (*CITES*) *permits* or attestations, FIs in carbon trading should require third-party verification certificates, host government approvals, and registry confirmation before engaging in a transaction.

9.8. Local Communities

Adherence to socio-environmental safeguards as outlined in the Cancun framework depends on significant local involvement, as communities are best positioned to monitor compliance on the ground. Their participation in verification processes and oversight of independent validation would strengthen transparency and reduce opportunities for financial manipulation. Also, inclusive and collaborative benefit-sharing mechanisms where communities co-determine how revenues are allocated, whether as cash transfers, infrastructure, or social investments, would curb financial leakages and guarantee that resources flow transparently to the people or projects.

10. Conclusion

The accelerating “carbon rush” in Africa unfolds at a critical historical juncture. Through illicit market practices, such as shell companies, carbon laundering, and overinflated offsets, the carbon market has been polluted illicitly. This essay demonstrates that, absent robust governance, the market risks reproducing the very “resource-curse” patterns that have long undermined the continent’s political economy. Polanyi’s *fictitious commodities* and Akerlof’s information asymmetry theories show that the characteristics of carbon credits (intangibility, abstractness, and heavy intermediation) make the market uniquely prone to speculative manipulation and, consequently, illicit financial flows.

Nevertheless, taming carbon markets from financial hollowing requires political will and a decisive shift in Africa’s positioning within the global climate economy. Henceforth, African states must act collectively and decisively through continental platforms such as the African Union and the African Continental Free Trade Area (AfCFTA) to harmonize standards, curb regulatory arbitrage, and strengthen bargaining power vis-à-vis global buyers. Also, integrity-proof market infrastructure must be established, including shared registries and transparent, technology-enabled verification systems that track credits and revenue across borders. Likewise, domestic legal frameworks must codify carbon ownership and mandatory benefit-sharing arrangements with communities, who are the de facto custodians of Africa’s carbon sinks, to retain a meaningful share of the generated value (Soliev et al. 2021, pp. 2-10). With this adaptive governance, coordinated policy action, and a sustained commitment to transparency, Africa can ensure that the carbon market serves as an instrument of climate justice and development finance, rather than as a conduit for illicit flows.

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