TERMS OF REFERENCE
OPERATIONALIZATION OF CARBON PRICING INSTRUMENTS IN NIGERIA

With financial and technical support from the UNFCCC under the CIACA Initiative

(ver. of 7 Feb. 2024)

Background of the CI-ACA Project:

Carbon pricing is an effective approach for curbing Greenhouse gas (GHG) emissions as it puts a price on carbon and, by so doing, creates an incentive for low-emission solutions. A growing number of Parties are considering carbon pricing instruments as an approach for implementing their climate action under the Paris Agreement, even among those which did not mention carbon pricing instruments in their NDC proposal. Decision CP21/1 para. 136 explicitly recognizes the important role of carbon pricing.

In addition, as the Paris Agreement enables cooperative action, jurisdictions are also considering putting in place carbon pricing/market approaches to enable future participation in regional and global carbon markets for a variety of reasons: selling mitigation units, attracting funding for their mitigation actions, and achieving their targets more flexibly and more cost-effectively.

The Collaborative Instruments for Ambitious Climate Action (CiACA) project was announced during COP22 in Marrakesh, starting with an initial period of 2.5 years from 2017 to mid-2019, with the objective to support Parties in the development of carbon pricing approaches for implementing their NDC under the Paris Agreement while fostering collaboration. The project was extended for a second phase, covering the period from July 2018 to December 2020 and a third phase, covering period from June 2022 to December 2023.

The initiative is purely on a voluntary basis and does not create obligations for jurisdictions supported or for its donors. It is currently funded from voluntary contributions provided by the Governments of Germany, Norway, Switzerland, Sweden, and Quebec. The initiative is jointly managed by the UNFCCC Secretariat and its Regional Collaboration Centres (RCCs). Under this project one of the countries supported by RCC West and Central Africa is Nigeria.

Introduction to the activity:

Following the development of the Assessment of Carbon Pricing Initiatives in Nigeria, which culminated in a validation workshop on 5 July 2023, the UNFCCC Secretariat and it RCC WAC Africa began reflecting on the implementation process based on the results of the study and bilateral exchanges with the Nigerian National Council for Climate Change (NCCC). The process will engage several stakeholders at national and international level including, Private Oil and Gas sector companies and organization, Civil society, International Partners, and consumer representatives all over Nigeria. The implementation process will need the UNFCCC and the NCCC to discuss:

- Roadmap and steps to follow to achieve operationalization
- Identification of expected deliverables
- Budget

To support such activity, The NCCC and the UNFCCC are seeking to recruit a consultant or groups of consultants experienced in carbon pricing to support design and launch a national pilot project. It is expected that the local expertise may be relevant while global expertise can provide the necessary support.

Summary of the Assessment of Carbon Pricing in Nigeria

Carbon pricing is widely recognized as an effective method for reducing GHG emissions. Many countries, including Nigeria, have adopted, or are developing carbon pricing mechanisms to support their climate goals. Implementing carbon pricing in Nigeria would not only reduce emissions but also promote renewable energy, energy efficiency, and investment in clean technologies. It could also generate revenue for the government. Nigeria has already taken steps to reduce emissions through initiatives like the Gas Flare Commercialization Programme and participation in relevant partnerships. In its updated Nationally Determined Contribution, Nigeria expresses its commitment to reducing emissions by 20% below business-as-usual by 2030, with a conditional target of 47% below business-as-usual. To achieve these goals, it is important to consider different carbon pricing approaches that align with Nigeria's context and national priorities. This study aims to examine carbon pricing design options to inform the government's decision-making process and contribute to Nigeria's NDC objectives.

According to the updated 2021 NDC, the energy sector is the highest emitter in Nigeria, accounting for 60% of emissions. The Agricultural sector, Forestry and Other Land Use (AFOLU) contribute approximately 25%, while waste and Industrial Processes and other Product Use (IPPU) sectors contribute about 9% and 5% respectively. Within the energy sector, fugitive emissions from oil and gas are the largest contributor, accounting for about 36% of emissions, followed by the transport sector at 21% and electricity generation at 24%. Energy consumption in residences and industries accounts for 19%. The report also highlights key elements in the national context that could support the introduction of carbon pricing instruments in Nigeria, including the socio-economic context, regulatory framework, stakeholders' analysis, and responsibilities on climate and energy matters.

After conducting a comprehensive analysis and engaging with stakeholders, it has been determined that both carbon tax and the Emission Trading Scheme (ETS) are viable approaches for managing GHG emissions in Nigeria. In the short term, implementing a carbon tax is the most promising option, while the ETS holds significant potential in the long run. By applying an economy-wide tax on businesses and individuals that consume fossil fuels for energy generation, and adjusting existing flare penalties to carbon tax, the government can effectively address GHG emissions. This approach is especially beneficial for sectors like power, oil, and gas, where specific targets have been set.

The study recommends adopting an economy-wide carbon pricing instrument in Nigeria, based on existing tax collection systems. The country's funding challenges could drive support for this. However, a functional MRV framework must be in place before implementing an ETS. Nigeria has already created a national climate registry and taken steps towards MRV framework development. Carbon pricing instruments should be introduced gradually, with a short-term focus on the oil and gas sector and mid-to-long-term consideration for power, transport, and waste sectors.

Objectives:

The objective of this project is to support the Government of Nigeria, through the Council for Climate Change with the development of concrete actions towards operationalizing a pilot carbon pricing instrument focused on a defined scope in terms of sector(s) and gases. At least, the specific objectives to be addressed by the external expertise are as follows:

1. Formulate a tailor-made carbon tax for Nigeria that enjoys buy-in from government, non-government, civil society, and vulnerable groups/sectors focusing on a near-term carbon tax pilot project. The Model shall take in account:

    (i) Scope and coverage: build on the conclusion of the study conducted in the first phase, considering in particular a potential carbon tax applied on the identified large-scale emitters for sectors of Oil and Gas sector, but noting that deviations and expansion may be proposed if the mobilization of specific sectors is found to be more feasible under incentive-setting mechanisms, including policy crediting. A careful evaluation of the scope and coverage should among others produce recommendations on the phased inclusion and mobilization of various sectors and gases according to their amenability and readiness and if required propose recommendation for ensuring their mobilization and readiness;

    (ii) Price setting, application of rebates and cost: The costing element shall build on outcomes of the assessment study;

    (iii) Revenue recycling approaches towards potentially impacted stakeholders (consumers, businesses, others) with a view to strive towards making the tax as revenue neutral as possible and mitigating the impact on potentially affected groups of stakeholders. The outcome of this subsection should be in the form of draft proposal(s) for the use and/or redistribution of tax revenues. This section shall be performed in an iterative manner, building on other elements of analysis of the study, considering that different models with different parameters (price, rebate, coverage, modalities, use and recycling of revenues) may lead to different impacts. Details of this iterations will be delivered in the form of excel table. Nevertheless, it is expected that only the most promising approaches will be mentioned and ideally compared regarding their merit in the report where the exact proposed features and their applications will be mentioned;

    (iv) Potential use of domestic emission reduction units against the tax (extent, modalities, etc.);

    (v) Carbon tax operation, MRV, enforcement, and potential roles of various institutions

    (vi) Other modalities, as required.

2. Organize regional consultations on fewer instruments including gathering through a national consultation the views of stakeholders and draft a final proposal, bearing in mind the following:

    a. The immediate focus on transitioning the gas flaring penalty into a carbon tax;

    b. The possibility to transition from a carbon tax system into an ETS over the mid to long term;

    c. The possibility to cover or mobilize additional sectors either in the pilot phase of the carbon tax, if deemed feasible (e.g., domestic aviation, cement, petrochemicals, fertilizers, etc.) or at a later point, which should be assessed, including through the consideration of offsets.

3. Formulate recommendation for the development of a National MRV system that responds to the points above.
4. Formulate a pilot project and replicate over time while sending long-term signal to indicate future enhancements in case actors wish to respond/prepare.
5. Organize regional consultations on fewer instruments (e.g., carbon tax – taking in account suggestion to tweak flaring tax and broaden to other sectors) as a first phase, bearing in mind that ETS could be phased in at a later stage, including gathering through a national consultation the views of stakeholders and draft a final proposal.
6. Support the NCCC in the wide dissemination and operationalization of the Tax policy, including the preparation of necessary regulatory texts.

The work aims at developing a concrete proposal for piloting a domestic carbon pricing in the form of a carbon tax in Nigeria, based on an iterative approach based on the elements above. In particular the Consortium/Group of consultants will need to identify and understand the constraints and test various carbon pricing models (in particular in terms of price, rebates, modalities of application, use of offsets and revenues, etc.) to discuss the results of various arrangements and identify the most suitable model for the country.

Scope of Work

Task 0: Kick-Off Meeting

- Upon the contract becoming effective, the Consultant, assisted by the NCCC and RCC WAC Africa, will arrange a "Kick-off Meeting." Coordination of stakeholder attendance for this meeting will be managed by the NCCC and RCC WAC Africa. During this initial meeting, the Consultant will introduce various elements including the proposed work plan, expected deliverables, and timelines. Additionally, the Consultant will outline the required information to be gathered and their overall methodology for the successful execution of the assignment.

Task 1: Stakeholder identification and Mapping

- Identify and take stock of oil and gas sector emitters and gases.
    - Desk review by requesting data from Nigerian Upstream Petroleum Regulatory Commission (NUPRC) and Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)) and any other relevant institutions

Task 2: Formulate a tailor-made carbon tax (considering replacement of the flaring tax with carbon tax)

The consultant shall:

- Conduct a regional consultation with key relevant stakeholders on tax base, tax rate, etc.;
- Determine to what extent non-energy-related emissions and emission offsets might be integrated;
- Formulate a tailor-made carbon tax for Nigeria Oil and Gas sector that enjoys buy-in from government, non-government, civil society and vulnerable groups/sectors.

Task 3: Formulate recommendations for the development of an MRV system to support the full operationalization of the recommended carbon tax/carbon pricing instrument

The consultant shall

- Conduct an assessment of the status of MRV in the Oil & Gas Sector (including facility level MRV) and design a National MRV system that supports the implementation of the pilot carbon tax while ensuring that the system would allow further expansion including into other sectors after the pilot phase.
    - Conduct desk reviews of key documents (e.g., Nigeria – ICAT Project: Overarching Institutional Arrangements Report);
    - Interview Oil & Gas Sector players and facility managers, government officials and representatives, and other relevant actors.
- Recommend standard approach and tools for synchronizing all existing MRV set-ups onto a common platform for effective monitoring;
- Formulate recommendations for operationalizing the MRV for the recommended carbon tax/carbon pricing instruments;
- If possible, develop a standard MRV design for the oil and gas sector (i.e., determine approach options, measurement boundaries, key parameters, resources, methodology, tools, personnel, operational cycle, reporting, constraint, etc.).

Task 4: Develop operational guide to put the pilot project into action.

The consultant shall

- Develop a step-by-step guide to implement pilot in selected facilities.
- Provide recommendations for the implementation during the pilot phase.

Deliverables

The work will be conducted in several stages starting ***February 2024*** ending ***September 2024***:

Task #	**Deliverable**	**Description**
Task 0:	Inception report	The Consultant shall provide an Inception Report which will include, among other things, the work plan and methodology, reflecting any modifications made following the Kick-off Meeting. This report will also feature an adjusted work schedule, accounting for various factors including the commencement date of the assignment. The Inception Report should be submitted to the NCCC and RCC WAC Africa in the form of an electronic copy, sent via email.

Tas1 and Task 2:	Carbon tax design document	The consultant shall provide a document of the proposed carbon tax based on assessment and consultation with stakeholders. This shall include information on the larger emitters and gases, tax base, price, rebate, modalities, use and recycling of revenues etc.) The document shall show how this pilot could be built upon in future.
Task 3	Standard MRV Design Document	The consultant will report on the various activities stipulated under task 3
Task 4	Carbon tax operational guide	The consultant shall provide a step-by-step guide to be followed to operationalize the pilot project.
Task 5	Validation workshop	The consultant shall undertake an overall validation workshop at the end of the project

Duty Station:

The consultant(s) will work from his/her place of residence with missions to Nigeria (If the Consultant is not based in Nigeria) for the following purposes:

- Necessary fact-finding and interviews with relevant stakeholders;
- Presentations of interim results;
- Participation to inception and final validation workshop to present the results to NCCC and UNFCCC RCC WAC or additional stakeholders.

Implementation and Reporting:

The assignment shall be implemented based on a mutually agreed timeline. All deliverables shall be submitted to the RCC WAC Africa, as well as a focal person within the NCCC for quality control and inputs.

Qualifications and Competences:

5 or more	Professional experience in climate change mitigation,
At least 2	Proven experience in designing and/or analyzing domestic carbon pricing and carbon market schemes such as carbon tax, emission trading systems and carbon funds, with a good understanding of oil and gas sectors.

	Familiarity with the following subtopics related to carbon pricing is desirable: scope and coverage, oversight and institutional arrangements, flexibility provision, setting of cap/price, allocation, or management of price impact.
	Proven analysis and numerical competences
	Degree in economy ore related and previous related experience in modelling of economic impacts
At least 2	Proven Experience in Pilot Projects development
	Knowledge of Energy Sector (Gas and Oil), in particular regarding MRV aspects
	Good knowledge of power markets and renewable energy in power markets and economic skills
At least 2	Proven experience in documentation, Knowledge Management and/or communication strategies

Contracting Agency:
RCC WAC Africa

How to apply:
Interested candidates who wish to undertake this work should submit the following to RCCWACAfrica@unfccc.int copy to bayittah@unfccc.int and asmau.jibril@natccc.gov.ng:

- A technical proposal that will have a description of methodology for implementing the assignment and the tasks therein;
- A financial proposal that will constitute a budget for the work described in this ToR, with a proposed payment schedule;
- A timetable for the completion of the work aligned with the reporting requirements and tentative timeline;
- CVs of the expert(s) to be engaged for the assignment, if possible, highlighting only relevant experience/expertise;
- Evidence of up-to-date knowledge on carbon pricing.

Only candidates under serious consideration will be invited for an interview via teleconference. Qualified women candidates are especially encouraged to apply.

Interested applicants must submit their applications no later than February 29th.