



HANSEN ADVOCATES

ONE VISION. ONE FIRM

“OUR TAKE”

**CARBON FINANCING OPPORTUNITIES FOR KENYAN
BUSINESSES**

“A Pathway to Green Growth”

PART 2

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INTRODUCTION

In the quest for sustainable development, Kenya has positioned itself as a significant player in the global carbon credit landscape, attracting attention and investment for its commitment to climate-friendly policies and initiatives. With the climate crisis intensifying, carbon financing has emerged as an essential tool to support eco-friendly projects, reduce emissions, and foster economic growth. This article delves into the types of carbon financing opportunities available to Kenyan businesses, guiding them through the mechanisms, benefits, and strategies to effectively leverage this emerging market.

Understanding Carbon Financing

At its core, carbon financing refers to the investment and funding of projects aimed at reducing greenhouse gas emissions. This approach enables businesses and projects to monetize the environmental benefits they create through emission reduction, often by generating carbon credits. These credits can then be traded on international markets, offering a financial incentive for companies to adopt greener practices.

Types of Carbon Financing Mechanisms

- **Carbon Credit Sales and Offsets:** Businesses can generate income by selling carbon credits in the open market, especially to companies and countries needing to offset their emissions. Carbon offset programs, both voluntary and compliance-based, have grown significantly, with large corporations and governments actively seeking ways to reduce their carbon footprint. Kenyan companies can participate in these markets by adopting projects such as reforestation, renewable energy, and waste management, earning credits proportional to the emissions they mitigate.



- **Green Bonds:** Green bonds are debt instruments specifically designated to finance climate-related projects. Companies and governments issue green bonds to fund initiatives in renewable energy, pollution reduction, and sustainable infrastructure. Investors are increasingly interested in these bonds, which allows Kenyan companies with credible climate projects to raise significant capital. The Nairobi Securities Exchange (NSE) offers platforms for issuing green bonds, making it easier for local businesses to access the growing pool of environmentally conscious investors.
- **Result-Based Financing (RBF):** In RBF schemes, financial support is tied to specific outcomes, rewarding projects only upon achieving verified carbon reductions. These results-based programs are popular in sectors such as renewable energy, forestry, and energy efficiency, where emissions reductions are relatively straightforward to quantify. Kenyan businesses can tap into these financing structures, especially when collaborating with international donors and climate finance organizations, creating an incentive to maintain high standards of emission reductions.
- **Grants and Concessional Loans:** Various international and multilateral organizations, such as the Green Climate Fund (GCF) and the African Development Bank (AfDB), provide grants and concessional loans to support climate resilience projects. These funds aim to encourage green projects in developing countries, often with lower interest rates and extended repayment periods. For Kenyan companies operating in agriculture, energy, and manufacturing, securing these funds can help reduce the financial barriers associated with high-impact environmental projects.



- **Corporate Partnerships and Sponsorships:** In Kenya, many corporations are actively looking to meet Environmental, Social, and Governance (ESG) goals. These corporations may seek partnerships with local businesses on carbon projects as part of their corporate responsibility and sustainability objectives. For example, a manufacturing company could sponsor a reforestation project led by a local organization, generating carbon credits that contribute to both parties' environmental targets.
- **Crowdfunding for Climate:** Platforms specifically designed for climate action, such as Crowdera and Eco-Unity, have enabled businesses and NGOs to raise funds for eco-friendly projects. Kenyan enterprises can leverage crowdfunding as a direct financing method for smaller-scale initiatives in community-driven or grassroots projects, allowing them to appeal directly to environmentally conscious backers worldwide.

Key Benefits of Carbon Financing for Kenyan Businesses

- **Revenue Diversification:** By engaging in carbon financing, businesses can access new revenue streams beyond their primary income sources. This diversification can enhance their financial stability, particularly in sectors vulnerable to climate impacts.
- **Competitive Advantage:** Carbon financing can differentiate businesses as eco-friendly leaders, appealing to a growing market of consumers and partners who prioritize sustainability. A business that actively reduces emissions can also increase its appeal to ESG-focused investors.



- **Contribution to National Climate Goals:** Kenya is committed to achieving its Nationally Determined Contributions (NDCs) under the Paris Agreement. By participating in carbon projects, Kenyan businesses contribute to these national goals and help build resilience against climate change.

How Kenyan Businesses Can Tap into Carbon Financing

- **Identify Eligible Projects:** The first step for businesses is to identify projects that could qualify for carbon credits or other forms of carbon financing. These could include renewable energy installations, energy efficiency improvements, afforestation, and sustainable agriculture practices.
- **Seek Accreditation:** Carbon markets require strict compliance with verification standards. Businesses must work with accredited organizations to certify their projects, which verifies the number of carbon credits generated. Organizations such as Verra and Gold Standard offer certification services recognized globally.
- **Explore Partnerships and Networks:** Collaboration is crucial for businesses that may lack experience in carbon financing. By forming partnerships with more seasoned entities in carbon markets or sustainability-focused financial institutions, businesses can gain valuable insights and support for their projects.
- **Utilize Government Support and Incentives:** The Kenyan government has taken steps to foster an enabling environment for carbon markets through policies and tax incentives. Businesses should remain aware of any new incentives or policy changes that can reduce their financial burden and facilitate project success.



A LOOK AHEAD

Kenya's carbon credit market presents a golden opportunity for businesses across sectors to adopt sustainable practices while tapping into new financial avenues. As carbon pricing, carbon tax policies, and emissions trading systems continue to expand globally, Kenyan businesses equipped with knowledge and strategy in carbon financing will have a competitive edge. Embracing carbon financing is not just an environmentally conscious choice—it's a strategic financial decision that aligns with Kenya's vision for sustainable growth and climate resilience.

The journey may seem complex, but with the right resources, partnerships, and commitment to compliance, Kenyan businesses can successfully navigate the carbon financing landscape.





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