CLIMATE & ENERGY POLICY INITIATIVE

JUNE 2025

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Climate and Energy Policy Initiative

About Climate and Energy Policy Initiative

Climate & Energy Policy Initiative is an independent think tank which advocates for a global clean energy transition through research and policy advice. Research areas include clean energy transition, climate finance, corporate climate governance and the development of carbon markets.

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Comments

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Towards Designing an African Climate Taxonomy

Executive Summary

As Africa intensifies efforts to mobilise climate finance and accelerate the energy transition, there is a growing need for a credible, regional climate taxonomy that reflects Africa's unique development priorities and climate goals. This paper sets out a proposal for the design of an African Climate Taxonomy that builds on emerging global standards while recognising the diversity of African economies, institutions, and climate needs.

Drawing lessons from global frameworks, including the EU Taxonomy, the ASEAN Taxonomy, and China's Green Bond Catalogue, this paper analyses how each model approaches sustainable finance, transitional activities, and social and environmental safeguards. It also reviews early national taxonomy efforts in South Africa, Ghana, and Kenya, highlighting emerging African leadership in this space.

Recognising the plurality of African contexts, the paper proposes a principles-based taxonomy framework for the continent. At its core, the African Climate Taxonomy would adopt a three-tier classification system:

- **Green (Aligned)**: Activities fully aligned with Paris Agreement goals and sustainable development;
- **Amber (Transitional)**: Activities that support decarbonisation in the near term but fall short of green thresholds, with clear phase-out or improvement plans;
- **Red (Misaligned)**: Activities fundamentally inconsistent with climate and sustainability objectives.

The paper argues that this flexible, tiered approach is better suited to Africa's development needs than rigid binary models. It would allow for technologies such as LPG cookstoves, CNG vehicles, hybrid mini-grids, and clinker substitutes in cement production to be recognised within a transitional category, subject to safeguards, timelines, and national context.

In addition, the paper sets out core design principles for the African Climate Taxonomy, including:

- Relevance to national climate plans and transition pathways

- Integration of social safeguards, particularly around labour, land rights, gender, and human rights
- Alignment with Africa's development goals
- Interoperability with global taxonomies

The paper concludes that a well-designed African Climate Taxonomy would not only support alignment across national taxonomies, but also guide international climate finance, development finance institutions, and public-private investment towards Africa's sustainable priorities.

Introduction

Africa faces a huge climate finance deficit that threatens both its development prospects and its ability to adapt to climate change. The Global Center on Adaptation, has estimated that Africa may need over US$100billion annually to meet its adaptation needs.[1] Without this investment, the continent risks losing up to $6 trillion of its economic potential by 2035. Similarly, under the Sustainable Africa Scenario developed by the International Energy Agency, Africa needs over US$200 billion annually by 2030 to meet its energy transition needs.[2] Yet, Africa currently receives only 2% of global clean energy investments.

Based on available data, current climate finance flows to Africa meet only 18% of its annual mitigation targets and 20% of its adaptation needs.[3] The actual finance gap is likely to be significantly higher as recent research reveals that initial climate risks models grossly underestimated the severity of impact of climate change and their associated costs.[4] The ability of many African governments to adequately tackle the

[1] Global Center on Adaptation. 2023. *State and Trends in Adaptation Report*. https://gca.org/wp-content/uploads/2024/04/STA23_web-version.pdf

[2] International Energy Agency in collaboration with the African Development Finance Group. *Financing Clean Energy in Africa*. 2023. https://iea.blob.core.windows.net/assets/f76594a5-8a9f-4820-ba3e-2908e03b02a9/FinancingCleanEnergyinAfrica.pdf

[3] Climate Policy Initiative in collaboration with FSD Africa and the UK International Development. 2024. *Landscape of Climate Finance in Africa*. https://www.climatepolicyinitiative.org/wp-content/uploads/2024/10/Landscape-of-Climate-Finance-in-Africa-2024.pdf

[4] Sandy Trust et al. 2025.*Planetary Solvency – Finding Our Balance With Nature: Global Risk Management for Human Prosperity*. Institute and Faculty od Actuaries and University of Exeter. https://actuaries.org.uk/document-library/thought-leadership/thought-leadership-campaigns/climate-papers/planetary-solvency-finding-our-balance-with-nature/

challenges of climate change is further constrained by high debt burdens[5] and the macroeconomic conditions across many African economies, necessitating the urgent need for both public and private sector investments.[6]

As governments and investors around the world prioritise green and sustainable investments, it is important to have clear definitions which will help direct the flow of funds to sustainable projects.[7] In the absence of a clear criteria for projects or activities to be considered sustainable, there is a risk that funds earmarked for climate-aligned projects could create unintended environmental and social harms or carbon leakages.

As countries and regions around the world adopt taxonomies to shape investment and regulatory decisions, Africa must not be left behind. A regional climate taxonomy will provide a harmonised framework to ensure coherence and interoperability across national taxonomies within the region. A recent report by the African Union in collaboration with the UN Development Programme recommends that national taxonomies in Africa should be "regionally interoperable", having similar features in terms of scope, applicability and definition of the eligibility criteria.[8]

Furthermore, as African countries develop their own climate taxonomies, it is essential that these taxonomies are aligned with the global best practices on the development of climate taxonomies taking into considerations Africa's unique development priorities and commitments.

Moreover, a regional taxonomy will serve as a foundation to African countries who are yet to develop their own taxonomies. It could also reduce the complexity involved in the structuring of cross-country climate projects in the region. In addition, a well-designed taxonomy could encourage the adoption of regulations, policies and

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[5] United Nations Environment Programme. 2024.*Adaptation Gap Report 2024, Come Hell and High Water: As Fires and Floods hit the Poor Hardest, it is time for the World to Step Up Adaptation Actions*. https://wedocs.unep.org/handle/20.500.11822/46497

[6] Global Center on Adaptation. 2023. *State and Trends in Adaptation Report*. https://gca.org/wp-content/uploads/2024/04/STA23_web-version.pdf

[7] African Union and United Nations Development Programme, Climate Finance in Africa: An Overview of Climate Finance Flows Challenges and Opportunities September 2024 https://www.undp.org/sites/g/files/zskgke326/files/2024-09/climate_finance_africa_v.6_lq.pdf

[8] African Union and United Nations Development Programme. 2024. Climate Finance in Africa: An Overview of Climate Finance Flows Challenges and Opportunities. https://au.int/sites/default/files/documents/44101-doc-Climate_Finance_in_Africa_Report.pdf

innovative financial models required to scale climate projects, especially adaptation projects which have historically received significantly less investment compared to mitigation projects.[9]

This paper proposes a framework for the design of an African Climate Taxonomy (ACT) which will provide a common understanding of the foundational principles for the development of taxonomies to guide the development of national taxonomies across the continent. Given the varying national priorities of each country in the region, it is expected that national taxonomies will reflect the specific priorities and developmental needs of each country. Notwithstanding this, this paper highlights the need for the development of an African Climate Taxonomy which will set broad principles to ensure that climate investments in the region aligns with the Africa's climate agenda and development aspirations.

The paper aims to support policymakers, regulators, and development partners in creating a sound regional climate taxonomy that will facilitate the flow of climate

What is a Climate Taxonomy?

A climate taxonomy is a classification system that defines and categorises economic activities based on their environmental sustainability.[10] It provides a structured tool for assessing whether a specific project, sector, or financial instrument aligns with defined climate objectives.

By setting clear criteria and thresholds, climate taxonomies guide both public and private finance toward investments that are aligned with climate goals. They help governments, investors, and financial institutions identify sustainable and transitional activities, improve market transparency, and build pipelines of credible green projects. Taxonomies also play a role in preventing greenwashing by establishing a shared understanding of what qualifies as environmentally sustainable.[11]

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[9]Barbara Buchner et al. 2023. *Global Landscape of Climate Finance*. https://www.climatepolicyinitiative.org/wp-content/uploads/2023/11/Global-Landscape-of-Climate-Finance-2023.pdf

[10] Torsten Ehlers, Diwen (Nicole) Gao, Frank Packer. 2021. *A Taxonomy of Sustainable Finance Taxonomies*. Bank of International Settlements, BIS Papers No 118, https://www.bis.org/publ/bppdf/bispap118.pdf

[11] Ibid

As African countries seek to mobilise climate finance at scale and accelerate just transitions[12], a well-designed taxonomy can help ensure that financial flows are consistent with both national development priorities and global climate commitments.[13] To inform the design of a coherent and context-appropriate African Climate Taxonomy (ACT), it is important to examine how other jurisdictions have approached taxonomy development.

Global and Regional Developments in Climate Taxonomies

Several jurisdictions have already developed climate taxonomies, offering valuable lessons and potential models for Africa. These frameworks, ranging from highly technical to principles-based, demonstrate how taxonomies can guide sustainable finance, improve market transparency, and align investments with climate goals. For Africa, understanding these approaches can inform the development of a coherent, regionally relevant taxonomy that builds on existing efforts while addressing the continent's unique development and transition needs.

This section highlights three influential international taxonomies (EU, ASEAN, and China) and emerging national taxonomies in Africa (South Africa, Ghana, and Kenya).

The EU Taxonomy is the most comprehensive and prescriptive taxonomy to date. It focuses on six environmental objectives: (i) climate change mitigation, (ii) climate change adaptation, (iii) the sustainable use and protection of water and marine resources, (iv) the transition to a circular economy, (v) pollution prevention and control, and (vi) the protection and restoration of biodiversity and ecosystems.

To qualify as sustainable, an economic activity must:

(i) contribute significantly to one of the objectives of the taxonomy,

[12] The African Leaders Nairobi Declaration on Climate Change and Call to Action dated 6 September 2023 https://www.afdb.org/sites/default/files/2023/09/08/the_african_leaders_nairobi_declaration_on_climate_change-rev-eng.pdf

[13] African Union. 2015. *Agenda 2023: The Africa We Want, 2015* https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/Agenda2063_Popular_Version_English.pdf

(ii) do no significant harm to any of the other objectives,

(iii) comply with minimum safeguards (e.g., OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights, International Labour Organisation Conventions and the International Bill of Human Rights); and

(iv) comply with the technical screening criteria for such activity.[14]

The EU Taxonomy also recognises activities that enable the environmental objectives provided they have a net positive effect in the long term and do not lead to a lock-in of environmentally harmful assets.

The ASEAN Taxonomy takes a more flexible, principles-based approach that reflects the varying levels of readiness among member states. It was created to facilitate four environmental objectives namely, (i) climate change mitigation; (ii) climate change adaptation; (iii) protection of healthy ecosystems and biodiversity; and (iv) resource resilience and the transition to a circular economy.

It classifies economic activities based on a tiered "traffic light" system. Projects classified as green are fully aligned with the taxonomy objectives, while those classified as amber do not meet green thresholds even though they contribute to lowering emissions and activities in the red category are fundamentally inconsistent with climate objectives.

The ASEAN Taxonomy framework incorporates both mitigation and adaptation objectives and provides guidance on minimum social safeguards based on national labour standards. Compared to the application of the 'do no significant harm' principle in the EU Taxonomy, the ASEAN Taxonomy takes a different approach which prescribes that activities which cause significant environmental harm could be

[14] Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the Establishment of a Framework to Facilitate Sustainable Investment and Amending Regulation (EU) 2019/2088 https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852 (the "**EU Taxonomy**")

classified as transition activities (amber category) if there are plans are in place to remedy those harms within five years.[15]

China's Green Bond Endorsed Project Catalogue (often referred to as China's taxonomy) covers six broad categories: (i) energy conservation and environmental protection; (ii) clean manufacturing; (iii) clean energy; (iv) ecological environment; (v) green infrastructure, and (vi) green services.

It provides technical guidance for green bond issuers and financial institutions to assess the eligibility of specific activities for green bond transactions.[16] While recent updates have moved away from projects which rely on coal and oil, the taxonomy still allows for some transitional activities, such as projects which replace coal with natural gas, reflecting a practical and phased approach to decarbonisation.[17]

Emerging Climate Taxonomies in Africa

In Africa, several countries have taken the lead in developing national taxonomies to guide sustainable finance:

- **South Africa** developed its Green Finance Taxonomy in 2022 as part of its broader sustainable finance strategy. The taxonomy closely mirrors the EU model and focuses mainly on climate change mitigation and adaptation.

  The taxonomy includes:

  (i) Core green and enabling activities,
  (ii) Technical screening criteria, and

[15] ASEAN Taxonomy Board. 2024. *ASEAN Taxonomy for Sustainable Finance Version 3*. https://asean.org/wp-content/uploads/2024/12/ASEAN-Taxonomy-Finalised-Version-3-4.pdf
[16] International Capital Market Association. 2021. *Overview and Recommendations for Sustainable Finance Taxonomies*. https://www.icmagroup.org/assets/documents/Sustainable-finance/ICMA-Overview-and-Recommendations-for-Sustainable-Finance-Taxonomies-May-2021-180521.pdf;
[17] People's Bank of China Development and Reform Commission Notice of the China Securities Regulatory Commission on the issuance of the Catalogue of Green Bond-Backed Projects (2021 Edition). http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/4236341/index.html

(iii) Minimum social safeguards, which are based on both local and international labour and human rights standards.[18]

- **Ghana** launched the first phase of its Climate Taxonomy in 2024. This framework sets out general principles and sectoral eligibility criteria in areas such as energy, agriculture, and transport. A second phase is expected to introduce detailed quantitative thresholds and incentive mechanisms to drive green investment.[19]
- **Kenya** launched its Climate Finance Taxonomy in 2025. It focuses on climate change mitigation and adaptation, with plans to broaden its scope to include other environmental objectives. Designed primarily for the Kenyan banking sector, the taxonomy draws from the EU and South African models while integrating national climate priorities and local environmental and social regulations. It allows for both asset/project-level and entity-level disclosures.[20]

These national frameworks demonstrate how African countries are beginning to define sustainable finance on their own terms, while drawing from global models and aligning with national climate strategies. Together, they provide a strong foundation for designing a regional African Climate Taxonomy that reflects shared principles, fosters interoperability, and accelerates investment in Africa's just transition.

Why does Africa need a Regional Taxonomy?

While national taxonomies provide countries with the flexibility to tailor sustainable finance frameworks to local contexts, a continental climate taxonomy offers significant

[18] National Treasury, Republic of South Africa and International Finance Corporation. 2022. *South African Green Finance Taxonomy*. https://www.treasury.gov.za/comm_media/press/2022/SA%20Green%20Finance%20Taxonomy%20-%201st%20Edition.pdf

[19] Ghana Ministry of Finance. 2024. *Ghana Green Finance Taxonomy: Guiding Investments Towards a Sustainable and Climate-Resilient Economy*. https://mofep.gov.gh/sites/default/files/reports/economic/Green-Taxonomy-Framework-for-Ghana_V3.pdf

[20] Central Bank of Kenya. 2025. Public Notice: Issuance of the Kenya Green Finance Taxonomy and Climate Risk Disclosure Framework for the Banking Sector. https://www.centralbank.go.ke/wp-content/uploads/2025/04/ISSUANCE-OF-THE-KENYA-GREEN-FINANCE-TAXONOMY-AND-CLIMATE-RISK-DISCLOSURE-FRAMEWORK-FOR-THE-BANKING-SECTOR.pdf

strategic and practical advantages for Africa. Firstly, it helps streamline the design of regional climate finance initiatives. A harmonised taxonomy reduces the complexity and transaction costs associated with verifying eligibility across diverse national definitions of sustainability.

Secondly, a continental framework will establish a minimum standard for what qualifies as environmentally sustainable across the region, ensuring coherence with evolving international taxonomies. It can also help investors identify opportunities to invest in climate adaptation and resilience projects which have traditionally been financed in through public funding.[21]

A continental African taxonomy can also serve as a blueprint for African countries seeking to develop their own national taxonomies. Rather than starting from scratch, governments can align with a regionally aligned set of principles, thresholds, and eligible activities. Importantly, a regional taxonomy would remain flexible enough to allow countries modify its provisions to suit their own unique development priorities and consider their financial and institutional constraints.

Furthermore, a continental taxonomy can also act as a signal to the international community on how Africa plans to design its pathway to decarbonisation across various sectors. Ultimately, such taxonomy would help guide the allocation of concessional finance in a manner that reflects Africa's developmental priorities, differentiated climate responsibilities, and socioeconomic realities and avoid the imposition of green standards that do not consider Africa's unique development challenges.

In this way, a continental taxonomy could play a dual role: ensuring interoperability with global taxonomies while anchoring climate finance in Africa's own priorities and just transition pathways.

[21] Climate Bonds Initiative and UN Office for Disaster Risk Reduction. 2023. Designing A Climate Resilience Classification Framework: To Facilitate Investment in Climate Resilience Through Capital Markets. https://www.undrr.org/sites/default/files/2023-06/Designing%20a%20climate%20resilience%20classification%20framework%20to%20facilitate%20investment%20in%20climate%20resilience%20through%20capital%20markets_0.pdf?startDownload=true

Principles for designing an African Climate Taxonomy

In the sections above, we have reflected on the importance of a climate taxonomy as a tool to guide sustainable finance and align investment with long-term climate and development goals. We have discussed why Africa needs its own taxonomy, one that reflects the realities of the continent's energy needs, industrial priorities, and development challenges.

We have also examined global and regional taxonomies, including those developed by the EU, ASEAN, and China and drawn lessons from African countries that are already leading the way.

Following a review of these taxonomies and a reflection on Africa's climate and development priorities, we propose the design of an African Climate Taxonomy based on the following principles.

- **Focus on Limited Scope of Objectives to manage complexity and local capacity**

  To ensure clarity, usability, and effectiveness, the African climate taxonomy should initially focus on a narrow set of core environmental objectives, specifically climate change mitigation and climate change adaptation. While some global taxonomies seek to address multiple environmental objectives simultaneously (e.g., biodiversity, water, pollution), in developing countries, where regulatory capacity, data availability, and market infrastructure are still evolving, such complexity may undermine implementation, increase compliance costs, and reduce uptake.[22]

  A focused approach which addresses the two urgent climate priorities on the continent, namely, climate mitigation and adaptation, may be more realistic for many African countries. This strategy mirrors the approach adopted in the Kenya Green Finance Taxonomy, which focuses on climate change mitigation and adaptation as its primary objectives.

[22] Torsten Ehlers, Diwen (Nicole) Gao, Frank Packer. 2021. A Taxonomy of Sustainable Finance Taxonomies. Bank of International Settlements, BIS Papers No 118, https://www.bis.org/publ/bppdf/bispap118.pdf

Over time, as institutional capacity, data systems, and technical knowledge mature, the taxonomy can be expanded to cover additional sustainability objectives such as biodiversity conservation or resource efficiency.

- **Substantial Contribution to Climate or Environmental Objectives**

  A core principle of the African Climate Taxonomy (ACT) should be that any activity classified under the taxonomy must demonstrate a meaningful contribution to at least one of the framework's primary objectives. The contribution must be real, measurable, and aligned with national and regional priorities.

  This principle helps ensure that the taxonomy is not diluted by marginal or symbolic actions and that climate finance is directed toward activities with genuine impact.

  Importantly, the standard for "meaningful contribution" should be flexible enough to reflect differences in country contexts and development stages. For some countries, this may involve defining sector-specific thresholds or reference points, while for others, it may be sufficient to demonstrate alignment with NDCs or national climate strategies.

  This principle builds on global best practice, which require substantial contribution as a condition for eligibility.

- **A Tiered Classification Approach**

  In many African economies, the transition to net zero will require a range of technologies and solutions that could be classified as transitional. These interventions offer significant emissions reductions, enhance climate resilience, improve health outcomes, and generate social benefits in the near term, even though they may not yet meet the full criteria to be considered green. Such solutions include LPG cookstoves for clean cooking as an alternative to burning wood[23], CNG-powered vehicles as an alternative to diesel powered engines[24],

[23] Nigeria National Clean Cooking Policy Approved by the Federal Executive Council. March 2024. https://naccnigeria.org/wp-content/uploads/2024/05/National-Clean-Cooking-Policy-v2.pdf

[24] International Energy Agency. 2022. *Africa Energy Outlook 2022*. https://iea.blob.core.windows.net/assets/220b2862-33a6-47bd-81e9-00e586f4d384/AfricaEnergyOutlook2022.pdf

hybrid grids powered by gas and renewables. Similar transitionary measure could also be taken to reduce emissions in hard-to-abate industrial sectors. For example, in the cement industry, the use of clinker substitutes, such as calcined clay or agro-waste derived binders could reduce emissions intensity in the cement industry which is one of the highest emitting industries in Africa.[25]

It is critical that these activities are recognised within the African Climate Taxonomy within a defined tier with clear plans and timelines to phase out such technologies in favour green alternatives. Failure to include criteria for transitional economic activities within the taxonomy will limit access to transition finance and increase the costs of such projects even though they are aligned with regional and national climate plans and they represent tangible steps towards full decarbonisation.

To reflect this complexity, the African taxonomy could adopt a three-tier classification model, that is, grouping activities into green (aligned), amber (transitional), and red (misaligned) tiers. This approach would preserve environmental integrity while supporting country-specific transition pathways.

(i) The Green Tier would cover activities that are already fully aligned with the long-term goals of the Paris Agreement and Africa's development priorities. These include technologies and practices that contribute substantially to mitigation or adaptation without causing significant harm to other environmental or social goals. Typical examples include utility-scale solar PV and wind, nature-based adaptation solutions and mini-grids powered by renewables. Activities in this tier would need to meet clear eligibility criteria: they must make a substantial contribution to climate goals, do no

[25] Sustainable Energy for All. 2024. Cement Decarbonisation Webinar Report, 2024, https://iea.blob.core.windows.net/assets/220b2862-33a6-47bd-81e9-00e586f4d384/AfricaEnergyOutlook2022.pdf

significant harm to other objectives, and comply with specific technical criteria.

(ii) The Amber Tier would include transitional activities, that is, those that are not yet fully green but are acceptable for a limited period under strict conditions. These activities play a key role in helping countries meet immediate development needs, especially in cases where no viable green alternative is available or affordable. To qualify, they should contribute to lowering emissions and be accompanied by a credible transition plan and time-bound exit strategy. These timelines may be adjusted in national taxonomies to reflect each country's nationally determined contributions and developmental requirements. The activities within the amber tier should be regularly monitored to prevent greenwashing and ensure that such activities do not lock in long-term emissions.

(iii) The Red Tier would capture activities that are fundamentally misaligned with climate objectives and should be explicitly excluded from receiving either green or transitional finance. These are activities that involve high emissions, no viable transition pathway, or significant environmental or social harm with no remediation plans. Examples include unabated coal-fired power plants, new fossil fuel exploration, diesel generators used for baseload power without a transition plan, or high-emitting industrial production practices with no abatement measures in place. Labelling these activities as misaligned provides clarity to both public and private actors and helps ensure that finance is directed to assets that are aligned with Africa's sustainable future.

The tiered approach aligns with the approach adopted in the ASEAN Taxonomy. By adopting this tiered approach, the African taxonomy would give countries and investors the tools to differentiate between fully aligned, transitional, and misaligned activities, supporting both near-term development

needs and long-term climate alignment. It also enhances transparency, reduces the risk of unintended exclusion, and ensures that Africa's climate transition remains just.

- **A pragmatic approach to the "Do No Significant Harm" principle**

  The EU Taxonomy applies strict technical criteria to determine whether an activity would qualify as a sustainable economic activity based on the application of the "Do No Significant Harm" (DNSH) principle.[26] However, applying such a standard in an African context requires a different approach. Many African countries continue to rely on natural gas and other transitional fuels to meet urgent energy access and industrialisation goals. A strict application of the DNSH principle, as implemented in the EU, could undermine the financing of critical infrastructure needed for development.

  To address this, the African taxonomy may adopt a more flexible approach. For transitional activities, the framework could require that:

  (i) all projects classified as 'transitional' must comply with the minimum environmental standards prescribed under national laws. For example, if a country's environmental regulations prohibit gas flaring, such activity would be explicitly excluded from the definition of sustainable or transitional activities, regardless of whether the broader use of gas as a transitional fuel (e.g., for cooking or transport) is recognised as a transitional activity under the taxonomy; and

  (ii) if such projects cause any significant harm to any of the objectives of the Taxonomy which are not mitigated by compliance with local environmental regulations, such harm must be addressed or remediated within a defined period taking into consideration the available technical, financial and institutional capabilities. These

[26] The EU Taxonomy (n14)

capacities should be assessed at the national level to ensure that expectations are realistic from a local perspective.

This flexible approach to environmental safeguards aligns with Africa's development aspirations and reflects the continent's common but differentiated responsibilities under the Paris Agreement.[27] It ensures that the taxonomy supports a just and orderly transition to a low-carbon economy, without compromising urgent development needs on the continent.[28]

- **Comprehensive Social Safeguards**

  A credible African Climate Taxonomy must ensure that activities classified as sustainable or transitional are not only environmentally sound but also socially responsible. Projects and entities should be screened for their impact on labour rights, land rights, gender equity, and community well-being. This is particularly important in contexts where weak governance or poor consultation processes can result in social harm, even when environmental objectives are being met.

  Key social safeguards should include:

  (i) Protection of Human rights: All projects must respect internationally recognised human rights, including civil, political, economic, social, and cultural rights. Activities must not contribute to or be complicit in violations and must align with principles outlined in frameworks such as the UN Guiding Principles on Business and Human Rights.[29]

  (ii) Labour standards: Projects should comply with national labour laws and international conventions on fair wage, forced labour, child labour.[30]

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[27] United Nations Framework Convention on Climate Change. 2016. The Paris Agreement. https://unfccc.int/sites/default/files/resource/parisagreement_publication.pdf.

[28] All-Party Parliamentary Groups on Africa. 2025. *Africa's Just Energy Transition: How can the UK Support?* *https://royalafricansociety.org/wp-content/uploads/2025/05/appg_africas_just_transition_v2.2_singls.pdf*

[29] United Nations Human Rights, Office of the High Commissioner. 2011. *Guiding Principles on Business and Human Rights*. https://www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

[30] International Labour Organisation. Fundamental Conventions. https://www.ilo.org/international-labour-standards/conventions-protocols-and-recommendations

(iii) Protection of Land rights: Activities must respect formal and customary land rights, avoid forced displacement, and ensure that land acquisition processes are transparent, equitable and in compliance with local laws and applicable standards on land acquisition and resettlement.[31]

(iv) Gender impacts: Projects should be assessed for potential impacts on gender equity and should not aggravate existing gender disparities. This does not mean every project must reduce inequality directly, but it must at least demonstrate that it does not worsen existing gender inequality.[32]

(v) Community engagement: Meaningful stakeholder consultation should be a core requirement. Projects must show evidence of engaging with affected communities, particularly marginalised groups, through accessible and inclusive processes, before and during implementation. Feedback from these community engagements should be incorporated into project design and implementation, reflecting local concerns, expectations, and knowledge.[33]

(vi) Governance safeguards: There should be adequate checks and balances in place to prevent corruption and misuse of funds. This

[31] International Finance Corporation. 2012. *Performance Standards on Environmental and Social Sustainability*. https://www.ifc.org/content/dam/ifc/doc/2010/2012-ifc-performance-standards-en.pdf

[32] Franziska Deininger et al. 2023. *Placing Gender Equality at the Center of Climate Action*. World Bank Group Gender Thematic Policy Note Series: Issues and Practice Notes. https://documents1.worldbank.org/curated/en/099718102062367591/pdf/IDU08c737dd00f8580412b0aed90fce8

[33] Damilola Olajubutu. 2024. Community Engagement Handbook for Rural African Communities: A Practical Guide for Practice and Policy. Rural Nurture Initiative. https://rnionline.org/wp-content/uploads/2025/05/COMMUNITY-ENGAGEMENT-HANDBOOK.pdf

includes transparency in project selection, procurement, and benefit-sharing mechanisms.[34]

(vii) Minimum compliance standards: All activities must meet the social and governance standards set out in national legislation and, where applicable, regional and international frameworks.

By embedding these safeguards, the African Climate Taxonomy can ensure that climate-aligned investments actively support just and inclusive development. These criteria also reinforce accountability and credibility, both critical for attracting high-quality finance and maintaining public trust.

- **Application: Entity-Level and Activity-Level Classification**

  In designing a continental taxonomy, it is important to allow national authorities the flexibility to determine how the framework is applied within their jurisdictions, whether at the level of individual projects, at the level of the whole entity, or both.

  At the activity level, the taxonomy could provide clear technical screening criteria to assess whether a specific economic activity meets the standards for being considered climate-aligned. It could also propose thresholds for determining whether entities are aligned with the taxonomy at an organisational level. The Bank of Settlement recommends that taxonomies cover both project-level and entity-level assessments to reduce the risk of greenwashing.[35]

  While project-specific assessments are good for mobilising climate finance for individual projects, entity-level assessments are necessary for unlocking equity

[34] Tiffanie Chan et al. 2023. Corruption and Integrity Risks in Climate Solutions: An Emerging Global Challenge. https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2023/10/Corruption-and-integrity-risks-in-climate-solutions.pdf

[35] Torsten Ehlers, Diwen (Nicole) Gao, Frank Packer. 2021 *A Taxonomy of Sustainable Finance Taxonomies*. Bank of International Settlements, BIS Papers No 118, https://www.bis.org/publ/bppdf/bispap118.pdf

financing and general corporate finance which are not linked to specific projects.[36]

Some jurisdictions may choose to start with activity-level classification for its limited assessment requirements, but the taxonomy should recommend a transition to entity-level assessments to drive greater corporate climate action.

- **Inclusion of Core and Enabling Activities**

An African climate taxonomy should be designed to include both core climate activities, those that directly contribute to mitigation or adaptation—and enabling activities, which play a supporting role in making core activities viable, scalable, or more efficient.

Core activities are those with a direct, measurable contribution to climate goals. These include, for example, renewable energy generation, afforestation, wetland restoration, electric mobility, or climate-resilient water infrastructure. They are often the primary focus of climate finance and are easily identifiable based on emissions reduction or adaptation outcomes.

Enabling activities, on the other hand, may not deliver climate benefits directly but are essential to support or scale core climate solutions.[37] These include manufacturing of solar panels or batteries, climate data services, energy-efficient building materials, ICT systems that enhance climate-smart agriculture, or capacity-building and technical assistance for adaptation.

Including enabling activities in the taxonomy ensures that entire value chains can be supported by climate-aligned finance. It also allows countries to leverage

[36] Boston Consulting Group and Global Financial Markets Association. 2021. *Global Guiding Principles for Developing Climate Finance Taxonomies: A Key Enabler for Transition Finance*.https://www.gfma.org/wholesale-markets-banks-and-bcg-develop-first-global-principles-for-climate-finance-taxonomies-a-key-enabler-for-transition-finance-success/

[37] Torsten Ehlers, Diwen (Nicole) Gao, Frank Packer. 2021 *A Taxonomy of Sustainable Finance Taxonomies*. 2021. Bank of International Settlements, BIS Papers No 118, https://www.bis.org/publ/bppdf/bispap118.pdf

local economic strengths, such as clean tech manufacturing, digital platforms, and logistics, as part of their climate investment strategies.

To avoid dilution or greenwashing, however, enabling activities must be clearly defined and subject to strict performance criteria. These criteria should demonstrate that the enabling activity:

(i) Has a clear and credible link to core climate objectives,
(ii) Avoids significant harm to environmental or social outcomes,
(iii) Supports transition pathways consistent with national or regional goals.

By recognising enabling activities alongside core ones, the taxonomy would unlock more investment opportunities, support local innovation, and strengthen the capacity of African economies to deliver end-to-end climate solutions across sectors.

- **Interoperability with International Taxonomies**

For the African Climate Taxonomy to attract global investment, it must be recognisable to international investors and broadly aligned with global sustainable finance standards.[38] This means ensuring interoperability with frameworks like the EU Taxonomy, the ASEAN Taxonomy, and China's green catalogues. However, the design must also reflect the realities on the ground in Africa, including different development needs, lower institutional capacity, and limited access to climate finance.

Many international taxonomies apply strict rules and technical thresholds that are hard to meet in African markets. They often exclude transitional technologies entirely, which can make it harder for countries like those in Africa to finance important sectors like clean cooking, mini-grids, or lower-emission

[38] Bridget Boulle. 2024. *Green Taxonomies in the Global South*. SAIIA, 2024. Policy Briefing, 295. https://saiia.org.za/wp-content/uploads/2024/07/CNRP-PB-295-Boulle-FINAL-WEB.pdf

industrial processes. A rigid copy of these models would risk leaving out large parts of Africa's economy that are working toward climate goals, even if they are not fully "green" yet.[39]

Instead, the African Climate Taxonomy should take a practical and flexible approach. It should reflect global standards where possible, for example, by applying safeguards, encouraging transparency, and using clear definitions, but also make space for transitional and enabling activities that are essential for Africa's development and energy access goals.

As African countries gain access to more climate finance, they will be better positioned to invest in the systems, technologies, and data needed for faster and deeper decarbonisation. Over time, this will make it possible to adopt more strict definitions, raise performance thresholds, and align more closely with global benchmarks. The African Climate Taxonomy should therefore be designed as an evolving framework, able to evolve as capacity grows and as climate finance helps unlock more ambitious transitions.

- **Monitoring, Reporting, and Verification**

  Monitoring, reporting, and verification of activities should be led and managed at the national level. Each country should be responsible for assessing how it monitors and reports on eligible activities.

  Countries should be encouraged to track whether projects or entities continue to meet the criteria set out in the taxonomy, for example, whether emissions are being reduced, climate adaptation goals are being achieved, and social safeguards are being upheld. This helps avoid situations where a project or business that was initially compliant becomes non-compliant over time yet still receives the benefits of being classified as climate aligned. Ongoing monitoring

[39] Bruce Byiers, Alfonso Medinilla and Karim Karaki. 2023. *Navigating Green economy and Development Objectives: The Effects of External Climate Regimes on African Economies.* https://ecdpm.org/work/navigating-green-economy-development-objectives-effects-external-climate-regimes-african-economies

is essential to ensure the taxonomy remains a credible tool for directing finance toward truly sustainable and responsible activities.

Transparency is also key. Corporates and issuers should be required to validate alignment with taxonomy objectives via internal audits and self disclosures. Regulators could adopt global standards on climate disclosures[40] and financial institutions could also require third party verifications of sustainability metrics through third party audits, or certifications by recognised rating agencies. For projects supported by public or concessional finance, there should be a requirement to publicly disclose progress on the achievement of taxonomy objectives to build trust and accountability.

Conclusion and Call to Action

Africa stands at a defining moment in its sustainable development and climate transition journey. As the continent seeks to mobilise private and public finance for climate-aligned projects, a well-designed and credible African Climate Taxonomy can serve as a critical enabler. By providing a common language and minimum standards for identifying green and transitional activities, such a framework can guide investors, development partners, and governments toward the kinds of investments that both reduce emissions and advance Africa's development priorities.

This paper has outlined the rationale for a continental taxonomy which will promote regional coherence, reduce fragmentation, and align with emerging global financial architecture. It has proposed a set of design principles rooted in flexibility and inclusivity, including the adoption of a tiered system (green, transitional, and misaligned), recognition of enabling activities, allowance for local context and institutional capacity, and interoperability with frameworks such as the EU, ASEAN, and China taxonomies.

[40] IFRS Foundation. 2023. IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and IFRS S2 (Climate-related Disclosures). https://www.ifrs.org/issued-standards/ifrs-sustainability-standards-navigator/.

The next steps are clear. Policymakers, regulators, and African regional development institutions must work collaboratively to engage with private sector actors and develop a taxonomy that reflects both science-based net-zero pathways and Africa's development realities.

At the same time, national authorities should be supported to align existing or emerging taxonomies with the regional framework, ensuring coherence while allowing for local adaptation. Development finance institutions and climate funds should be encouraged to adopt the taxonomy as part of their investment criteria to catalyse private capital into taxonomy-aligned projects in Africa.

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