

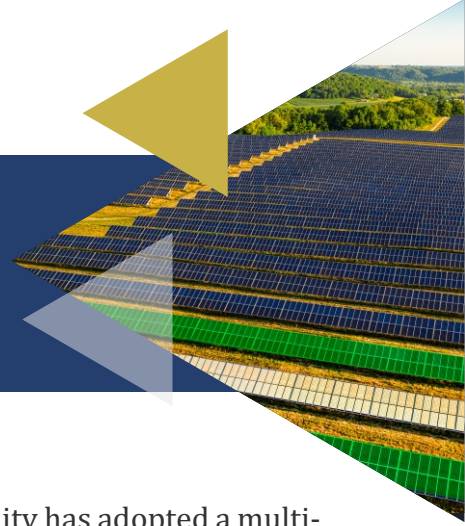


TOPE ADEBAYO LP

# ENERGY TRANSITION IN NIGERIA AND ESG (PART 1): NIGERIA'S INTERNATIONAL COMMITMENT



## ENERGY TRANSITION IN NIGERIA AND ESG (PART 1): NIGERIA'S INTERNATIONAL COMMITMENT



In the global pursuit for a sustainable future, the international community has adopted a multi-faceted approach, of which Energy Transition occupies a pivotal position, in addressing the stark realities of climate change.<sup>1</sup> In the absence of careful and strategic economic restructuring, the implications of Energy Transition for a country such as Nigeria, heavily dependent on revenue generated from its vast fossil fuel reserves, is an impending economic crisis arising from anticipated decline in global oil prices. Moreover, the adverse social and environmental consequences endured by local communities from decades of oil exploration and processing operations conducted in flagrant disregard for global best practices are highly disconcerting and cannot be overlooked.<sup>2</sup> With 63% of her population classified as multidimensionally poor<sup>3</sup> and roughly

40% lacking access to electricity,<sup>4</sup> the importance of incorporating ESG considerations in the transition to cleaner energy while seeking to achieve energy security in Nigeria cannot be overstated. This article aims to analyze the measures implemented by the Nigerian Government in fostering the adoption of clean energy and assesses their potential in achieving Net-Zero by 2060, all while ensuring energy security. This article shall take the form of a 4 Part series starting with this Part 1 focusing on Nigeria's international commitment to Energy Transition. Part 2 will delve into the role of gas as Nigeria's transitional fuel, followed by Part 3, which will explore the development of Renewable Energy in Nigeria. And finally, in Part 4, we will evaluate the feasibility of Nigeria achieving Net-Zero by 2060 based on its current trajectory.



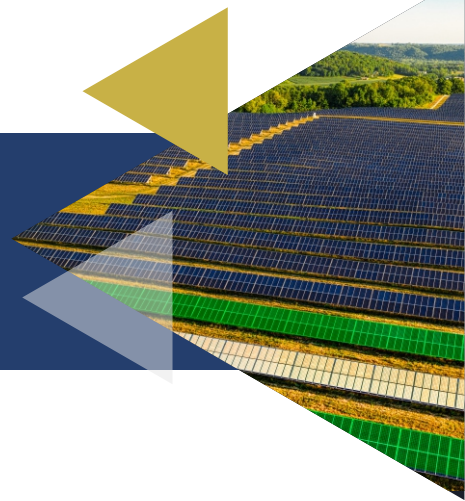
<sup>1</sup> <https://www.irena.org/news/pressreleases/2022/Mar/Energy-Transition-Holds-Key-to-Tackle-Global-Energy-and-Climate-Crisis> (Accessed July 19, 2023).

<sup>2</sup> <https://core.ac.uk/download/pdf/148355324.pdf> (Accessed July 19, 2023).

<sup>3</sup> <https://nigerianstat.gov.ng/news/78#:~:text=Highlights%20of%20the%202022%20Multidimensional,quarter%20of%20all%20possible%20deprivations.> (Accessed July 19, 2023).

<sup>4</sup> <https://data.worldbank.org/indicator/EG.ELC.ACCS.ZS?locations=NG> (Accessed July 19, 2023).

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## Nigeria's International Commitment to Energy Transition

### The Paris Agreement 2015

The **Paris Agreement 2015** (the "Agreement") represents a momentous milestone in the global endeavor to address climate change having been signed by majority of nations of the world.<sup>5</sup> The Agreement aims to tackle climate change by limiting global warming to well below 2°C and further striving to limit it to 1.5°C.<sup>6</sup> The Agreement incorporates equitable principles and considerations such as common but differentiated responsibilities<sup>7</sup> and just transition.<sup>8</sup> These principles recognize that each nation can only transition to clean energy at a pace aligned with their respective level of development and in the case of developing countries, this depends on the extent of external resources made available to them. Another key component of the Agreement is the obligatory requirement of each State party developing and maintaining Nationally Determined Contributions (NDCs)<sup>9</sup> which represent their commitment to reducing greenhouse gases (GHG) emission.

Nigeria signed and ratified the Paris Agreement in 2016 and 2017 respectively, thereby making it enforceable as a domestic law. Upon ratification, it **Intended Nationally Determined Contribution** (INDC) 2015 became its NDCs.<sup>10</sup> Following ratification, the Nigerian Government introduced and implemented a series of policies and initiatives aimed at fulfilling the nation's commitments under the Paris Agreement while promoting energy efficiency. In 2017, the Standard Organization of Nigeria (SON) introduced the **National Energy Efficiency Label for Air Conditioners and Electrical Appliances** to promote the use of energy efficient electrical appliances in Nigeria towards reducing the amount spent on purchasing electric power.<sup>11</sup> Additionally, in 2017, the Federal Government introduced the **National Building Energy Efficiency Code** (the "Code"), which established the minimum energy efficiency requirements for buildings and also made provision for the adoption of the Code by States across the country.<sup>12</sup>

Furthermore, in 2017, Nigeria became the first African country to issue **Sovereign Green Bonds**.<sup>13</sup> The debut sovereign green bonds were worth N10.69 billion and provided substantial

<sup>5</sup> <https://unfccc.int/process-and-meetings/the-paris-agreement> (Accessed July 19, 2023).

<sup>6</sup> [https://climate.ec.europa.eu/eu-action/international-action-climate-change/climate-negotiations/paris-agreement\\_en#:~:text=The%20Paris%20Agreement%20sets%20out.support%20them%20in%20their%20efforts.](https://climate.ec.europa.eu/eu-action/international-action-climate-change/climate-negotiations/paris-agreement_en#:~:text=The%20Paris%20Agreement%20sets%20out.support%20them%20in%20their%20efforts.) (Accessed July 19, 2023).

<sup>7</sup> <https://unfccc.int/blog/the-explainer-the-paris-agreement#:~:text=The%20agreement%20adheres%20to%20the.on%20their%20differing%20national%20circumstances.> (Accessed July 19, 2023).

<sup>8</sup> Preamble of the Paris Agreement 2015.

<sup>9</sup> Article 4.2 of the Paris Agreement.

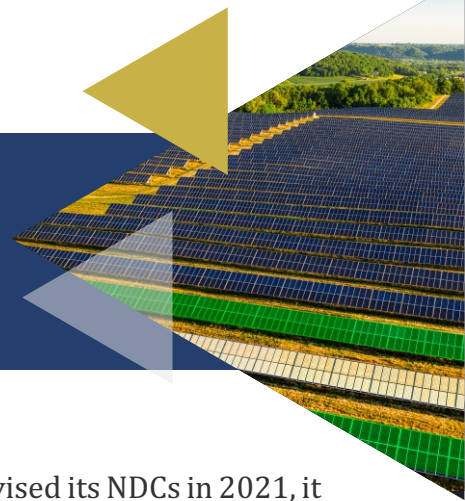
<sup>10</sup> [https://www.all-on.com/media/publications/simplified-guides-to-nigerias-energy-access-policies-and-regulations/\\_jcr\\_content/par/text/image.stream/1595008891894/8392ae04d36b1861aff9188584a094619911c54/nigerias-nationally-determined-contribution.pdf](https://www.all-on.com/media/publications/simplified-guides-to-nigerias-energy-access-policies-and-regulations/_jcr_content/par/text/image.stream/1595008891894/8392ae04d36b1861aff9188584a094619911c54/nigerias-nationally-determined-contribution.pdf) (Accessed July 22, 2023).

<sup>11</sup> <https://businesspost.ng/economy/son-unveils-new-label-air-conditioners-electrical-appliances/> (Accessed July 22, 2023).

<sup>12</sup> The Lagos State Government has also indicated commitment towards introducing a state Building Code aimed at promoting energy efficiency <https://guardian.ng/property/lagos-partners-nesp-on-energy-efficiency-code/> (Accessed July 22, 2023).

<sup>13</sup> <https://www.climatebonds.net/resources/press-releases/2017/12/nigeria-first-nation-issue-climate-bonds-certified-sovereign-green> (Accessed July 22, 2023).

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funding for several green projects, some of which pertained to the energy sector.<sup>14</sup> In 2019, Nigeria issued its second Sovereign Green Bonds worth N15 Billion<sup>15</sup> and also joined the **Global Methane Alliance**<sup>16</sup> which aims to reduce methane emissions by a minimum of 45% by 2025 and a 60-75% by 2030.<sup>17</sup>

Noteworthy amongst the projects financed by the sovereign green bonds was the Energizing Education Programme which aimed to provide steady and sustainable electricity supply to 7 University Teaching Hospitals and 37 Federal Universities. Based on a recent study conducted across selected beneficiary institutions,<sup>18</sup> reports indicate a substantial disparity between the actual energy consumption and the estimated energy consumption in these projects. Consequently, this has occasioned the inability of some projects to live up to expectations. Significantly, a common challenge across various programs and policies introduced by the Government in this regard is the limited access to data, which makes it very difficult to measure their successes or failures in terms of our commitments under the Paris Agreement.

Although Nigeria revised its NDCs in 2021, it retained its pledge of an unconditional contribution of 20% below business-as-usual by 2030 and increased its conditional contribution from 45% to 47% below business-as-usual by 2030.<sup>19</sup> Some of the key targets of the NDCs include: (i) Elimination of kerosine lighting by 2030; (ii) 25% of buses and trucks using CNG by 2030; (iii) 30% of on-grid electricity from renewables; (iv) Reduction of grid transmission and distribution losses to 8% of final consumption of electricity in 2030; (v) Elimination of diesel and gasoline generators for electricity generation by 2030; (vi) Zero gas flaring by 2030 and, (vii) 60% reduction in fugitive methane emissions by 2031.

### The Climate Change Act 2021

One of the foremost courses of action taken by the Federal Government following its commitment to Net-Zero by 2060 at COP 26, was passing the Climate Change Bill into law. The Climate Change Act (the “Act”) is a very significant piece of legislation as it lays the legal foundation for all climate actions and initiatives to be introduced by the Federal Government towards fulfilling its commitment under the revised NDCs.

<sup>14</sup> <https://fmdqgroup.com/greenexchange/wp-content/uploads/2022/04/Impact-Report-on-the-Nigerian-Green-Bond-Market.pdf> (Accessed July 22, 2023).

<sup>15</sup> Ibid.

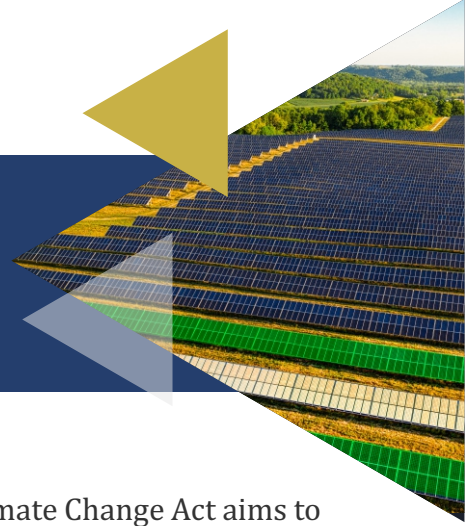
<sup>16</sup> [https://climatechange.gov.ng/wp-content/uploads/2021/08/NDC\\_File-Amended-11222.pdf](https://climatechange.gov.ng/wp-content/uploads/2021/08/NDC_File-Amended-11222.pdf) (Accessed July 22, 2023).

<sup>17</sup> In 2022, Nigeria became the first African country to regulate methane emissions in its oil and gas sector <https://www.ccacoalition.org/en/news/nigeria-cements-methane-guidelines-and-its-role-african-climate-and-clean-air-leader> (Accessed July 22, 2023).

<sup>18</sup> <https://ng.boell.org/sites/default/files/2022-02/Nigeria%E2%80%99s%20Green%20Bond%20Programme2022Report.pdf> (Accessed July 22, 2023).

<sup>19</sup> Nigeria's Nationally Determined Contribution 2021 Update, Page 1.

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One of the key highlights of the Act is the establishment of the National Council on Climate Change (NCCC)<sup>20</sup> which is saddled with responsibilities such as: (i) administering the Climate Change Fund; (ii) collaborating with the Federal Inland Revenue Service (FIRS) towards introducing carbon taxation in Nigeria and, (iii) collaborating with the Federal Ministry of Environment and Federal Ministry of Trade towards developing a mechanism for carbon trading in Nigeria. To promote climate mitigation and adaptation technology and projects, the Act establishes the Climate Change Fund which is administered by the NCCC towards funding such innovations and incentivizing private and public entities for their efforts towards transiting to clean energy.<sup>21</sup>

Furthermore, the Act mandates the Federal Ministry of Environment, in consultation with the Federal Ministry of Finance, Budget and National Planning to develop a carbon budget for the nation in line with the Paris Agreement and fix a budgetary period. Also, the Act saddles these Ministries with the duty to periodically revise the carbon budget according to the nation's NDCs.<sup>23</sup>

Additionally, the Climate Change Act aims to involve all sectors of the economy in pursuing its goals by imposing compulsory climate obligations on MDAs, private entities, and public organizations.<sup>24</sup> Under the Act, the Secretariat of the NCCC, in collaboration with two Ministries of the Federal Government,<sup>25</sup> has a duty to develop a National Climate Change Action Plan (the "Action Plan") not later than one year from the date of enactment. One importance of the Action Plan is the role it ought to play in guiding the implementation of the climate change obligation to be imposed on MDAs and private entities.<sup>26</sup> However, nearly 2 years later, this duty remains unfulfilled. Nonetheless, the NCCC has made notable strides in relation to its mandate in recent times. For example, in May 2023, the Nigeria Sovereign Investment Authority (NSIA) signed a Memorandum of Understanding (MoU) with the National Council on Climate Change (NCCC) towards establishing a national carbon registry and a mechanism for carbon emissions trading in Nigeria.<sup>27</sup> Among other things, the MOU also seeks to develop and introduce guidelines for the regulation of carbon emissions in the nation.

<sup>20</sup>Section 4 of the Climate Change Act 2021.

<sup>21</sup>Section 15(2) of the Climate Change Act 2021.

<sup>22</sup>Section 19 of the Act.

<sup>23</sup>Ibid.

<sup>24</sup>Part VI of the Act.

<sup>25</sup>Section 20 of the Climate Change Act 2021.

<sup>26</sup>Section 22 and 24 of the Act.

<sup>27</sup><https://nsia.com.ng/nigeria-sovereign-investment-authority-signs-mou-with-national-council-on-climate-change-and-publishes-maiden-edition-of-its-development-impact-report/> (Accessed July 24, 2023).

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### The Kigali Communique 2022

Nigeria was party to the formation of the Kigali Communique (the “Communique”), a direct outcome of the global SEforALL Forum which held in May 2022. The Communique was aimed at addressing developmental gaps and establishing pathways to achieve SDG 7 (Access to Clean Energy) in Africa.<sup>28</sup> Notably, the Communique acknowledged the significant role of natural gas as Africa's transition fuel and advocated for the prioritization of local job creation within the emerging sustainable energy sector. It also emphasized the importance of enhancing technology transfer between African States in achieving its objective.

### Nigeria's Energy Transition Plan 2022

In line with Nigeria's commitment to carbon neutrality by 2060, Nigeria unveiled its Energy Transition Plan (ETP) in August 2022. Having been ranked as the country with the 9<sup>th</sup> largest proven gas reserve in the world,<sup>29</sup> the ETP was designed to harness gas as Nigeria's transition fuel to clean energy.<sup>30</sup> The ETP focuses on 5 key sectors, namely: Power, Transportation, Oil and Gas, Cooking

and Industry. The ETP highlights energy transition milestones to be achieved in each sector by 2030, 2050 and 2060 respectively. Notable amongst these milestones are the gradual replacement of: (i) petrol and diesel generators with solar energy, (ii) internal combustion engine (ICE) vehicles with electric vehicles, (iii) traditional cooking fuel such as firewood with electric cookers and the integration of Carbon Capturing Utilization and Storage (CCUS) systems in oil and gas operations.

Nigeria's ETP is very ambitious as it aims to lift 100 million Nigerians from poverty, manage the anticipated job loss which will arise from transition from fossil fuels and make modern energy services available to the entire populace. The Energy Transition Office, one of the bodies saddled with the implementation of this herculean Plan, has been very proactive in organizing various stakeholder meetings towards identifying the best practical means of implementing the ETP.

Furthermore, as the Energy Transition Plan (ETP) aims to integrate all extant and new energy transition efforts by the Federal Government, the decision to subsume both

<sup>28</sup> <https://www.mininfra.gov.rw/index.php?eID=dumpFile&t=f&f=44024&token=c9d8a3e4e9ad4d22aa3c3b883055c9426760c584> (Accessed July 24, 2023).

<sup>29</sup> <https://www.pwc.com/ng/en/assets/pdf/evaluating-nigeria-gas-value-chain.pdf> (Accessed July 24, 2023).

<sup>30</sup> <https://www.energytransition.gov/ng/natural-gas/> (Accessed July 24, 2023).



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the Energy Transition Office and the Energy Transition Plan into the National Council on Climate Change (NCCC) could not have come at a better time.<sup>31</sup> This move will foster coherence and continuity of transition initiatives in line with the spirit of the Climate Change Act 2021.

### Conclusion

Having examined Nigeria's international dedication to Energy Transition, the succeeding Parts of these series shall focus on efforts of the Nigerian Government in leveraging on resources available to it, namely gas and renewable energy in fostering a Just Transition to Net-Zero by 2060.

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<sup>31</sup> <https://www.premiumtimesng.com/news/more-news/581133-climate-change-buhari-approves-work-plan-for-national-council-on-climate-change.html> (Accessed July 24, 2023).



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## PRACTICE KEY CONTACTS



**ADEREMI FAGBEMI**  
PARTNER



**OLUWASEUN FAPOHUNDA**  
SENIOR ASSOCIATE



**SANDRA OSINACHI-NWANDEM**  
ASSOCIATE



**EYITAYO AJISAFE**  
ASSOCIATE TRAINEE

**Brought to you by TALP's Energy & Natural Resources Department.**

*For further enquiries, log onto [www.topeadebayolp.com](http://www.topeadebayolp.com)*

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Kindly contact us by using any of the details provided below:

### **TOPE ADEBAYO LP**

25C Ladoke Akintola Street, G.R.A. Ikeja Lagos, Nigeria  
p: +234 (1) 628 4627  
e: [info@topeadebayolp.com](mailto:info@topeadebayolp.com)  
w: [www.topeadebayolp.com](http://www.topeadebayolp.com)

