

# COVID-19 MACROECONOMIC POLICY RESPONSES IN AFRICA

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## Nigeria's post-COVID-19 Macroeconomic Policies: Are They Climate Change Friendly?

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## About CoMPRA

The COVID-19 Macroeconomic Policy Response in Africa (CoMPRA) project was developed following a call for rapid response policy research into the COVID-19 pandemic by the IDRC. The project's overall goal is to inform macroeconomic policy development in response to the COVID-19 pandemic by low and middle-income countries (LMICs) and development partners that results in more inclusive, climate-resilient, effective and gender-responsive measures through evidence-based research. This will help to mitigate COVID-19's social and economic impact, promote recovery from the pandemic in the short term and position LMICs in the longer term for a more climate-resilient, sustainable and stable future. The CoMPRA project will focus broadly on African countries and specifically on six countries (Benin, Senegal, Tanzania, Uganda, Nigeria and South Africa). SAIIA and CSEA, as the lead implementing partners for this project, also work with think tank partners in these countries.

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## Executive summary

This policy insight analyses Nigeria's post-COVID-19 macroeconomic policies to ascertain how helpful they are in achieving the country's climate commitments, as specified in its Nationally Determined Contribution (NDC). The focus is on the policies in the Economic Recovery and Growth Plan, Economic Sustainability Plan and National Development Plan (2021-2025). This is followed by policy recommendations to help achieve a green economic recovery in Nigeria. While a clean energy future is taking shape with the expansion of the NDC, the Nigerian government needs to create a conducive environment for the effective implementation and monitoring of its

climate change policies and initiatives. Educating all stakeholders on climate change adaptation and mitigation measures needs to be prioritised. By actively investing in renewable energy, capacity building, climate-smart agriculture and economic diversification, Nigeria can set itself on a path to build back stronger and cleaner.

## Introduction

The COVID-19 pandemic has given rise to arguably the most challenging global health crisis in modern times. Its impact has been felt by most sectors of the global economy, resulting in economic decline around the world. Governments have committed at least \$12 trillion towards a recovery stimulus with a focus on immediate needs, including healthcare, job security and food security.<sup>1</sup> However, studies<sup>2</sup> show that the economic response to the COVID-19 crisis has also reinforced negative environmental trends, as few governments have used COVID-19 stimulus packages to transform the economic trajectory of their countries in a way that responds positively to climate change and enhances environmental sustainability. This despite the fact that climate change is one of the biggest threats facing humanity today. With properly designed stimulus packages that are climate friendly, countries can build back in a way that is more sustainable, resilient and inclusive.<sup>3</sup>

Nigeria's economy was heavily impacted by COVID-19. Global and local lockdowns had a significant effect on health, transportation, finance, education, agriculture, manufacturing and oil sectors. Given the centrality of these sectors to the Nigerian economy, the disruption of business activities caused major revenue and job losses. In response, Nigeria launched its Economic Sustainability Plan (ESP) and National Development Plan 2021–2025 (NDP) to aid economic recovery. This policy insight analyses Nigeria's macroeconomic policy measures to see how helpful they have been in achieving the country's climate commitments, as laid out in its Nationally Determined Contribution (NDC). Specifically, its focus is on the policies in the ESP and NDP, which seek to revitalise and support various sectors of the economy that were especially affected by COVID-19. Importantly, it makes policy recommendations to help the government achieve a green economic recovery.

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1 Anthony Nyong et al., "Nigeria Moves Toward a Sustainable COVID-19 Recovery", World Resources Institute, January 14, 2021.

2 Jeffrey Beyer and Alice Vandermosten, "Greenness of Stimulus Index", VividEconomics, 2021.

3 Organisation for Economic Co-operation and Development, "Building Back Better: A Sustainable, Resilient Recovery after COVID-19", June 5, 2020.

# Nigeria's economic policy response to climate change

Nigeria, as a party to the UN Conference on Climate Change, agreed to reduce significantly greenhouse gas (GHG) emissions by placing its economy on a low-carbon trajectory. However, the reliance on oil-led growth that has characterised the Nigerian economic model for a long time poses a serious challenge to achieving a green transformation. The oil sector accounts for 80% of government revenue, 90% of total exports and 95% of foreign exchange earnings.<sup>4</sup> Currently, Nigeria has 37.2 billion barrels of proven crude oil reserves – the seventh-largest reserve in the world.<sup>5</sup> As such, achieving environmental protection while maintaining the steady growth required to become a developed economy is a complex dilemma.

It is important to note that oil production alone does not generate substantial GHG emissions compared to the burning of fossil fuels. However, it has many other negative socio-environmental impacts. For example, oil spills and continuous drilling for oil and gas in the Niger Delta (in South-South Nigeria) have led to environmental depletion and degraded farmlands, making it challenging to engage in agricultural activities. Past spills have caused some communities to be relocated as a result of the pollution of drinking water, loss of homes and the destruction of fishing grounds.<sup>6</sup>

In 2015 Nigeria submitted its first NDC commitments. These included measures to end gas flaring by 2030, construct off-grid solar photo-voltaic of 13GW, promote efficient gas generators and achieve a 2% annual increase in energy efficiency (30% by 2030), as well as improving the coverage of the electricity grid (see Figure 1). In addition, it set a GHG emission reduction target for 2030 of 20% below a business-as-usual (BAU) scenario using domestic resources (with an unconditional target) and by a further 45% with international support (a conditional target). The BAU scenario assumes an economic growth rate of 5%, population growth of 2.5% per year, 100% access to electricity (both on- and off-grid) and a triple increase in industry size by 2030.<sup>7</sup> Emissions are therefore projected to grow by 114% by 2030 to around 900 million tonnes – around 3.4 tonnes for every Nigerian. Under a high-growth scenario, with economic growth at 7%, emissions increase to over 1 billion tonnes.

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4 Michael Chugozie Anyaehie and Anthony Chukwudi Areji, "Economic Diversification for Sustainable Development in Nigeria", *Open Journal of Political Science* 5, no. 2 (2015): 87.

5 AIS Okoh, "An Analysis of Nigeria's Nationally Determined Contribution (NDC) in the Transition to a Low Carbon Economy", *Open Journal of Social Science and Humanities* 1, no. 1 (2020): 42–60.

6 Adati Ayuba Kadafa, "Environmental Impacts of Oil Exploration and Exploitation in the Niger Delta of Nigeria", *Global Journal of Science Frontier Research Environment and Earth Sciences* 12, no. 3 (2012): 19–28.

7 Economic Sustainability Committee, *Bouncing Back: Nigeria Economic Sustainability Plan* (Abuja: Federal Ministry of Environment, 2020).



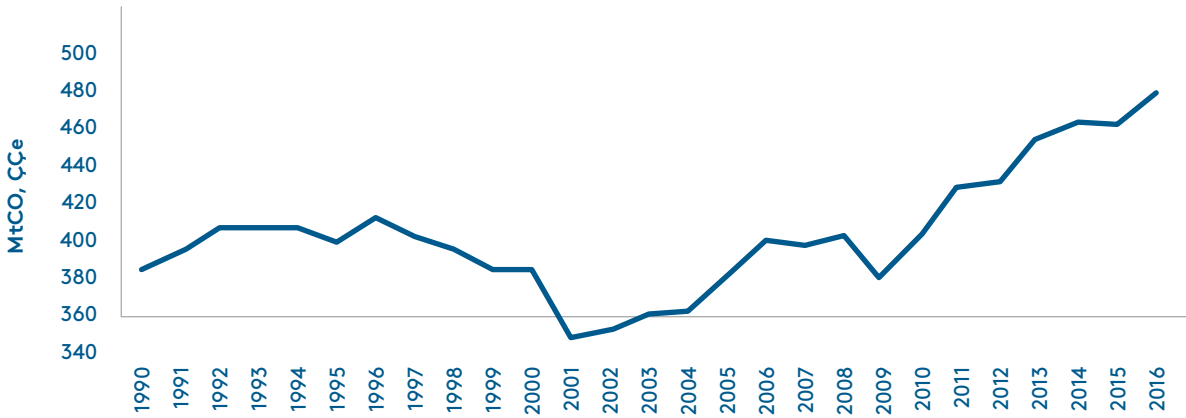
**Figure 1 Nigeria’s commitment to reduce GHG emissions (NDC targets)**



Source: Federal Ministry of Environment, “Sectoral Action Plans for Nigeria’s Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC)” (Abuja: Department of Climate Change, August 2017)

Historical trends show that Nigeria’s GHG emissions have risen tremendously in recent years (see Figure 2). According to the International Energy Agency, Nigeria emitted 104.27 MtCO<sub>2</sub>e in 2018, representing an increase of 271.6% from 1990.<sup>8</sup> Of Nigeria’s total GHG emissions in 2016 (481.02 MtCO<sub>2</sub>e), 61.74% consists of carbon dioxide, followed by methane (27.82%), nitrous oxide (7.77%) and fluorinated gas (2.66%).<sup>9</sup>

**Figure 2 Historical trends in Nigeria’s GHG emissions**



Source: Peter Hansen, “Nigeria Has Experienced a 271% Increase in Greenhouse Gas Emissions Since 1990”, Climate Scorecard, December 20, 2020

<sup>8</sup> Peter Hansen, “Nigeria Has Experienced a 271% Increase in Greenhouse Gas Emissions Since 1990”, Climate Scorecard, December 20, 2020.

<sup>9</sup> Hansen, “Nigeria Has Experienced”.

# Government's NDC strategy and implementation mechanism

In 2011 the National Adaptation Strategy and Plan of Action on Climate Change in Nigeria (NASPAN-CNN) was developed to reduce the country's vulnerability to the impacts of climate change and enhance the resilience of its ecological and economic systems.<sup>10</sup> The National Adaptation Plan (NAP), which is based on the NASPAN-CNN and a follow-up Sectoral Action Plan developed in 2018, shows that the government has maintained a focus on five priority sectors – energy; oil and gas; agriculture and land use; power; and transport. Part of the government's strategy was to undertake risk-assessment and -reduction measures to increase the resilience of the energy sector. It aimed to do this by strengthening existing energy infrastructure and through early efforts to identify and implement all possible 'no regrets' actions. The strategy also included the expansion of sustainable energy sources and decentralisation of transmission in order to reduce the vulnerability of its energy infrastructure to climate impacts.

Presently, Nigeria's energy sector accounts for 60% of its total emissions, with agriculture, forestry and other land use accounting for 25%. Fugitive emissions from oil and gas represent 36% of total energy sector emissions, followed by transport, power generation, and residential and industrial consumption.<sup>11</sup> Strategies put in place to mitigate this include higher protective margins in construction to reduce other land use emissions and constructing energy infrastructure with higher standards and specifications to curb emissions in the energy sector.

The implementation of Nigeria's NDC is largely anchored on adequate financing, capacity building and effective monitoring and evaluation. Given the total investment required, the NDC is projected to cost about \$142 billion in total or \$10 billion a year by 2030. Of this, \$33.6 million was raised through its green bond programme in 2019.<sup>12</sup> Training and capacity building, including simplified, user-friendly tools for risk assessment analysis and operations, are also needed to achieve effective implementation. Additionally, community mobilisation for and sensitisation to climate change adaptation are crucial. In terms of monitoring implementation, this requires the integration of climate change into national, sectoral, state and local government planning. It should also be assimilated into the plans of all other relevant stakeholders, such as educational and research institutions, civil society organisations, the private sector and the media.

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10 Federal Ministry of Environment, *Nigeria's National Adaptation Plan Framework* (Abuja: Government of Nigeria, 2020).

11 Enerdata, "Nigeria Unveils an Updated Nationally Determined Contribution", May 31, 2021.

12 Federal Ministry of Environment, *Nigeria's National Adaptation Plan*.

# COVID-19 and its impact on Nigeria's macroeconomic policy

Following Nigeria's own COVID-19 outbreak in 2020, the country has faced several challenges. In addition to the health challenges introduced by the pandemic, oil prices dropped by about 60% in the wake of successive global lockdowns.<sup>13</sup> This had profound implications for Nigeria's economy, as oil incomes account for the bulk of the government's revenue. The federal government was thus confronted by the twin challenges of combatting a public health crisis while trying to revive and strengthen its fiscally weakened economy. It did this by focussing on the agricultural sector as part of its economic diversification strategy.

## Pre-COVID: Economic Recovery and Growth Plan

The federal government implemented the Economic Recovery and Growth Plan (ERGP) from 2017 to 2020 – a post-Paris Agreement initiative aimed at restoring economic growth following the Nigerian recession in 2016 (the first experienced by the country in over two decades). Thus, the ERGP was a medium-term developmental initiative focused on promoting sustainable economic growth by investing in people and building a globally competitive economy.<sup>14</sup> Although no specific climate change targets were included, it highlighted several initiatives and projects that were consistent with Nigeria's 2015 NDC and the government's overall efforts to tackle climate change and other environmental issues. These initiatives include the Great Green Wall, aimed at addressing land degradation and desertification and supporting communities in adapting to climate change. Other initiatives were the continuation of the Ogoni Land clean-up and a reduction in gas flaring.<sup>15</sup> The plan also set a target to raise a green bond to finance environmental projects while establishing a new forest plantation in each state. The ERGP provided for the rehabilitation of all existing forest reserves and national parks to enhance eco-tourism and establish a functional database on drought and desertification. Some of its notable achievements include:

- sustained recovery from recession and enhanced GDP growth of 1.92%;<sup>16</sup>
- NGN<sup>17</sup> 55 billion (\$118 million) disbursed by the Central Bank of Nigeria to over 250 000 farmers to encourage sustainable agriculture;<sup>18</sup>

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13 World Bank, "Monitoring COVID-19 Impact on Nigerian Households", April 13, 2021.

14 Ekeh Adoyi Williams and Ogbole Francis Orokpo, "The Economic Recovery and Growth Plan (ERGP) as Developmental State Paradigm: An Introduction", *International Journal of Public Administration and Management Research* 5, no. 3 (2019): 12–20.

15 Sam Onuigbo, "Climate Change and COVID-19 Recovery Plan", *The Guardian* (Nigeria), March 4, 2021.

16 Williams and Orokpo, "The Economic Recovery and Growth Plan".

17 Currency code for the Nigerian naira.

18 Williams and Orokpo, "The Economic Recovery and Growth Plan".

- An increase in non-oil revenues, with agriculture contributing 21.97% to nominal GDP;<sup>19</sup>
- remediation of seven lots under the Ogoni Land clean-up initiative, thus restoring polluted environments and ending oil contamination in the region;<sup>20</sup> and
- restoring 560ha of degraded ecosystems (in Bauchi, Jigawa and Sokoto) through the Green Wall initiative, which included planting 150 000 indigenous tree seedlings.<sup>21</sup>

## During COVID-19: Nigeria's Economic Sustainability Plan

The government set up a committee on 30 March 2020 to develop the Nigeria Economic Sustainability Plan (NESP) in response to the various challenges posed by the pandemic. The objective was to propose fiscal measures for enhancing the distribution of oil and gas revenue, increasing non-oil revenues, reducing non-essential spending, and protecting and creating jobs. Some of the policies in the NESP had a climate change focus, as can be seen in Table 1. The table classifies policies and interventions in the NESP by their climate friendliness, ie, whether they are geared towards a green economic recovery, are climate neutral, or are detrimental to the climate agenda.<sup>22</sup> Although the NESP highlights the government's plans regarding its climate commitments, one of its weaknesses is that it is not clear how the implementation of these policies will be tracked. This could be as a result of poor synergy across federal and state ministries/agencies.

## Post-COVID-19: National Development Plan (2021–2025)

In 2021 the Nigerian government developed the NDP. The plan recognises five megatrends, namely the need for a green economy in Nigeria, the fourth industrial revolution, regional trade, the knowledge economy and demographic shifts. The inclusion of the green economy as a megatrend suggests that, in the five-year period, considerable attention will be given to relevant elements such as climate change adaptation and mitigation. The plan devotes a chapter to environmental and disaster management that lays out the government's strategy on tackling climate change and environmental pollution. Three other chapters also briefly describe climate change in terms of its impact on the agricultural sector, livelihoods of the rural population and potential mitigation strategies.

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19 Deloitte Nigeria, "Economic Recovery and Growth Plan (ERGP): An Assessment of The Journey So Far", Mondaq, July 9, 2018.

20 Federal Ministry of Environment, *Nigeria's National Adaptation Plan*.

21 Murtala Abdullahi, "Great Green Wall: A Glance at Nigeria's Line of Defence Against the Sahara", HumAngle, March 28, 2022.

22 A policy is considered green if it has the potential to reduce a country's carbon footprint and promote clean energy; grey if it does not contribute to climate change, whether negatively or positively; and brown if it contributes or exacerbates climate change and/or stands in the way of green efforts.



**Table 1 Climate-friendliness of the NESPN**

Nigeria's Economic Sustainability Plan		
S/N	Economic policies	Comments
1	Mass Agricultural Programme: Cultivation of between 20 000 to 100 000 new agricultural plots	The government is not clear on whether it aims to promote agriculture through the traditional method (which releases significant amounts of methane and nitrous oxide that contribute to global warming) or through a climate-smart agricultural approach that enhances and promotes a green/clean environment
2	Extensive public works and road construction using limestone and granite	The use of limestone in road construction rather than bitumen promotes a green environment. Limestone absorbs more CO <sub>2</sub> from the air, thus reducing global warming <sup>a</sup>
3	Installation of solar home systems covering up to 5 million households	This is a deliberately designed intervention to promote a greener recovery by increasing the share of Nigeria's clean energy while creating green jobs
4	Provide \$2.4 billion in loans to boost local manufacturing and production across critical sectors	Potential climate implications from this policy could go either way, as it does not target specific activities based on climate effects and the means of production
5	Reduction of the interest rate on specific intervention facilities such as the solar home and road construction using limestone, from 9% to 5%	Reducing the interest rate on intervention facilities, particularly the solar home and road construction using limestone, helps promote progression towards a green recovery and clean environment
6	Creating a \$120 million target credit facility for affected micro-, small and medium-sized enterprises (MSMEs)	It is not clear if credit is only to be extended to MSMEs that promote a clean environment
7	\$211 million for the National Gas Expansion Programme to promote domestic use of compressed natural gas and support the creation of 1 million jobs	The increased use of gas as a transition fuel is not necessarily in itself climate friendly, but in this case the policy promotes the domestic use of cleaner fuels that, in Nigeria, are viewed as a bridge from more polluting fossil fuels to cleaner energy
8	\$240 million targeted facilities to the health sector	This policy neither contributes to climate change nor prevents it
9	Construction of 300 000 homes across the country	The government is not clear on the mode of implementation
10	\$572 million investment in solar power electrification and green jobs	This is a deliberately designed intervention to promote a greener recovery by increasing the share of Nigeria's clean energy use, while creating green jobs at the same time

<sup>a</sup> Duncan Clark, "Just Add Lime (to the Sea) – the Latest Plan to cut CO<sub>2</sub> Emissions", *The Guardian*, July 6, 2009.

Source: Author's elaboration from Economic Sustainability Committee, "Bouncing Back: Nigeria Economic Sustainability Plan" (Abuja: Federal Ministry of Environment, March 30, 2020)

# The National Development Plan and Nigeria's climate change strategy

Although Nigeria's carbon footprint is small, it is already experiencing the adverse effects of climate change, particularly resulting from the increase in global temperatures. As such, it has joined the international community in working towards climate change mitigation and adaptation. The NDP attributes the country's low agricultural productivity in some agro-ecological zones to climate change and other environmental factors, including harsh weather conditions and environmental degradation.<sup>23</sup> As a mitigation strategy, the government plans to integrate technology, innovation and climate-smart practices into agricultural production. Crops such as cassava, rice, maize, soybean, yam and tomatoes are prioritised in the plan's climate-smart agricultural practices. Furthermore, farmland cultivated under the sustainable agricultural strategy is expected to reach 42 million ha by 2025, up from 34 million ha in 2020.

Another strategy outlined in the NDP is strengthening public-private partnerships to increase private sector investment in critical infrastructure, including irrigation and renewable energy in rural areas, staple crop processing zones and other strategic farming areas. The NDP also notes that the solid minerals, mining and steel sectors are a source of CO<sub>2</sub> emissions and proposes to develop a circular economy and environmental protection programme aimed at reducing mine waste, lowering GHG emissions and encouraging energy efficiency. In addition, the government intends to upscale state institutions' environmental management capacity and uphold environmental regulations to ensure that host communities of mines are not adversely affected by mining activities. (The document does not currently cover mine rehabilitation.) Table 2 provides insight on the targets in the NDP relating to climate change.

In actualising these targets, the NDP proposes to increase capacity development in skills required to aid a green economy transition. Here, the government intends to revise the educational curriculum to incorporate climate change adequately. It also encourages knowledge sharing with countries that have successfully adopted best practices on climate change, especially mitigation. Another proposed strategy is to increase investment in seed improvement for higher yields and climate-resistant crop species in agriculture.

Nigeria first issued a sovereign green bond in 2017 (the first African nation to do so and the fourth globally), and a second sovereign green bond in 2019. This comprises a five-year NGN 10.6 billion (\$25 million) facility with a coupon rate of 13.48%. The bond was also listed on the Nigerian Stock Exchange. The funds raised from it have been allocated to finance three

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<sup>23</sup> Nigeria's involvement in oil exploration and gas flaring contributes to environmental degradation.

government renewable energy projects – the Renewable Energy Micro-Utilities Programme, the Re-Energising Education Programme and the Afforestation Programme. The federal government has set up an Inter-Ministerial Committee on Climate Change to coordinate appropriate line ministries and agencies to carry out activities, with a technical and a ministerial subcommittee. This is to ensure that funds are raised for and geared at implementing and achieving Nigeria’s climate change commitments.

**Table 2 Climate changes targets**

Nigeria’s Economic Sustainability Plan			
Objectives	Key performance indicators	Baseline	Target
<b>Upscaling investments in renewable energy and energy efficiency</b>	Percentage (%) contribution of renewable energy and energy efficiency for electricity generation and reduction of GHG emissions	209 million tonnes of CO2 (60% of total Nigerian emissions)	At least 20% contribution of renewable energy to the nation’s energy mix  25% reduction in GHG emissions (no energy efficiency target has been set)
<b>Maximisation of circular economy opportunities</b>	Amount of recycled plastic per year	<12% of the total plastic used	>25% of total plastics used  (there is no mention of steel, aluminium or other recyclable materials)
<b>Reverse deforestation trends</b>	Number of trees planted	5 916 850ha	12 034 016ha (2023)
	Area of degraded land restored	4 979ha	13 892ha (2023)

Source: Federal Ministry of Finance, Budget and National Planning, *National Development Plan (NDP) 2021–2025, Volume I* (Abuja: Federal Ministry of Finance, Budget and National Planning, December 2021)

In November 2021 Nigeria passed the Climate Change Bill, which sets a net-zero emissions target for 2050, in line with its NDC commitments. The bill includes provisions to set five-year carbon budgets under a National Climate Change Action Plan to be ratified by the Federal Executive Council. The Federal Ministry of Environment is tasked with setting the carbon budgets, while the National Council on Climate Change, established by the bill, will oversee implementation.

# Perspective on development planning and climate change strategy in Nigeria

The inclusion of climate change in the five megatrends shaping Nigeria's immediate future underlines the country's commitment to the Paris Agreement. Nigeria intends to achieve net-zero emissions by 2050. This requires concrete strategies and solid commitments on implementation. Motivated by the Paris Agreement, the NDP links national development planning to national (and global) climate change goals. This facilitates climate financing and investments, both of which are crucial for setting up a green economy.

Given the policy development plans discussed above and the country's response to the pandemic, there are several takeaways. First, if Nigeria is to meet its sustainable development targets, it should work to reduce and ultimately remove its fossil fuel subsidies and so gradually wean Nigerian society off its dependence on fossil fuels. Removing these subsidies and using the revenue gain for better-targeted social spending not only protects the environment but also enhances long-term development goals.<sup>24</sup> It is also important to acknowledge the social implications of energy prices for the poor and make provisions to support low-income households should oil prices rise too much.<sup>25</sup> Innovative ways of reducing and abolishing subsidies for fossil fuels should be explored. In fact, the government should go beyond subsidy removal to implement reforms that do not widen inequality, such as expanding its cash transfer programme<sup>26</sup> to accommodate more low-income families. In addition, measures such as direct compensation for health or education costs should be given high priority.

Second, the government must fast-track the integration of climate-smart agricultural practices, which are necessary to promote agricultural production while minimising emissions in the sector. While these practices are well entrenched in the NDP, the government should make sure that implementation is prioritised and that other important aspects – such as the linkage to women empowerment – are recognised. The promotion of sustainable agriculture is likely to improve the livelihoods of women. Research has shown that women's workloads in rainfed-farming households increase owing to fluctuating crop yields and the longer distances travelled for fuel,

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24 Harro van Asselt and Kati Kulovesi, "Seizing the Opportunity: Tackling Fossil Fuel Subsidies under the UNFCCC", *International Environmental Agreements* 17 (2017): 357–370.

25 Nyong et al., "Nigeria Moves Toward".

26 Nigeria's cash transfer programme provides support for poor and vulnerable citizens across the 36 states of the federation, including its Federal Capital Territory. Beneficiaries are given a sum of NGN 5 000 on a monthly basis. About 1.9 million households and 9.6 million individuals are currently enrolled in the National Beneficiaries Register.

fodder and water.<sup>27</sup> Since the NDP gives special attention to women and gender equity it is expected that, as the plan is implemented, concerted efforts will be made to design policies that encourage women to adopt climate-smart agricultural practices.

Third, although the signing into law of Nigeria's climate change bill is commendable, it is important to note that legislation must be accompanied by effective implementation. Hence, the act will only achieve its set objectives if stakeholders are properly educated and clear policies are adopted for implementation.<sup>28</sup> More importantly, the government needs to put in place strategies to monitor the execution of all climate change policies at all levels, and to ensure adherence to all provisions of the climate change bill by all stakeholders.

Fourth, the Russia-Ukraine war has affected Nigeria's climate change efforts, as priorities and actions among partners have shifted. The war has re-energised Nigeria's oil production, which had been in decline over the past few years, allowing it to benefit from the oil price surge and increase in global demand. Additionally, the war has triggered an increase in defence spending among donor countries, thus prompting fears of reduced climate financing, which is key to the successful implementation of Nigeria's (and other low-income countries') climate change efforts.<sup>29</sup> On the flip side, the necessity of shifting from fossil fuels to clean energy has been heightened. If the necessary efforts are made, this could see more green investments in Nigeria and other developing countries.

Lastly, Nigeria can enhance its green investments by leveraging innovative climate financing beyond the use of sovereign green bonds. One such innovation is blended finance arrangements, like the \$60 million mini-grids project implemented by private financiers Engie Energy Access and Cross Boundary Energy Access in partnership with the World Bank and the Nigerian government through a performance-based grant.<sup>30</sup> Blended finance uses public (and/or philanthropic) financing to catalyse commercial involvement in financing sustainable development initiatives such as green projects. With a relatively low debt burden and sizable oil revenue flows, Nigeria is in a relatively good position to mobilise commercial capital and initiate blended financing arrangements for its green interventions.

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27 Nitya Rao et al., "Gendered Vulnerabilities to Climate Change: Insights from the Semi-Arid Regions of Africa and Asia", *Climate and Development* 11, no. 1 (2019): 15.

28 Zainab Akintole, Ofure Odia and Fumilola Aliu, "A Review of Nigeria's Climate Change Act, 2021", Aluko & Oyebode, January 2022.

29 Chandra Bhushan, "Russia-Ukraine Conflict Could Derail the Climate Agenda", Heinrich Böll Foundation, June 9, 2022.

30 Waliat Musa, "Crossboundary, ENGIE Energy Access Seal Pact on Mini-Grid Project", *The Guardian* (Nigeria), October 27, 2022.



# Conclusion

Overall, Nigeria's clean energy future is taking shape with the expansion of its NDC. The NDP and ESP both reflect the country's commitment to a green economic recovery and the fulfilments of its NDC. Although most of the fiscal measures included in these plans are broad interventions targeting all sectors, they also include deliberate interventions aimed at climate change. The Nigerian government, however, needs to create a conducive environment for the effective implementation of these policies and initiatives, and adequate strategies need to be in place to monitor policy execution at all levels.

Furthermore, the government should prioritise educating and creating public awareness on climate change and adaptation, as well as mitigation measures, in all cities, towns and villages in the country. This will help communities build capacity against the negative effects of climate change as the country strives to reduce its emissions and achieve its goal of net-zero by 2050. By actively investing in renewable energy, capacity building, energy access and equity, women's empowerment, climate-smart agriculture and economic diversification, Nigeria sets itself on a path to build back stronger and cleaner.

# Author

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# Acknowledgement

This work was carried out with the aid of a grant from the International Development Research Centre, Ottawa, Canada.

The South African Institute of International Affairs, CSEA and our think tank partners acknowledge the support of the International Development Research Centre for this research paper and the CoMPRA project.

The views expressed herein do not necessarily represent those of IDRC or its Board of Governors.

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The Centre for the Study of the Economies of Africa (CSEA) is an independent non-profit research organization established in April 2008. CSEA serves as a forum for quality research analyses, and policy dialogue by stakeholders from the private sector, government, national assembly, and civil society. The policy-oriented research carried out by the Centre, including the articulation of policy choices, tradeoffs and implications, is put forward to the general public and decision-makers to stimulate rigorous debates on the effects of government policies on economic growth and development in Nigeria and Africa. The Centre carries out applied research and presents policy options to enhance macroeconomic stability, fiscal transparency and accountability. Similarly, CSEA advocates for greater fiscal transparency and accountability, reduction in leakages of public funds and improvements in governments' delivery of social and public services.

## About SAIIA

SAIIA is an independent, non-government think tank whose key strategic objectives are to make effective input into public policy, and to encourage wider and more informed debate on international affairs, with particular emphasis on African issues and concerns.

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