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Overview of COP 27 Outcomes and the ESG Implications for Nigeria's Climate Action Ambitions

What is COP and Why is it Relevant?

Since 1992, the United Nations has gathered almost every country on earth for global climate summits. The 27th Conference of the Parties ("COP") to the United Nations Framework Convention on Climate Change ("UNFCCC") was held from 6 to 20 November 2022 in Sharm El-Sheikh, Egypt. The COP is the largest annual gathering on climate action, hosting more than 100 Heads of State and Governments, and over 35,000 stakeholders, with the objective of addressing the existential threats posed by climate change to humanity such as growing energy crisis, greenhouse gas concentrations, and increasing extreme weather events.

As a party to the United Nations Framework Convention on Climate Change (UNFCCC) and other frameworks (such as the Kyoto Protocol, Paris Agreement, and nationally determined contributions (NDCs)) which are aimed at combating climate change and reducing global greenhouse gas (GHG) emissions to prevent irreversible damage to the global climate system, Nigeria had participated in COP 26 in 2021 and committed to achieve net-zero by 2060.

Short Facts on the Climate Crisis and Why Urgent Action to Reduce Carbon Emissions is Required

- Earth is now about 1.2°C warmer than it was in the 1850's - 1900s (the pre-industrial era) and the last decade (2011-2020) has been the warmest on record.
- Limiting global temperature rises to 1.5°C above pre-industrial levels is vital as beyond that threshold, the cascading impacts of climate breakdown will quickly become catastrophic and in some cases irreversible.

- 20 countries are responsible for at least three-quarters of the world's greenhouse gas emissions, with China, the United States, and India leading the way.
- Africa is the most vulnerable continent to climate change impacts but contributes the least (~3%) to global warming.
- In October 2022, Nigeria witnessed devastating floods that affected 34 of the country's 36 states. It was reported that the flooding displaced 1.3 million people.
- It is estimated that 108-116 million people in Africa will be exposed to sea level rise risk by 2030.

Climate Language Simplified

Prior to delving into the outcomes of COP 27 and the implications for Nigeria's climate change ambition, prominent buzzwords that feature in the climate change conversation as defined in context below:

Greenhouse Gas (GHG)

40% of the world's population lives within 100 Kilometers of a coastline.

- **Greenhouse Gas (GHG):** GHGs have kept Earth's climate habitable for living things by trapping heat (solar energy) from the sun close to Earth's surface and in our atmosphere, rather than letting it escape into space. This trapping of heat is known as the greenhouse effect. Human activities such as fossil-fuel burning have increased emissions of GHGs which has had the attendant effect of increasing the amount of heat trapped close to the Earth's surface. The increased global warming from the greenhouse effect is causing our climate to change and has raised sea levels drastically over the past decade. Rapidly rising sea levels have devastating consequences on life as we know it, owing to the fact that about 40% of the world's population lives within 100 kilometers of a coastline.
- **Net-zero:** Simply, net zero refers to the target state in which the GHGs going into the atmosphere are balanced by the amount captured from the atmosphere. The 'net' in net zero is critical because it will be difficult to reduce all GHG emissions to zero on the timescale required to ensure irreversible global warming. Although carbon dioxide isn't the only GHG, it is the most significant GHG. As such, the term 'carbon emissions' is often used to talk about all GHG emissions. As well as deep and widespread cuts in emissions sources, we will likely need to scale up emission sinks such as planting trees, conserving existing forests and grasslands, and capturing carbon dioxide from power plants and factories. The technologies for ramping down GHG emissions already exist for the most part and include swapping fossil fuels for renewable sources, boosting energy efficiency, and discouraging carbon emissions by instituting a carbon tax on emitters.

Key Outcomes from COP 27

Financial assistance for climate change adverse effects

The main highlight at the COP 27 were the debates surrounding 'loss and damage' finance mechanisms (also referred to as climate reparations) which over 130 developing countries successfully brought to the agenda for the first time. Developing countries were united in their demands for a new fund dedicated solely to loss and damage which would be able to disburse funding quickly when countries were struck by climate related

disasters. The list of damaging events includes hurricanes, heat waves, drought, wildfires, and slow-onset climate disasters such as rising sea levels and melting glaciers. COP 27 achieved a commitment from the signatories to set up a financial support structure for the most vulnerable by the next COP in 2023. However, there is no agreement on how the finance should be sourced and where it should come from.

Keeping global temperatures well below 1.5°C

At COP 26 in Glasgow last year, the signatories reaffirmed commitments contained under the Paris Agreement of pursuing efforts to keep the rise of global temperatures to 1.5°C above pre-industrial levels. Countries agreed that limiting global warming to 1.5°C requires rapid, extensive and sustained reductions in global GHG emissions, reducing them by 43% by 2030 relative to the 2019 level. They also recognised that this plan requires accelerated action in the current decade and reiterated the call for nationally determined contributions (NDCs) to be updated as necessary to align with the Paris Agreement temperature goal, by the end of 2023.

Increasing the use of low emission energy sources

The current global energy crisis was highlighted as yet another reason to accelerate the transition towards renewable energy. At COP 27, countries recommitted to the resolutions from COP 26 to phase down the use of coal and increase the use of "low-emission energy" which would include solar and wind energy, but also nuclear power and gas.

ESG Implications of COP 27 on Nigeria's Climate Action Ambitions

Post COP 27, the expectation now is for the public and private sector to continue to take urgent actions to combat climate change and its impacts. The Climate Change Act 2021 (the "Act") already sets out the current framework for Nigeria to achieve its net zero targets. The Act provides for the adoption of National Climate Change Action Plans ("Action Plan") in five-year cycles to identify actions for climate adaptation and mitigation and ensure that the national emission profile is consistent with the carbon budget goals. The Act also obligates all private entities with over fifty (50) employees to put in place measures to achieve the annual carbon emission reduction targets in line with the Action Plan and designate a Climate Change Officer or an Environmental Sustainability Officer.

The Climate Change Act 2021

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The Climate Change Fund ("Fund") established under the Act is in line with the direction from COP 27. The Fund is intended to support climate change advocacy and provide incentives for entities to transition to clean energy and sustain a reduced GHG emissions profile.

In addition to the Act, Nigeria launched its Energy Transition Plan ("ETP") to serve as a pathway towards achieving its net-zero targets. In accordance with the resolution at COP 27 to increase the use of lower emissions energy sources, the ETP recognises the prominent role natural gas will play in Nigeria's energy transition and in the fight against energy poverty, given the lower rapid scaling-up of energy systems required, lower carbon footprint of gas and Nigeria's abundant gas reserves.

Conclusion

For Nigeria, it is apparent that the lack of adequate finance represents the greatest hurdle to rapidly scaling actions on combating climate change and achieving an equitable energy transition. The Climate Change Act and the Energy Transition Plan represent a commendable platform to concentrate efforts and mobilise resources towards Nigeria's net zero aspirations.

For the private sector, long term viability would require companies deliberately implement a business strategy that reduces the adverse environmental and social impacts of their operations. This exercise is typically assessed from the lens of environmental, social, and governance (ESG) metrics such as greenhouse gas emissions, water security, energy efficiency, diversity and inclusion, data protection and privacy, board composition, shareholder rights, amongst others. The environmental leg of ESG metrics will scrutinise the impact on a company's operations on the planet, with an increased focus on its climate-change initiatives.