

Key contacts

TEMPLARS ThoughtLab

Energy Transition and Nigeria’s Quest for Sustainable Energy (Part 1*)

Introduction



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**Energy Transition and Nigeria's Quest for Sustainable Energy is a TEMPLARS ThoughtLab three-part series running from October to December, 2023 discussing Nigeria's Energy Transition plans and current global perspectives on climate change, with the finale ThoughtLab highlighting the outcomes of COP 28. Also, look out for our upcoming podcasts/videos discussing Energy Transition.*

For Just Energy Transition and Climate Change advocates, September 2023 is a buildup that leads to the gathering of world leaders in New York for the United Nations' General Assembly ("**UNGA**"),¹ with some of this year's focus being on member countries' progress on Sustainable Development Goals ("**SDGs**")² and climate change.

UNGA, along with other forums held earlier in 2023 are a precursor and catalyst to potentially impactful resolutions at **COP 28** (Conference of the Parties to the United Nation's Framework Convention on Climate Change)³, slated to take place November 30th – 12th December, 2023 in Dubai, UAE.

Prior to UNGA, recent developments at the Africa Climate Summit ("**ACS**" or "**Summit**")⁴ in Nairobi, Kenya which took place from September 4th- 6th, 2023, with the theme "*Driving Green Growth and Climate Finance Solutions for Africa and the World*" have illuminated the continent's potential and highlighted impediments on climate change in contrast to 'Just Industrialisation'. It has also brought to fore Nigeria's enormous prospects as a nation capable of harnessing its abundant energy resources, human capital and strategic leadership role in the African continent for economic prosperity. In this Series, we explore how these global events can become the promoters for a lasting, equitable and well-funded just energy transition in Nigeria and the African continent, at large.

¹ United Nations General Assembly (UNGA) is a gathering of member countries and the main policy making organ of the United Nations (UN) where multilateral discussions are made by member countries. Each member state has 1 vote to cast on matters up for voting, regardless of country size or might.
² Sustainable Development Goals (SDGs) are a set of 17 objectives formulated in 2015 by UNGA to succeed the Millennium Development Goals as an outline for a more sustainable future. SDG for 7 is Affordable and Clean Energy for All.
³ Conference of the Parties (COP) is the main decision-making body of the United Nations (UN) Framework Convention on Climate Change (UN FCCC). COP comprises of representatives of signatory nations ("Parties") debating, negotiating and reviewing the progress taken so far by Parties in curtailing climate change against the UNFCCC targets. COP 28 is the 28th gathering of the UN FCCC.
⁴ The Africa Climate Summit was organised by the African Union (AU) and the host government of Kenya.

The Nairobi Declaration

The Summit marked an important milestone for Africa's energy future as it laid the ground for green growth and climate finance solutions in the continent. The African Leaders Nairobi Declaration on Climate Change and Call to Action Preamble (“**Nairobi Declaration**” or “**Declaration**”)⁵, a product of the Summit, emphasised the importance of renewable energy, green financing and sustainable environmental practices. This Declaration is considered the backbone and assertive approach on which African countries stand on as their unified position in the wake of climate change agenda at the upcoming COP 28, just concluded UNGA and beyond.

For Nigeria, the Nairobi Declaration represented a golden opportunity to finetune and accelerate its ambitious Energy Transition Plan (“**ETP**”)⁶ and explore considerations for **JET-P**⁷. At the Summit, the importance of equitable decarbonisation in the global economy was emphasised by calls for enhanced investments in sectors that will utilise the vast natural resources in the continent in order to allow low carbon sustainable developments. Another feature discussed at the Summit included appeals for a comprehensive framework to be established to handle the debt crisis that may evolve in developing African countries during their quest to finance sustainable development.

Climate change has negatively impacted Africa and that has had a spillover effect on the economies and further displacement of persons and wildlife in the midst of insecurity and other contributory factors.⁸ The Declaration, also re-echoed demands for the Loss and Damage Fund facility⁹, as agreed during COP 27 and for it to be actualised at COP 28. Moreso, notable discussions were made at the Summit on activating carbon markets across the African continent where it was highlighted that carbon markets¹⁰ may also be an important source of financing for the African energy transition. The UAE Carbon Alliance, at the Summit, announced a US\$450 million commitment to buy carbon credits generated in Africa by 2030¹¹ from the African Carbon Markets Initiative (ACMI).¹² There were also calls for ‘debt for loss and damage’¹³ (adaptation) swaps¹⁴ in addition to some advocating that the Global North¹⁵ consider African debt forgiveness in order to free up funds for prompt investments on energy transition and related commitments.

There were two (2) general themes arising from the Nairobi Declaration, namely:

1. Accelerated clean energy investments; and
2. Access to green finance mechanisms and bridging the gap.

Africa has a young and growing work force, ample natural resources and abundant yet underutilised clean energy sources. The continent, and particularly Nigeria has all the hallmarks of positioning itself as a prospective leading clean energy region. Nigeria holds the potential to support other countries in the quest for a just and equitable energy transition whilst meeting its ambitious net zero targets.

Accelerated Clean Energy Investments

Globally and particularly on the African continent, renewable energy investments have year on year been on the rise, yet the market is largely unharnessed and not fully tested in resource-rich countries like Nigeria. This is despite the country's vast land mass especially in the far north of the country for solar energy; hydro potential and transition minerals in the north central regions and the largest natural reserves of gas in Africa, an estimated 200 trillion cubic feet.¹⁶

The Nairobi Declaration therefore, presents an ideal platform for Nigeria to actualise its own ambitious targets contained in Nigeria's Energy Transition Plan and the **Renewable Energy Roadmap of Nigeria** report¹⁷ developed by the International Renewable Energy

Agency ("IRENA")¹⁸ in close collaboration with the **Energy Commission of Nigeria** ("ECN")¹⁹ whilst aligning true to its mineral-rich and human resource-rich industrialisation agenda. Gas, a transition fuel in abundant quantities and a cleaner alternative to crude oil is well placed to power Nigeria's industries and service other nations. This is alongside other cleaner and abundant renewable energy sources in Nigeria such as hydro and solar. Also, considerations by Nigeria for bilateral agreements further targeted at different segments of the energy system may prove more effective than strictly JET-P, for example. The speech made by Nigeria's President Tinubu at this year's UNGA further emphasised the country's solid position on the need for alignment of remedial actions that also promote economic good in Nigeria and Africa, in general.

Access To Green Finance Mechanisms and Bridging the Gap

According to a Climate Policy Initiative Report,²⁰ the African continent will require approximately USD\$2.8 trillion between 2020-2030 in order to effect Nationally Determined Contributions ("NDCs")²¹ under the **Paris Agreement**²² to address its contributions toward the negative effects of climate change. The Summit campaigns for financial reforms and the creation of a Global Climate Finance Charter by 2025 through UNGA talks and COP 28 reforms.²³ It offers lending solutions to poorer countries at rates not disproportionately disadvantageous to their debt profiles. The Summit further advocates for global support for the creation of an all-inclusive carbon

⁵ African Union The African Leaders Nairobi Declaration on Climate Change And Call To Action Preamble: https://au.int/sites/default/files/decisions/43124-Nairobi_Declaration_06092023.pdf

⁶ Nigeria's Energy Transition Plan (ETP) is a national plan with set ambitious targets towards achieving its net zero emissions goals by 2060 by focusing on tackling energy poverty, climate change and economic growth.

⁷ Just Energy Transition Partnership(s) (JET-P) is a tailored financing mechanism for developing (so far, coal dependent) countries where more advanced countries support the transition into cleaner energy via investments which vary in scope and funding depending on the country. South Africa is the first African country to have a JET-P, where at COP 26 in Glasgow, the US, UK, France, Germany and the EU made promises to assist the South African country kickstart just energy transition plans. Other countries with JET-P considerations are Vietnam, India, Indonesia and Senegal. Nigeria is potentially vying for a similar style arrangement.

⁸ UN Environment Programme: <https://www.unep.org/news-and-stories/story/what-you-need-know-about-cop27-loss-and-damage-fund>

⁹ Loss and Damage means the negative and inevitable risks associated with climate change such as rising sea levels, desertification, heatwaves etc. The Loss and Damage Fund refers to the financing that covers the gap needed to mitigate climate change related negative effects in prone countries.

¹⁰ Carbon markets refers to a trading system or market where carbon credits or carbon certificates are acquired, sold or traded for the purpose of preventing or reducing greenhouse emissions. Carbon credits are carbon offsets, permits or allowances which allows the holder of the carbon credit to emit a certain amount of greenhouse emission. One carbon credit is equivalent of 1 ton of carbon dioxide removed from the atmosphere.

¹¹ Carbon Credits.com: <https://carboncredits.com/uae-invests-450m-in-african-carbon-credits/>

¹² African Carbon Markets Initiative (ACMI), launched at COP 27 aims to support the potential of voluntary carbon markets across the African continent for financing development, energy transition and climate change needs.

¹³ Debt for loss and damage (adaptation) swaps refers to a proposed climate finance alternative calling for debt relief following natural disasters as a consequence of climate change.

¹⁴ Brookings research Debt for adaptation swaps: a financial tool to help climate vulnerable nations by Chetan Hebbale and Johannes Urpelainen (March 21, 2023): <https://www.brookings.edu/articles/debt-for-adaptation-swaps-a-financial-tool-to-help-climate-vulnerable-nations/>

¹⁵ Global North refers to countries that are well developed socially, economically and consisting of wealthy and powerful regions such as North America and Europe. In contrast, the Global South refers to countries that are generally developing nations such as Nigeria and those within South America, Africa and Asia.

¹⁶ U.S. Energy Information Administration, Independent Statistics and Analysis- Country Analysis Brief: Nigeria (April 26, 2023):

https://www.eia.gov/international/content/analysis/countries_long/Nigeria/nigeria.pdf

¹⁷Renewable Energy Roadmap: https://mc-cd8320d4-36a1-40ac-83cc-3389-cdn-endpoint.azureedge.net/-/media/Files/IRENA/Agency/Publication/2023/Jan/IRENA_REMap_Nigeria_2023.pdf?rev=c66c5ded17af4a839b30d1c047f141e

¹⁸ International Renewable Energy Agency (IRENA), officially founded in Bonn, Germany is an intergovernmental body that supports countries in their quest towards a sustainable energy transformation and climate change-proof future. It consists of about 168 member countries and the EU. Its membership is only open to members of the UN. Nigeria, a member of the UN is also a member of the IRENA.

¹⁹ Energy Commission of Nigeria (ECN) is a statutory body responsible for the country's overall energy sector planning, policy implementation and promotion of sustainable energy development.

²⁰ The Climate Policy Initiative Report on Landscape of Climate Finance in Africa (September, 2022): <https://www.climatepolicyinitiative.org/wp-content/uploads/2022/09/Landscape-of-Climate-Finance-in-Africa.pdf>

²¹ Nationally Determined Contributions (NDCs) are the outlined efforts by which the signatory-countries of the Paris Agreement embark on to achieve the long-term goal of the commitments made on reducing carbon emission and impacts of climate change. Signatory-countries outline and communicate their NDCs (which may be positively adjusted as their level of ambition increases) every 5 years, in order to assess the set global targets.

²² The Paris Agreement is a legally binding treaty on global climate change actions agreed upon in 2015 at COP 21 in Paris, France where commitments were made by most countries to reduce global climate temperature to ideally 1.5 degrees Celsius; finance low greenhouse gas emission growth; and increase adaptability to climate change.

²³The UN: <https://www.un.org/africarenewal/magazine/september-2023/africa-climate-summit-nairobi-declaration-makes-strong-push-accelerated>

tax²⁴ system that would cover maritime transport, aviation, and fossil fuel²⁵ with added boost²⁶ from global financial transaction tax ("FTT").²⁷

Sustainable energy development requires green financing and Nigeria has made some commendable strides, albeit not enough, in attracting funding for renewable energy projects. In 2022, the partnership between CrossBoundary Energy Access, a leading project financier of mini grids, and ENGIE Energy Access to construct a US\$60 million mini grids project in Nigeria which would result in providing over 150,000 people with electricity is currently considered the largest African mini grid project finance transaction.²⁸ However, the secured investment funding in Nigeria is below other African countries such as Egypt and South Africa, who have a combined total direct investment and potential estimated at over a US\$3 billion.

There were a number of notable donor government pledges made at the Summit by various nations. The noteworthy is that of the United Arab Emirates ("UAE"), host for this year's COP 28, who made a pledge of US\$4.5 billion to assist African countries in their quest for clean energy projects. Moreover, Masdar, the UAE's flagship renewable energy company and a private sector investor, announced a US\$10 billion climate finance for renewable energy projects on the continent as part of the UAE's new Africa Green Investment Model.

Overall, there have been multilateral combined investment commitments of approximately US\$26 billion arising from the Summit.²⁹ Of recent, Dr. Akin Adesina, the President of the African Development Bank ("AfDB")³⁰ stated that, amongst other initiatives of the AfDB, the bank "has committed to providing US\$25 billion towards climate financing by 2025."³¹ It is key that multilateral development institutions consider institutional reforms in becoming more effective in channeling funds for climate change and related areas.

International organisations such as Sustainable Energy for All ("SE for All")³² and private sector-led Funds like the Global Energy Alliance for People and Planet ("GEAPP")³³ have also made commendable contributions in Africa and globally towards support of just energy transition and championing climate change causes.

The (long) Road leading to COP 28 and Beyond

There is serious anticipation that these types of pledged investments are equitably just and due in the continent. Nigeria, in particular, is well poised to attract viable investment to meet up its renewable energy transition targets whilst encouraging investor confidence with its returns. To achieve net zero target by 2060 as per its current

²⁴ Carbon tax is a form of tax where respective governments set a price for emitters of greenhouse gas from coal, oil and gas, etc. emitted up to a ton so as to discourage emissions and encourage cleaner energy use.

²⁵ UN Climate Summit: <https://unclimatesummit.org/nairobi-declaration-africas-demands-and-aspirations-in-the-climate-fight/>

²⁶ Institute for Policy Studies Financial Transactions Taxes and the Global South FAQs:

https://unfccc.int/files/cooperation_support/financial_mechanism/long-term_finance/application/pdf/financial_transactions_taxes_and_the_global_south.pdf

²⁷ Global financial transaction tax (FTT) is a general tax term for taxes imposed on transactions involving the buying and selling of financial assets such as bonds, shares, and other financial instruments.

²⁸ CrossBoundary Group: <https://crossboundary.com/crossboundary-energy-access-and-engie-energy-access-sign-largest-mini-grid-project-finance-transaction-in-africa-to-build-60m-of-mini-grids-in-nigeria/>

²⁹ African Development Bank Group:

https://www.afdb.org/sites/default/files/documents/africa_climate_summit_commitments_and_announcement_compilation_final_sept_7_2023.docx.pdf

³⁰ African Development Bank (AfDB) is a multilateral development finance institution with a major objective to stimulate sustainable and social development in line with the SDGs in its regional member countries (RMCs). Nigeria is an RMC and a shareholder of AfDB.

³¹ African Development Bank Group: <https://www.afdb.org/en/news-and-events/press-releases/africa-climate-summit-global-leaders-place-africa-heart-fight-against-climate-change-64133>

³² Sustainable Energy for All (SEforAll) is an international organisation in partnership with the UN, financial institutions, private sector and others with the mandate of advancing renewable energy and SDG7.

³³ Global Energy Alliance for People and Planet (GEAPP) is a collective movement for change whose mission is to assist stimulate a just energy transition and energy access in emerging countries by mobilising private and public sector funding for change. Its collaborators include IKEA Foundation, Rockefeller Foundation, Bezos Earth Fund, governments and development partners.

ambitious ETP, Nigeria requires an estimated US\$400 billion worth of investments for the next three decades across various sectors but notably in oil and gas decarbonisation, power sector value chain (generation, transmission, distribution and metering), clean cooking and e-mobility.³⁴ Therefore, the perceived historical culture of inaction and low pledge realisations in the climate change space must, going forward, be reviewed. To contrast in the past decade, Africa drew only US\$60 billion out of a US\$3 trillion worth of renewable energy investments globally.³⁵

For Nigeria and the African continent to succeed in this long tunnel road of climate change and just equitable energy transitions, certain matters need to be considered. Namely, stringent processes, solid frameworks, robust guidelines and the right quality capacity-developed persons (policymakers, lawyers, advisers, industry experts etc.) need to be in place and finetuned to attract and maintain investments. Of course, an enabling environment of stability is required to capture what the continent and Nigeria desire economically on energy transitions and climate change- an educated region politically and socially stable with security of life and property.

African nations, with Nigeria in the lead should take advantage of the global momentum going into COP 28 rightfully demanding prioritised needs in alignment with just, equitable and assured green financing mechanisms for its multitude of investable renewable sources.

Indeed, there will be light at the end of the tunnel.

³⁴ Sustainable Energy for All (SEforAll): <https://www.seforall.org/news/nigerias-energy-transition-office-hosts-private-sector-roundtable>

³⁵ UN Climate Summit: https://unclimatesummit.org/nairobi-declaration-africas-demands-and-aspirations-in-the-climate-fight/?twclid=2-3hv0cdg6rgukcmrya7pvp2h7d&utm_source=twitter&utm_medium=paid%20social&utm_campaign=traffic-uncs%20articles&utm_content=typ-link%20media_adn-acs%2015_aud-4.1