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TEMPLARS ThoughtLab

Energy Transition and Nigeria’s Quest for Sustainable Energy (Part 2*)

All Roads Lead to COP 28: The A-Z Guide

The world (and co-author, Inna Ali) gathered in Dubai from 30 November to 12 December 2023 for COP 28¹ (the 28th session of the Conference of the Parties (**COP 28**) to the UNFCCC²).

Nigeria, being a major hydrocarbon producer coupled with its ambitious plans to achieve net zero targets by 2060,³ is unified under the Nairobi Declaration on Climate Change and Call to Action,⁴ that is, the COP 28 priorities of Nigeria are well aligned with it. Thus, Nigeria's summarised position at COP 28 included the following key areas⁵ on:

1. Operationalising the Loss and Damage Fund
2. Climate Finance
3. Carbon Markets
4. Adaptation and Mitigation
5. Focus on Renewable energy, Gas as a transition fuel, transition Minerals, and investments
6. Championing a just and equitable 'phase-down' and not 'phase-out' of fossil fuels.

The key words (in alphabetical order) that played major roles at COP 28 include:

Adaptation and Mitigation

This refers to modifications in ecological, economic or social indices in response to climate change (actual or expected) and includes changes in global and country specific practices. This also includes structures to put in place to manage potential damage or key in advantages arising from opportunities associated with climate change.⁶ This also involves making the impact of climate change less severe by averting or decreasing of greenhouse gasses into the atmosphere.

¹ COP 28: <https://www.cop28.com/en/>

²UNFCC website: <https://unfccc.int/process-and-meetings/conferences/un-climate-change-conference-united-arab-emirates-nov/dec-2023/about-cop-28>

³ Nigeria Energy Transition Plan website: <https://energytransition.gov.ng>

⁴ African Union website: <https://au.int/en/decisions/african-leaders-nairobi-declaration-climate-change-and-call-action-preamble>

⁵ The Oxford Institute for Energy Studies: <https://www.oxfordenergy.org/publications/10-key-issues-for-cop-28/>

⁶Adaptation: <https://unfccc.int/topics/adaptation-and-resilience/the-big-picture/introduction#:~:text=Adaptation%20refers%20to%20adjustments%20in,opportunities%20associated%20with%20climate%20change.>

Carbon Markets

This 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 tonne of carbon dioxide removed from the atmosphere.⁷ It is noteworthy that the **African Carbon Markets Initiative (ACMI)** was launched at COP 27 and aimed to support the potential of voluntary carbon markets across the African continent for financing development, energy transition and climate change needs.

The Nigeria Sovereign Investment Authority (NSIA) and Vitol launched CarbonVista, a joint venture for carbon removal and abatement projects.⁸ CarbonVista is expected to be a frontliner in creating a domestic emissions trading scheme, a pioneer in the ACMI and also create a pipeline of high-quality credits into the global voluntary carbon markets.

Furthermore, CarbonVista have recently signed a low carbon Memorandum of Understanding (MOU) with with the Regional Voluntary Carbon Market Company (RVCMC), a wholly owned subsidiary of the Public Investment Fund (PIF), the Sovereign Wealth Fund of the Kingdom of Saudi Arabia (KSA) geared towards supplying Nigerian carbon credits to KSA and co-investing in projects that will originate high-integrity carbon credits.

Climate Finance

This a multi-layered concept that refers to funding available to poorer countries in order to help those countries cut emissions and cope with the impacts of extreme weather and other negative climate change factors.⁹

The UNFCCC Standing Committee on Finance states that “*Climate finance aims at reducing emissions and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts.*” *The sources of climate financing ranges from the public and private sector, financial institutions, governments and multilateral development banks to name a few.*¹⁰

Climate finance includes **Blended Financing**, which involves the use of private capital and development finance for mobilising further funds towards sustainable development in developing nations whilst providing returns to investors.¹¹ Also, **Debt for Loss and Damage (Adaptation) Swaps** is another proposed climate finance alternative calling for debt relief following natural disasters as a consequence of climate change.¹²

Climate Justice

This refers to considerations for human rights and equity at the centre of decision making and action on climate change, as a global collective responsibility alongside development.¹³ Other factors playing major roles here also includes considerations for indigenous persons, low-income areas as well as financing, capacity skills building, and just partnerships.

Conference of the Parties (COP)

This 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 and is expected that up to 100, 000 participants globally will join in the conference.

Energy Transition Plan (ETP)

Nigeria's Energy Transition Plan (ETP)

This a national plan¹⁴ with set ambitious targets towards achieving its net zero emissions goals and neutrality by 2060. The ETP focuses on tackling energy poverty, climate change and economic growth. *The key objectives of Nigeria's ETP include providing leadership in Africa and promoting a just and equitable energy transition with gas as a key transition fuel*, building capacity and managing expected long term job transition impacts of the oil and gas job sector, providing guidance on Nigeria's significant investment opportunities in the renewable energy sector¹⁵ (solar, hydro and wind), and e-mobility to name a few. The five (5) key sectors the ETP considers and also within its ETP Investor Deck¹⁶ are Power, Transport, Oil and Gas, Clean Cooking and Industry.

Ghana's Energy Transition and Investment Plan (GETP)

The Plan,¹⁷ launched during this year's United Nations General Assembly (UNGA), is an ambitious commitment by Ghana to combating climate change whilst also encouraging investment opportunities and targeted reduction of its projected 140 metric tonne of emissions in 2050. The GETP has a similar ambitious net zero target of 2060 with US\$550 billion overall investment opportunities, especially within the power and transport sectors of the Ghanaian economy. Other sectors in consideration within the GETP cover the manufacturing industries, cooking, oil and gas. Furthermore, there are four (4) main decarbonization technologies considered under the GETP that would cover over 90 percent of the targeted reduction by the target of 2060, which are: low-carbon hydrogen, battery electric vehicles, renewables, and clean cookstoves.

Global North

This consists of countries that are well developed socially, economically and consisting of wealthy and powerful regions such as those in North America and Europe.

Global South

This refers to countries that are generally developing nations such as Nigeria and those within the continents of South America, Africa and Asia. The Global South contributes approximately only 4% of the global greenhouse gas emissions but yet, disproportionately experiences the most consequences due to climate change factors.

Global Stocktake (GST)

This refers to a wide-ranging assessment of the world's progress on the greenhouse gas emissions cuts required to meet the commitments and goals of the Paris Agreement. It is a process for countries and stakeholders to see and review a scorecard of where collective progress is made towards meeting the goals or otherwise of the Paris Agreement. At present, the Global Stocktake has showed that the world is not on track to limit global warming to well below 1.5 degrees Celsius and highlights the need for

⁷ Carbon Credits.com: <https://carboncredits.com/uae-invests-450m-in-african-carbon-credits/>

⁸ NSIA website: <https://nsia.com.ng/nigeria-sovereign-investment-authority-and-vitol-launch-carbonvista-a-joint-venture-for-carbon-removal-and-abatement-projects/>

⁹ UN website: <https://unfccc.int/topics/introduction-to-climate-finance>

¹⁰ London School of Economics (LSE): <https://www.lse.ac.uk/granthaminstitute/explainers/what-is-climate-finance-and-where-will-it-come-from/#:~:text=Climate%20finance%20is%20a%20multifaceted,the%20impacts%20of%20climate%20change.>

¹¹ UNCTAD website: https://unctad.org/system/files/non-official-document/1db_efd3ppt06_Horrocks_en.pdf

¹² 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/>

¹³ UNDP Climate Promise: <https://climatepromise.undp.org/news-and-stories/climate-change-matter-justice-heres-why#:~:text=Climate%20justice%20means%20putting%20equity,relation%20to%20the%20climate%20crisis.>

¹⁴ Nigeria Energy Transition Plan website: <https://energytransition.gov.ng>

¹⁵ Renewable 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=c66c5ded17af4a839b30d1c047f7141e

¹⁶ Nigeria's ETP Investor Deck (2022): <https://www.energytransition.gov.ng/wp-content/uploads/2022/05/Investing-in-Nigeria-Energy-Transition.pdf>

¹⁷ Sustainable Energy For All (SE4All) website: https://www.seforall.org/system/files/2023-09/report-ghana-etip_WEB.pdf

accelerated collective action.¹⁸ The first Global Stocktake will happen at this year's COP 28.

Just Transition

This refers to utilizing the economic and social opportunities of climate change alongside managing potential issues that may arise because of climate change.¹⁹ It also involves environmental sustainability and fair outcomes for the society alongside green economic factors in order to build a low carbon sustainable and circular economy.²⁰

Loss and Damage

This was a major highlight of last year's COP 27 and will place key focus in COP 28. Loss and Damage means the negative and inevitable risks associated with climate change such as rising sea levels, desertification, heatwaves etc. whilst the **Loss and Damage Fund** refers to the financing that bridges and covers the gap needed to mitigate climate change related negative effects in prone countries, especially in the Global South. There is an expectation from the Global South that this will be a major discussing point with the aim to operationalize it by 2024.²¹

Nationally Determined Contributions (NDCs)

These are the outlined efforts by which the signatory-countries of the Paris Agreement, such as Nigeria and Ghana, 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, to assess the set global targets. It is reported that the African continent will require US\$2.8 trillion between 2020-2030 to implement its NDCs under the Paris Agreement.²²

Paris Agreement

This 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. Nigeria enacted the Climate Change Act because of being signatory of the Paris Agreement.

The **1.5 degrees Celsius** global surface temperature stretch target under the Paris Agreement refers to the temperature target the world is ideally inclined to not cross to be able to have a limiting, reduced or reversible effects of the climate change devastation ongoing globally.

Sustainable Development Goals (SDGs)

These 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. Notably, SDG 7 is Affordable and Clean Energy for All; SDG 13 is Climate Action and SDG 17 is Global Partnership for Sustainable Development.

¹⁸ Global Stocktake: <https://unfccc.int/topics/global-stocktake>

¹⁹ UN Climate Promise: <https://climatepromise.undp.org/news-and-stories/what-just-transition-and-why-it-important>

²⁰ Discussion Paper for the African Development Bank's Just Transition Initiative to Address Climate Change in the African Context: https://www.afdb.org/sites/default/files/2022/12/09/financing_a_just_transition_in_africa-challenges_and_opportunities_final_1_2.pdf

²¹ UN Environment Programme: <https://www.unep.org/news-and-stories/story/what-you-need-know-about-cop27-loss-and-damage-fund>

²² 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>

Tax

Carbon Tax is a form of tax where respective governments set a price for emitters of greenhouse gases from coal, oil and gas, etc. emitted up to a tonne, so as to discourage emissions and further encourage cleaner energy use. Furthermore, there are calls for a **Global Financial Transaction Tax (Global FTT)** which refers to a generic tax term for taxes imposed on transactions involving the buying and selling of financial assets such as bonds, shares, and other financial instruments.²³

²³Institute 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