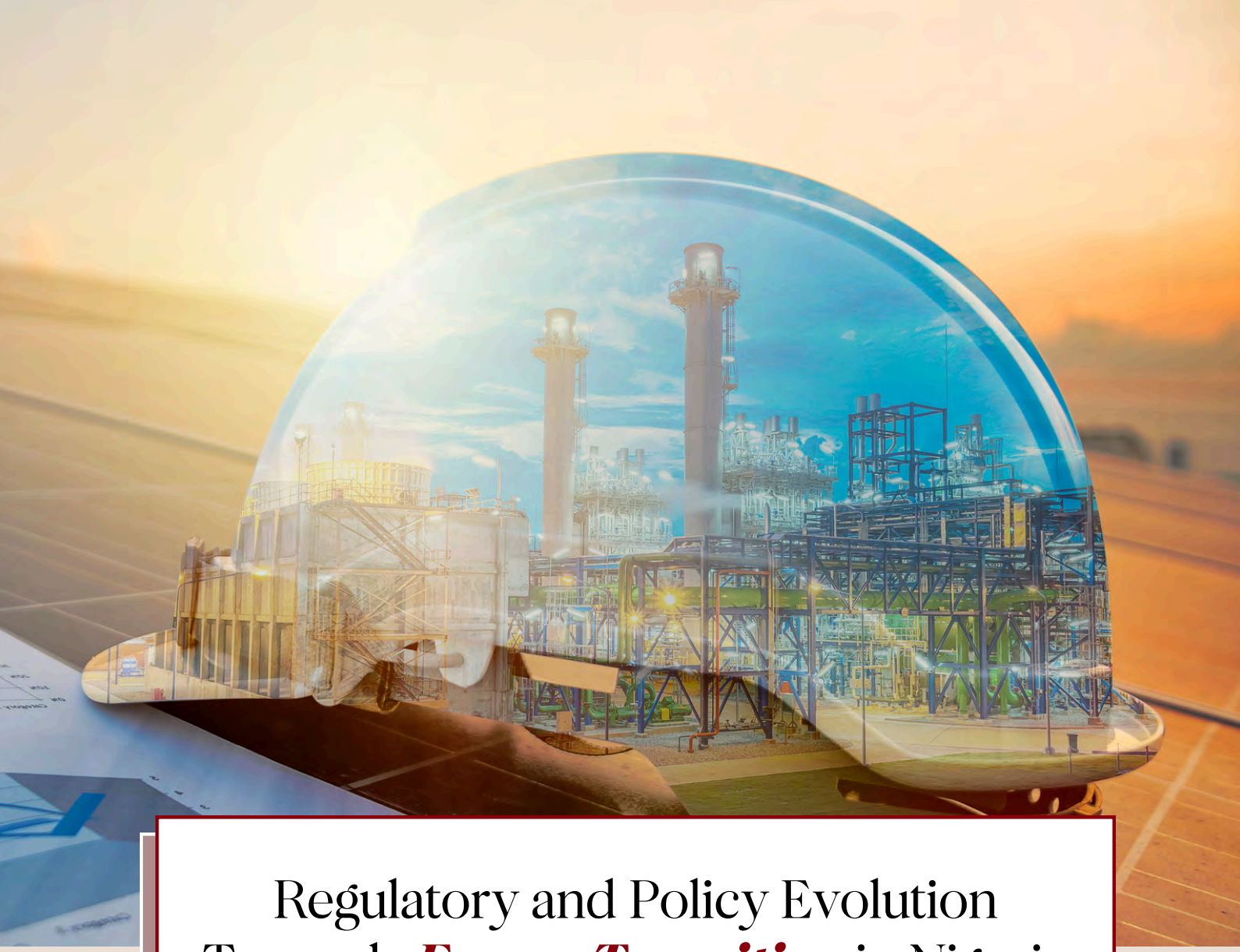

Regulatory and Policy Evolution Towards *Energy Transition* in Nigeria

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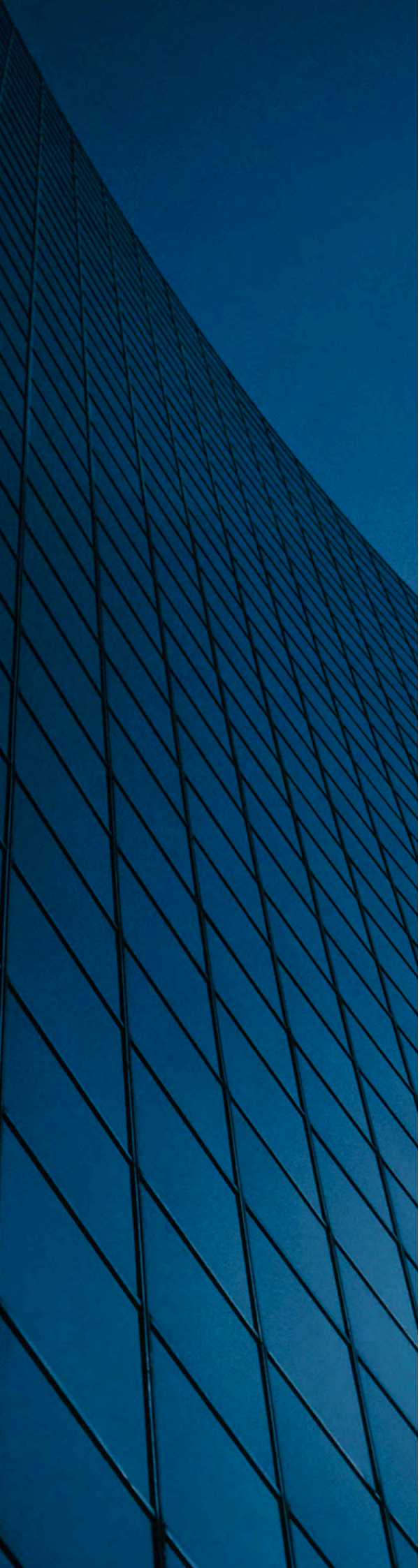

Introduction

Nigeria is a party to the United Nations Framework Convention on Climate Change (UNFCCC)[1] and other framework conventions such as the Paris Agreement of 2015, where the recommended net-zero target was set as year 2050 with a minimum reduction by 45% of global carbon emissions to be achieved by year 2030.[2]

To implement our commitment under these frameworks, our nationally determined contributions (NDCs), updated in 2021, target a range of 2050 to 2070 to achieve net-zero. However, Nigeria's national Energy Transition Plan ("ETP") extends the 2050 baseline target to 2060, citing the significant financial, social and technological requirements[3] to achieve net-zero as a reason for the extension.

The ETP came into effect on 24 August 2022 as a multifaceted strategy designed to contemporaneously tackle the nation's energy security challenges and advance our climate change mitigation obligations under the Paris Agreement and our NDCs.

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1. Nigeria became a party to the UNFCCC in 1992.
2. Nigeria became a signatory to the Paris Agreement in September 2016.
3. An estimated $1.9 trillion and other technical requirements is required to meet this target.

2.0 The Energy Transition Plan in Nigeria

In precis, the ETP aims to promote a fair, inclusive, and equitable energy transition, leveraging our abundant gas resources as a transitional fuel and streamlining existing and new government related energy transition initiatives. As a blueprint to playing a leadership role in Africa, the ETP includes a strategy for energy security, universal access and sustainable growth in five key sectors of the economy.

For example, the ETP prioritises the elimination of gas flaring and fugitive emissions in the oil and gas sector and supports upscaling carbon capture utilisation and storage ("CCUS") initiatives.

In the power sector, the ETP looks to encourage capital investment in gas infrastructure, increase and diversify generation capacity through the integration of renewable energy in the energy mix, improve the existing transmission and distribution network and sunset the use of fossil fuel powered generators.

To achieve nearly 97% emissions reduction in the industrial and transportation sectors, the ETP advocates progression to lower carbon emitting technology, biofuels and electric vehicles. With respect to cooking, the ETP projects a speedy replacement of traditional fuel like firewood, kerosene, and charcoal with liquefied petroleum gas (LPG) by 2030.

3.0 Regulatory and Policy Framework for Energy Transition in Nigeria.

Prior to the adoption of the ETP, the regulatory and policy approach to the issue of climate change and energy transition was several fragmented policies and laws that promoted transition to clean energy sources in specific sectors.

The principal legislation applicable to climate change mitigation and energy transition in Nigeria is the Climate Change Act ("CCA") 2021. The CCA provides a framework for the attainment of low carbon emissions, promotion of inclusive green growth, and sustainable economic development by ensuring that Nigeria develops climate change mitigation and adaptation strategies. The CCA establishes the National Council on Climate Change[4] as the implementation authority to promote and adopt nature-based solutions[5] to reduce greenhouse gases (GHGs) emissions and other climate change mitigation issues. The CCA also places obligations on MDAs, public, and private entities to adopt specific climate change remedial actions and keep emissions at a minimum.[6]

On a sectoral basis, we have climate change related clauses under applicable laws like the Petroleum Industry Act ("PIA"), the Electricity Act and others. The 2021 PIA entrusts the Nigerian Upstream Regulatory Commission ("NUPRC")[7] with regulatory supervision of all environmental issues in the oil and gas industry. The NUPRC has issued environment regulations and gas flaring regulations towards reducing the GHG emissions from oil and gas operations in Nigeria and generally promoting more sustainable environmental practices in the sector.

Also, the recently enacted Electricity Act of 2023 ("EA"), mandates the Nigerian Electricity Regulatory Commission ("NERC") to promote the development and utilisation of renewable energy.[8] The EA simplifies the licensing regime applicable to renewable energy service companies and promotes the integration of renewable energy generation into the national grid.[9]

In addition to federal laws and policies, states in Nigeria – like Enugu and Ekiti states, have begun leveraging the fifth constitutional alteration to promote the generation of electricity from renewable sources.[10] In terms of energy transition policies, Lagos state is leading the line with its recent ban on the use of Styrofoam[11] and the implementation of its Energy Plan and the Electricity Policy of 2021, both of which seek to include renewable energy in the State's energy mix.

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4. Section 27 of the CCA
5. Some nature-based approaches include, allowing forests to regrow, restoring coastal wetlands, and switching to restorative agricultural practices, such as cover crop rotation, that support healthy soils.
6. See sections 22, 23, and 24 of the CCA.
7. Section 104(1) of the PIA.
8. Section 164 of the EA.
9. See also section 80 of the EA.
10. See Section 4, and Paragraphs 13, 14, and 15, Part II of the Second Schedule to the Constitution of the Federal Republic of Nigeria, 1999 (as altered by the Constitution (Fifth Alteration) Act No.17). States are now allowed to generate electricity within their territory, whether covered by the national grid.
11. 'Lagos Announces Ban on Usage of Styrofoam, Single-Use Plastics'. Available online at https://lagosstate.gov.ng/lagos-announces-ban-on-usage-of-styrofoams-single-use-plastics/. Accessed 5 March 2024.

In terms of federal policy, a Renewable Energy Master Plan ("REMP") was formulated in November 2005 to boost the share of renewable electricity in the electricity generation mix, targeting 23% by 2025 and 36% by 2030. In 2018, the Energy Commission of Nigeria reviewed and published the National Energy Policy which sought to, amongst other things, pursue hydropower production in an environmentally friendly and sustainable manner that minimises the adverse impacts on the environment, ecosystem, and population. In May 2023, the Nigerian Automotive Industry Development Plan ("NAIDP") was developed and implemented. The 2023 NAIDP upgraded the earlier initiative launched in 2014, to facilitate the growth of the Nigerian automotive industry through 2033 The NAIDP sets as its target the attainment of electric vehicle production, 30% of which will be local production by 2033.

These policy and legislative interventions have not led to significant progress in the attainment of Nigeria's net-zero target for several reasons including;

4.0 Shortcomings and Challenges

Sustainably financing energy transition is a significant challenge that will require trillions of dollars which the government alone cannot raise. The energy transition office disclosed it only has a budget of about $410 Billion (about $10 Billion annually) to finance and implement the ETP.13 The current legislative and policy framework is insufficient to attract the significant shortfall in needed financing to finance the ETP.[14]

Also, the fragmented approach to implementing an energy transition has not worked with a seeming lack of coherence and synergy among the various regulators superintending various industries. Uncertainty and inconsistency compounded by corruption and administrative inefficiency impairs the enabling environment needed to finance and properly implement the ETP.

Significantly, there is also a wide technological and infrastructural gap that hamstrings energy transition in Nigeria. Significant upgrade is direly needed for existing grid infrastructure, perhaps to replace the use of wires and towers with more sophisticated and stable technologies.[15]

Also, available renewable energy solutions are more expensive than fossil fuel alternatives and the poverty rate in Nigeria means that a significant percentage of the population will simply be unable to afford to transition to cleaner sources of energy without some form of subsidy or incentive.

The lack of public awareness about the viability of renewable energy technologies and the misconceptions propagated concerning its inefficiency poses significant issues as it discourages individuals and businesses to invest in and adopt renewable energy. In other words, a mindset shift is required as energy transition can only work if a majority of the population buy into the idea.[16]

12. The Nigerian Automotive Industry Development Plan 2023 is available online at https://naddc.gov.ng/wp-content/uploads/2023/06/Nigerian-Automotive-Industry-Development-Plan-2023.pdf.
13. 'Financing the ETP' available online at https://thenextier.com/financing-the-etp/
14. 'Here's how Nigeria is Tackling the Barriers to its Green Energy Transition'. World Economic Forum. Available online at https://www.weforum.org/agenda/2023/05/how-nigeria-is-tackling-barriers-to-its-green-energy-transition/. Accessed 5 March 2023.
15. M. Peter (2023), 'Barriers to Renewable Energy Adoption in Nigeria'. Available online at https://www.linkedin.com/pulse/barriers-renewable-energy-adoption-nigeria-michael-peter/. Accessed 5 March 2023.

4.0 Recommendations and Conclusion

Our first recommendation is that the utilisation of gas as a transitional fuel should go beyond mere rhetoric, and involve concerted efforts to unlock the potential addition of $18.3 billion to our GDP from gas exploitation.17 Significant inflows will be required and a blend of commercial finance from DFIs and catalytic funding from the private sector has proven to be a viable solution in other African countries.

Another recommendation is to include a plan for increasing oil production through cleaner exploration with a clear path to divestment after sufficient exploitation of the abundant resources and within the target timeline for net-zero. This will improve our energy transition performance and raise some of the funding required for the transition.

Furthermore, it is necessary to harmonise the standards and obligations in the relevant laws and regulations to avoid inconsistency and uncertainty. An intersectional approach encompassing the key sectors should be adopted as was done with good results in the United Kingdom.18

Innovative funding models like carbon markets and PPPs should also be leveraged as a means to fund investments in grid infrastructure and technological innovation. Also, initiatives aimed at enhancing public awareness and garnering support for the adoption of renewable energy should be emphasised in the ETP.

Nigeria's ETP is an immense effort in the right direction and shows a strong commitment by the government to meet its climate action goals. However, there is a need to address the issue of raising the required financing and the other challenges identified above.

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