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Simplified Guidebook on Nigeria's **Energy Transition**

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Simplified Guidebook on Nigeria's **Energy Transition**

Adapted from NRGI's Guidebook on Nigeria's Energy Transition developed by Tengi George-Ikoli and Nafi Chinery

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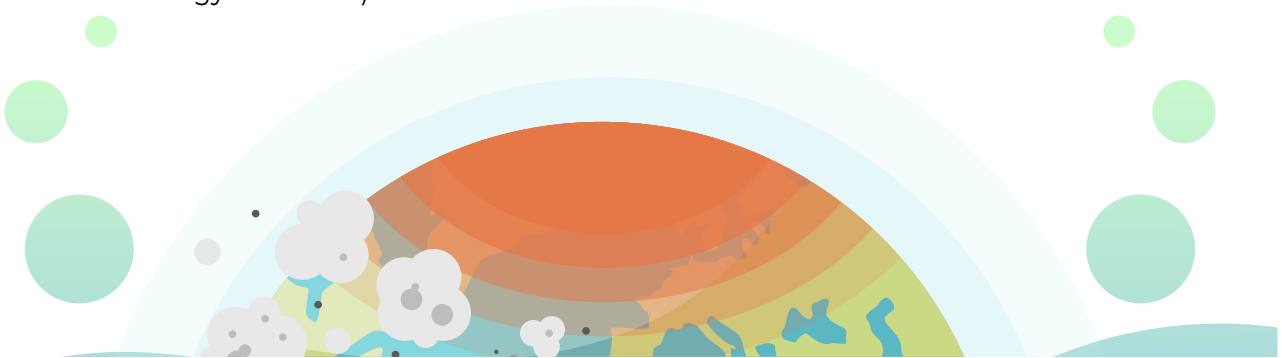
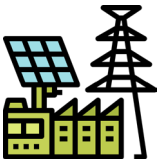


Simplified Guidebook on Nigeria's **Energy Transition**

Introduction

The guidebook serves as a comprehensive reference tool for the government, as well as an accountability tool that enables civil society track the government's implementation of its commitments to the energy transition.



This guidebook assesses the frameworks that the Nigerian government has designed to transition from fossil fuels—oil, gas and coal—to renewable energy technologies, including institutional, policy, legal and fiscal frameworks.

The guidebook will provide the Nigerian government and citizens with ways to navigate the energy transition, mitigate against transition-led shocks, and strengthen the overall transition process.

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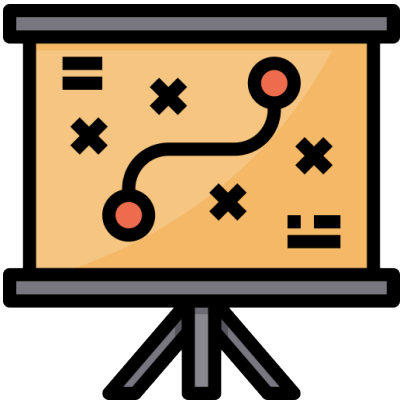
Methodology

This guidebook was developed with a combination of qualitative and quantitative approaches. It is informed by engagements with state and non-state actors including representatives of the government, the private sector, communities, youth and women's groups, and by their views of the strengths and weaknesses of Nigeria's energy transition plans.



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How this Guidebook may be Used

As a reference document for all stakeholders

As a tool for civil society to raise awareness, promote transparency, and hold the government accountable

As a resource to help navigate Nigeria's transition efforts and determine points of intervention.

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Background: Nigeria's energy transition

As the world transitions to meet climate commitments, Nigeria faces two significant impacts on its economy and energy future.

Loss of revenue from oil and gas, placing its fiscal stability at risk, both in terms of government spend and foreign exchange stability

Lacks revenues, infrastructure and human resources to exploit its fossil fuels threatens Nigeria's oil and gas energy dependence

Nigeria's response to the global energy transition then, is to diversify its energy and revenue bases. However, the pace at which Nigeria can respond depends on its ability to assess its preparedness to transition and design a sustainable energy transition process that supports that transition.

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Background: Nigeria's energy transition

Some steps have been taken to respond to the global energy transition through its development plans to diversify the economy albeit unsuccessfully. These include

47%

Commitments in its Nationally Determined Contribution (NDC to unconditionally reduce greenhouse gas emissions by 20% above Business as Usual (BAU) by 2030. Additional commitments were made to reduce GHG by 47% with financial assistance, technology transfer, and capacity building acknowledging the sparse resources it possesses as a low-middle-income country.

2060

Development of of its Energy Transition Plan in 2021 to articulate an ambition to diversify its energy and achieve net zero by 2060. The adoption of that ambition remains unclear when weighed against efforts to develop long-term strategies to reduce emissions across Nigeria's energy sectors by 2050 through the Long-Term Vision for Nigeria till 2050 (LTV-250) and Climate Change Act in 2021.

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This guidebook proposes guidelines to enable the energy transition related government institutions; power, petroleum resources, mines and minerals and other relevant stakeholders navigate the energy transition ecosystem.

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Simplified Guidebook on Nigeria's **Energy Transition**

Assessing Nigeria's Preparedness To Transition

Availability Of Transition Data And Information

What information and data do government officials need to make informed decisions?

To phase out of fossil fuels, stakeholders and decision-makers need information on:

Level of dependency on fossil fuels for revenue and the country's plan to reduce that dependency

Projected country and global demand for the country's fossil fuel resources

Contribution of fossil fuel reserves to the energy mix and alternative energy sources needed to displace them

Fossil fuel production to determine the level of clean energy to be substituted for it, based on the government's intended energy mix

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Assessing Nigeria's Preparedness To Transition

Availability Of Transition Data And Information

To phase in renewables, stakeholders and decision-makers need information on:

Mineral reserves and potential of the country

Revenue contribution of minerals to the economy

Commercial quantities of the minerals available

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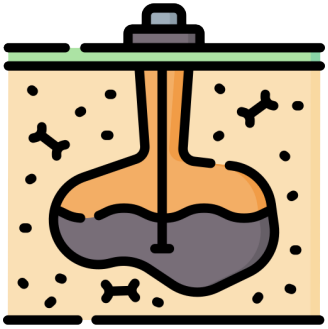
Assessing Nigeria's Preparedness To Transition

Transition-Enabled Policies And Laws

Are there strong policy and legal frameworks designed to hasten the phase-out of fossil fuels and phase-in of renewables?

As nations transition from fossil fuels to renewables, they require governance frameworks that can steer this shift. Conducting an audit of current laws and policies becomes essential to identifying and addressing any gaps that may impede the transition. This audit is crucial to foster a sustainable energy system that not only ensures energy security, efficiency and reliability but also helps identify potential new policies and laws that are needed as Nigeria undergoes its shift from fossil fuels to renewables.



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Assessing Nigeria's Preparedness To Transition

Access To Transition Finance

What opportunities does Nigeria have to raise funds for its transition?

Domestic revenue mobilization

The projected Energy Transition Plan's investment target of $1.9 trillion, if adopted by the current government, is significant. Subnational governments would also be expected to contribute. The amended Constitution of the Federal Republic of Nigeria and the Electricity Act 2023, decentralizing power and allowing states to directly generate and distribute their own power, provide an opportunity for states. Through these efforts, states may generate interest and attract investments to fund their energy transitions and diversify their economies.

$1.9tn

International public finance

These funds are important avenues to attract private investors. Investments by countries, multilateral organizations and international financial institutions de-risk projects and the cost of energy projects that private lenders are unable to bear.

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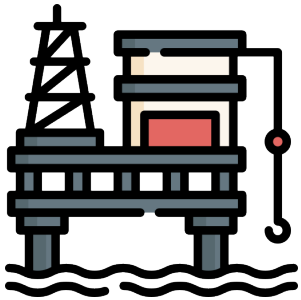
Assessing Nigeria's Preparedness To Transition

Mitigating Economic, Environmental And Social Impacts

Can the government manage the impacts of the energy transition?

Economic Impacts

Nigeria's revenues are threatened as its trade partners decarbonize their domestic energy systems. Oil-producing subnational governments are particularly at risk given their reliance on Federal Account Allocation Committee funds, the 13 percent derivation accrued as oil-producing states, and other oil revenue benefits from the Niger Delta Development Commission and the Nigerian Content Development and Monitoring Board.



Without sufficient revenue diversification from fossil fuels or import substitution, the lives and livelihoods of the population would be at risk as dependent economies like Nigeria's face revenue decline.

Government action is necessary to accelerate diversification from fossil fuels, to build the non-oil sector and to wean Nigeria off its dependency to defray these transition-related risks.

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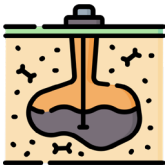
Assessing Nigeria's Preparedness To Transition

Mitigating Economic, Environmental And Social Impacts

Can the government manage the impacts of the energy transition?

Environmental impacts



A shift from fossil fuels to renewables puts at risk priorities to environmentally remediate fossil-fuel-polluted regions in the Niger Delta as the significance of crude oil to the economy depreciates. Also, strategic decisions must be made to create environmental and socioeconomic safeguards that ensure extraction for transition minerals is done sustainably.

Social impacts

Although the emergence of the renewable energy sector generates new employment opportunities such as in solar and wind power, energy efficiency and green technologies, the decline of fossil-fuel-related industries can lead to job losses. Addressing the consequent social impacts will require the government to design initiatives to retrain and transition affected workers to new industries.

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Designing a sustainable energy transition process: basic tools to consider

Clear Strategic Vision, Goals, Objectives, Targets And Metrics

A clear vision with specific objectives and goals is essential in designing a comprehensive roadmap to guide successful implementation of an energy transition plan. These elements provide a sense of direction to help guide the transition process effectively. Disjointed plans and priorities create chaos, which could lead to government institutions, private actors and the international community working at cross-purposes.

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Designing a sustainable energy transition process: basic tools to consider

Information Disclosure And Transparency In The Transition

Available information is key to maintaining consistent and sustained communication with stakeholders and the wider public at federal, state and local levels. The National Council on Climate Change should prioritize clear and consistent communications on key government policies, especially on the country's energy transition to all levels of government and citizens . The new EITI Standard 2023 is relevant; it makes provisions to support disclosures by empowering the Nigeria Extractive Industries Transparency Initiative to shed light on relevant policies as well as on the revenues the country can expect to receive from oil, gas and minerals under different market scenarios.

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Designing a sustainable energy transition process: basic tools to consider

Inclusivity And Participation

Citizens and communities' voice and participation

Energy transition plans need to be inclusive, and the process should be conducted to foster equity and justice. Achieving a just energy transition will require processes and policies that:

Recognize citizens', communities' and vulnerable groups' rights and ensure impacts are avoided or compensated

Equitably distribute opportunities and benefits and consider communities' well-being

Enable and guarantee communities voice and influence in decision-making

It is important that countries with stakeholder groups as diverse as Nigeria's, each facing different challenges and opportunities, integrate their unique perspectives to deliver a robust energy transition plan.

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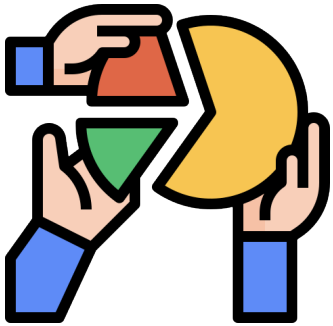
Designing a sustainable energy transition process: basic tools to consider

Collaboration, Coordination And Policy Coherence

Collaboration and coordination

The need to integrate plans across the energy sector—transportation, oil and gas, and power sectors, for example—and manage GHG emissions from industries and homes involves a complicated process. Collaboration and coordination among government institutions are necessary to address these interrelated components' complexity in a comprehensive and coherent manner.



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Designing a sustainable energy transition process: basic tools to consider

Collaboration, Coordination And Policy Coherence

Policy coherence

There is no shortage of policies and plans in Nigeria. However, what may be lacking is policy coherence across all the relevant energy- and non-energy-related sectors and direction by the government.

Achieving policy consistency across legal, institutional and fiscal frameworks is crucial for the coherent implementation of overarching goals.

It is essential for the government to ensure that decisions regarding the energy transition align with broader national objectives, fostering harmony in Nigeria's pursuit of economic development, environmental sustainability and energy security.

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Designing a sustainable energy transition process: basic tools to consider

Revenue Management Strategies

Weak revenue management strategies could fracture the social and economic well-being of the population if adequate investments are not made in education, healthcare, infrastructure and technology. Strong revenue management strategies will help ensure that the federal government diversifies reliance on petrodollars for currency stability. These include:

Strengthening fiscal buffers

Strong, adequately governed funds serve as useful fiscal buffers during economic downturns such as the coronavirus pandemic. In Nigeria, the pandemic exposed the weaknesses in the country's economic structure. This is also evident in Nigeria's neglect of its sovereign wealth fund, which boasts strong governance frameworks but remains significantly underfunded compared to the less rigorously governed Excess Crude Account. Indiscriminate withdrawals such as expenditure on counter-insurgency depleted Nigeria's safety net from $2.319 billion in December 2018 to $72.4 million in May 2021.

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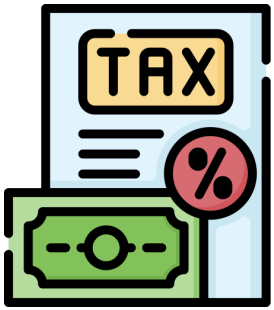
Designing a sustainable energy transition process: basic tools to consider

Revenue Management Strategies

Strengthen loopholes in tax laws



It is necessary to establish tax laws where none exist and tighten regulations to maximize revenues for the transition. Tax incentives need to be imposed to strike a balance between attracting investors into the mining sector to facilitate phase-in of renewables and ensuring the country receives an adequate level of revenues for beneficiation of mining communities and investments needed to accelerate the energy transition.

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Designing a sustainable energy transition process: basic tools to consider

Regional And International Cooperation And Collaboration

Technology transfer

Technology transfer from more advanced countries could reduce the learning curve in adoption of alternative energy sources. The following are necessary:

Conduct a comprehensive assessment of Nigeria's energy needs, identifying specific technology gaps and areas where technology transfer can have the most significant impact.

Develop clear and supportive policies and regulations that encourage technology transfer. Create an enabling environment that attracts investments, protects intellectual property rights, and ensures a fair and transparent process for technology acquisition.

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Designing a sustainable energy transition process: basic tools to consider

Regional And International Cooperation And Collaboration

Foster collaboration with international organizations, governments and the private sector that can facilitate technology transfer. Engage in partnerships to leverage expertise, financial support and access to cutting-edge technologies.

Provide incentives for innovation and the adoption of new technologies by the private sector and by Nigeria's growing youth population including tax incentives, subsidies and other means to encourage businesses and industries to invest in and adopt cleaner technologies.

Encourage and invest in local research and development to adapt and innovate technologies to suit local conditions and leverage cultural solutions.

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Designing a sustainable energy transition process: basic tools to consider

Regional And International Cooperation And Collaboration

Financial support

The Federal Ministry of Finance, Budget and National Planning in collaboration with the National Council on Climate Change must undertake the following to attain financial support:

Clearly outline energy transition goals, priorities and investment needs in a comprehensive plan. The plan will serve as a basis for engaging local, regional and international investors and financial institutions.

Actively participate in international platforms, agreements and initiatives related to the sustainable energy transition and climate change. These forums increase visibility and open avenues for financial support.

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Designing a sustainable energy transition process: basic tools to consider

Regional And International Cooperation And Collaboration

Build relationships with international and regional financial institutions, development banks and private financiers. Explore partnership opportunities and understand financial instruments available. Explore nontraditional sources of funding including climate funds, green bonds, public-private partnerships and other innovative financing mechanisms.

Strengthen institutional capacity for energy planning, project development and financial management to inspire confidence in international and regional partners.

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Designing a sustainable energy transition process: basic tools to consider

Regional And International Cooperation And Collaboration

Develop and implement policies that create a favorable environment for investments in clean energy. Clear and stable regulatory frameworks attract investors and make it easier to secure financial support.

Ensure energy projects are well prepared, economically viable and bankable. This involves conducting feasibility studies, risk assessment and project structuring to make them attractive to investors and financial institutions.

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Designing a sustainable energy transition process: basic tools to consider

Regional And International Cooperation And Collaboration

Institutional capacity-building

All energy-transition related government institutions must ensure transition:

Conduct a comprehensive assessment of the government's current institutional capacity related to energy transition governance. Identify strengths, weaknesses and areas that require improvement.

Develop a strategic plan for each government institution's capacity-building, outlining specific goals, timelines and resource requirements. Align the plan with the broader energy transition objectives and roles of each institution.

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Designing a sustainable energy transition process: basic tools to consider

Regional And International Cooperation And Collaboration

Implement training programs to enhance the skills of government officials involved in energy planning, policy development and project management. Collaborate with industry experts and educational institutions.

Establish robust monitoring and evaluation mechanisms to assess the progress of institutional capacity-building initiatives. Regularly review and update capacity-building strategies based on evolving needs and circumstances.

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Recommended roles of different actors in ensuring successful implementation of the energy transition

This section provides an illustrative list of important roles identified in the guidebook that the government, the private sector, civil society organizations, the international community and impacted communities should play.

Nigerian Government

The federal government should harmonize all energy-transition-related laws and policies with clear and delineated roles and responsibilities for the relevant government institutions outlined.

All relevant data needed for investors and the private sector to participate in the energy transition should be made easily accessible and available for them and for the public.

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Nigerian Government

The federal government should formulate policies, regulations and guidelines to guide companies on the environmental and social standards to be adhered to as petroleum assets are transferred.

Subnational governments in oil-producing areas should develop their responses to national energy transition plans, outlining their plans to mitigate the environmental, social and economic costs of the fossil fuel phase-out.

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Private-Sector Companies

Mining companies should adopt responsible mining practices in the mining of critical minerals.

International oil companies should adhere to the strictest environmental, social and governance standards in divesting their petroleum assets to national oil companies.

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Civil Society Actors

The media should disseminate energy-transition-related data and information to the public and interrogate the government's approach to the energy transition.

Civil society actors should use the guidebook to raise public awareness, promote greater transparency and hold the government more accountable.

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International Community

Bilateral donor organizations should provide financial and technical and capacity-building support to communities to enable them to engage with all levels of government to achieve a just energy transition.

Philanthropic institutions should de-risk renewables projects to unlock and attract investment capital from transitional financial institutions.

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Recommended roles of different actors in ensuring successful implementation of the energy transition

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Impacted Communities

Communities, women and youth groups should demand that state governments design and implement energy transition plans that provide social safety nets and build fiscal resilience to mitigate the impacts of the energy transition on the lives and livelihoods of communities.

Traditional rulers and communities should ensure inclusive and participatory decision-making that involves women and youth groups.

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