



OLANIWUN
AJAYI

ENHANCING NIGERIA'S CLIMATE FINANCE FRAMEWORK POST- COP29

Introduction

Nigeria is highly vulnerable to climate change, with projections indicating that failure to address the issue could cost the country between 6% to 30% of its GDP by 2050, translating to losses between \$100 billion to \$460 billion. The adverse effects are already evident, as seen in 2022 when over two million people were displaced across 34 states due to severe flooding, the worst in over a decade.

Additionally, Nigeria has the highest deforestation rate globally at 3.7% annually, exacerbating greenhouse gas emissions, land degradation, and biodiversity loss. Nigeria's updated Nationally Determined Contribution (NDC) estimates a need for at least \$177 billion by 2030 to meet its climate objectives, with \$122 billion allocated for renewable energy initiatives. Given these challenges, robust climate finance mechanisms are essential to bridge the funding gap, as government and domestic resources alone are insufficient. International climate finance is crucial for Nigeria to overcome its funding shortfall.



Nigeria's updated Nationally Determined Contribution (NDC) estimates a need for at least **\$177 billion** by 2030 to meet its climate objectives, with **\$122 billion** allocated for renewable energy initiatives.

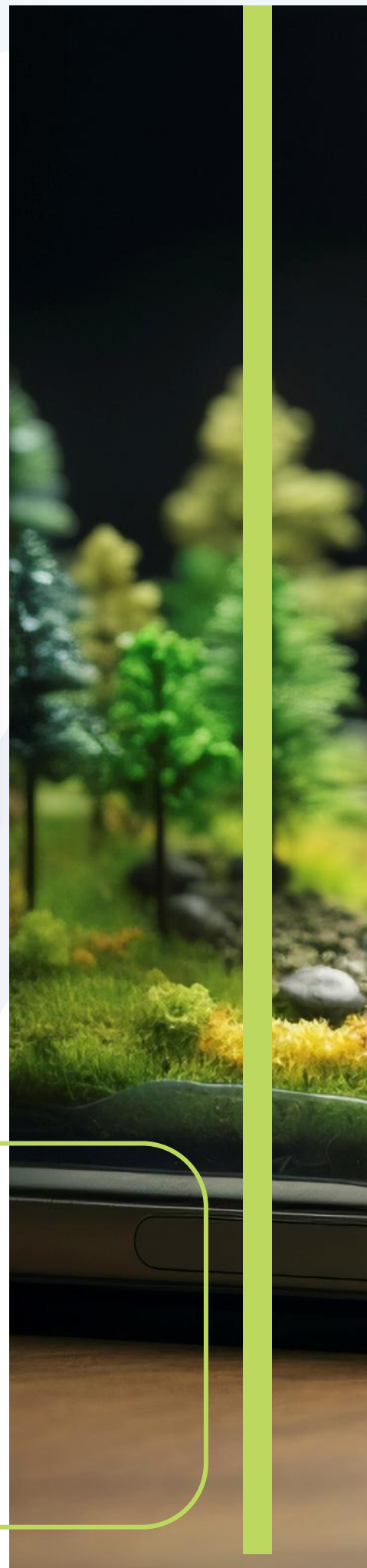
Leveraging COP29 Outcomes to Enhance Nigeria's Climate Finance Framework

At the 29th Conference of the Parties (COP29) held in Baku, Azerbaijan, several significant decisions were made to enhance global climate finance:



Operationalizing the Loss and Damage Fund (LDF):

Established at COP27 with over \$730 million pledged, the LDF aims to provide financial assistance to vulnerable communities, including Small Island Developing States (SIDS), Least Developed Countries (LDC), and African nations, to cope with the unavoidable effects of climate change. However, no significant disbursements have been made yet as the fund is still in its initial stages.





New Collective Quantified Goal (NCQG)

The NCQG on climate finance was a central issue at COP29, with an agreement to increase climate finance goals for developing countries from \$100 billion per year by 2020 to \$300 billion per year by 2035.



Adaptation Finance

Developed countries pledged to double adaptation finance to at least \$40 billion annually by 2025 to help developing countries build resilient communities and minimize damage from extreme weather events. This commitment aims to bridge the adaptation finance gap, which could reach up to \$359 billion annually by 2030.



Carbon Markets Global Architecture

Agreement on international standards for carbon markets was reached to ensure the integrity and effectiveness of carbon trading, preventing double counting of emissions reductions and promoting environmental integrity.

Enhancement of Nigeria's Climate Finance Framework to Leverage COP Outcomes

To benefit from the available financing from COP29 outcomes, Nigeria must take proactive steps to enhance its climate finance framework:

01

Updating Nigeria's Legal, Institutional, and Policy Framework

Nigeria's climate framework must align with COP29 outcomes to attract international climate funding. The Climate Change Act (CCA) establishes a Climate Change Fund (CCF) to be funded by the National Assembly, international grants, and penalties for non-compliance. The CCA can incentivize private and public entities to transition to clean energy and reduce GHG emissions. However, the framework should ensure that funds are used efficiently for mitigation and adaptation projects rather than bureaucratic expenses. For example, a two-fund approach could be considered,



Climate Change Action Fund (CCAcF) dedicated exclusively to financing mitigation, adaptation, and nature-based solutions. This fund should be sourced from budgetary allocations from the National Assembly of Nigeria, carbon taxes, emissions trading, international grants, and penalties for non-compliance; and



Climate Change Administration Fund (CCAdF) specifically for financing the Council's operations, including salaries, allowances, research, and stakeholder engagement.

The CCF must however be fully operationalized to enable disbursement of funds to climate-related projects.



02

Demonstrating Concrete Progress

Nigeria must move beyond policy formulation to focus on implementation and measurable progress in areas such as climate-smart farming, low-carbon public transport, and energy efficiency in the industrial sector. Demonstrating progress will position Nigeria as a credible recipient of international climate finance.

03

Integrating Funding for Loss and Damage

Funding for loss and damage caused by climate change should be integrated into the existing framework to allow for both short-term responses and long-term recovery from climate-induced disasters.

04

Participating in the International Carbon Credit Market

Nigeria should further implement its Carbon Market Activation Plan to engage in global carbon trading markets, generating revenue from high-quality carbon credit projects.

05

Enhancing Project Bankability

Nigeria must support project developers with early-stage project preparation, ensure an acceptable allocation of risk among stakeholders, and create a pipeline of investment-ready projects. A stable and predictable policy environment is critical to give investors confidence in long-term returns.

**06**

Mobilizing Domestic Resources

Nigeria should also promote innovative climate financing, such as green bonds, blue bonds, and climate resilience bonds, to raise capital for environmental sustainability projects.

Nigeria has issued two sovereign green bonds to finance climate-smart projects, including renewable energy and afforestation. The first issuance in 2017 raised ₦10.69billion, supporting clean energy initiatives like rooftop solar and rural electrification. The second issuance in 2019, worth ₦15billion, was oversubscribed by 220%, demonstrating strong investor interest. Collectively, these bonds have raised approximately \$165 million, instrumental in financing climate-smart projects across various sectors, including renewable energy, afforestation, and sustainable transportation.






Issuance of such financial instruments will signify Nigeria's intention and political will to target climate finance funds to sustainable projects thus boosting investors confidence to make available committed COP 29 climate finance to Nigeria.

07

Incentivizing Private Sector Participation

The legal and regulatory environment must be supportive of investment, offering financial incentives such as tax holidays, subsidies, and custom duty exemptions for companies investing in green technologies. Strengthening these incentives through concessional loans, blended finance arrangements, and results-based financing can further enhance investor confidence.

Currently, Nigeria has already introduced certain incentives to promote green investments. The National Renewable Energy and Energy Efficiency Policy (NREEEP) envisages various incentives centred around renewable energy, some of which include:

				
<p>customs duty exemptions for two years on the importation of equipment and materials used in renewable energy projects;</p>	<p>five-year tax holidays for manufacturers from date of commencement of manufacturing;</p>	<p>five-year tax holidays on dividend incomes from investments in domestic renewable energy sources;</p>	<p>provision of soft loans and special low-interest loans from the power sector development fund for renewable energy supply; and</p>	<p>grants to communities to encourage renewable energy projects</p>

Such incentives must be implemented in a collaborative manner amongst the relevant government agencies to encourage private sector investment and ensure the impact of the incentives are realised.



08

Public-Private Partnerships (PPPs):

Nigeria can tap into additional resources for large-scale climate projects through PPPs. Legal and regulatory reforms should ensure that private sector stakeholders feel confident in entering long-term partnerships, with a balanced risk-sharing mechanism incorporated into PPP agreements.

09

Capacity Building

Nigeria must invest significantly in developing a workforce with the skills and knowledge needed to drive climate action. This includes curriculum development, vocational training, and creating innovation hubs to support industries that drive environmental sustainability.

10

Adoption of Standardized Reporting Standards

Implementing standardized reporting frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD) or International Sustainability Standards Board (ISSB) guidelines can enhance transparency and attract more global climate finance. Clear, consistent reporting makes it easier for international investors to understand Nigeria's climate risks and opportunities, encouraging more targeted investments. Uniform standards reduce information gaps, which builds credibility and reassures both domestic and global financiers that funds will be used effectively.



Conclusion

To fully capitalize on the outcomes of COP29, Nigeria must align its national strategy with enhanced climate finance commitments and implement proactive measures to attract and secure essential funding. By strengthening regulatory frameworks, fostering public-private partnerships, and leveraging innovative financial instruments, Nigeria can mobilize the resources needed for climate action, sustainable development, and long-term resilience. A well-structured and transparent approach will position the country to maximize global climate finance opportunities and drive a more sustainable future.

CONTACT US



Abisola Odeinde

aodeinde@olaniwunajayi.net

Wonuola Abioye

wabioye@olaniwunajayi.net

Chidinma Oko-Egwu

coko-egwu@olaniwunajayi.net

Lagos

The Adunola, 401 Close, Banana Island, , Ikoyi, Lagos,
Nigeria

lawyers@olaniwunajayi.net

Abuja

4th Floor Leadway House, Plot 1061, Cadastral
Avenue,

Central Business District, Abuja, Nigeria.

ap@olaniwunajayi.net

Port Harcourt

17, Road 315, Flat 5, BICS Suites, 25 Herbert Macaulay
Street, Old GRA, Port Harcourt, Rivers State, Nigeria

London

29th Floor, 30 St Mary Axe, London. EC3A 8AF, United
Kingdom

+44 (0) 207 337 6012

OHADA

Immeuble Axa, Rue Franquville, Douala, Cameroon

www.olaniwunajayi.net

+234 1 270 2551