



# Landscape of Climate Finance in Nigeria 2025

April 2025



CLIMATE  
POLICY  
INITIATIVE



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## ABOUT CLIMATE POLICY INITIATIVE

CPI is an analysis and advisory organization with deep expertise in finance and policy. Our mission is to support governments, businesses, and financial institutions in driving economic growth while addressing climate change. CPI has seven offices around the world in Brazil, India, Indonesia, South Africa, the United Kingdom, and the United States.

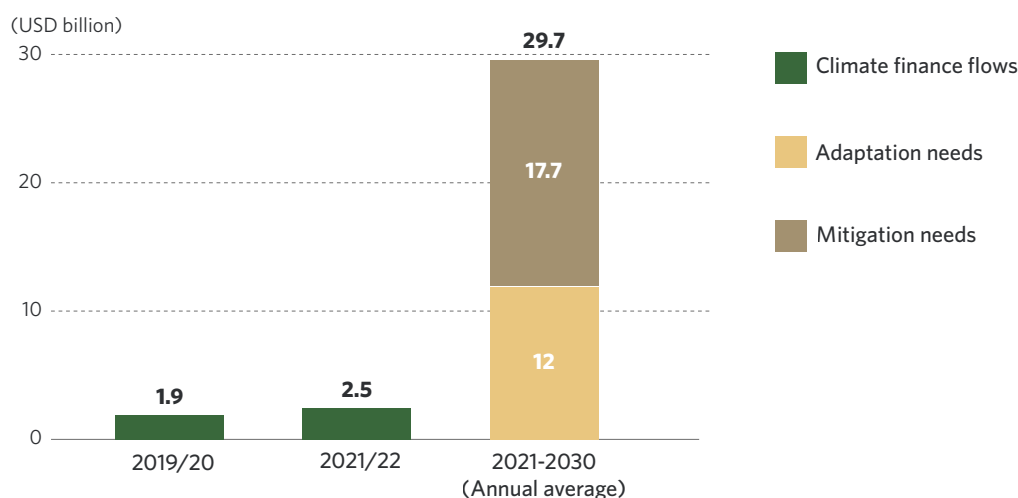


# EXECUTIVE SUMMARY

**As one of Africa’s major economies and a growing GHG emitter<sup>1</sup>, Nigeria is at a critical juncture in its development pathway:** investment decisions taken today will determine whether growth is sustainable and equitable for the rest of this century and beyond. In spite of recent macroeconomic turbulence—including record-high inflation and currency devaluation—the country is working toward the key development goals of energy access, adequate water, sanitation and hygiene services (WASH), quality housing and infrastructure, sustainable agriculture, and access to health and education. Indeed, infrastructure investment needs are estimated at USD 3 trillion up to 2050 ([World Bank Group, 2022](#)) while the Government’s Energy Transition Plan (ETP) is costed at USD 1.9 trillion up to 2060 ([ETP, 2022](#)). However, spiraling climate risks across the country—notably flooding, sea-level rise, and drought—threaten to jeopardize Nigeria’s quest to achieve upper-middle-income status by 2050. Pursuing low-emission, climate-resilient growth can offer a viable means of delivering on these development goals while ensuring the resilience of Nigerian people, as well as the infrastructure and ecosystems upon which the country’s growth will depend. To this end, the quantity and quality of climate finance will be key.

**This study provides an update on CPI’s previous Landscape of Climate Finance in Nigeria<sup>2</sup>, now presenting data on the country’s climate finance across 2021/22.<sup>3</sup>** As part of CPI’s broader global climate finance tracking program, and a subset of the data presented in the 2024 edition of the [Landscape of Climate Finance in Africa](#), this study aims to provide a robust baseline on climate finance flows in Nigeria, against which to measure and, in turn, better manage progress. It identifies gaps, challenges, and opportunities in the Nigerian climate finance landscape with a view to informing strategies for the mobilization of additional finance at the scale and pace required.

**Figure ES1.** Nigerian Climate finance flows vs needs



**Source:** CPI analysis & NCCC (2023)

<sup>1</sup> Nigeria is the fourth largest greenhouse gas (GHG) emitter in Africa, after South Africa, Egypt and Algeria ([Archibong & Osafo-Kwaako, 2023](#)).

<sup>2</sup> The 2022 edition presented 2019/2020 data, accessible at: <https://www.climatepolicyinitiative.org/wp-content/uploads/2022/10/Landscape-of-Climate-Finance-in-Nigeria.pdf>

<sup>3</sup> Financial amounts are reported as biennial averages to smooth out annual fluctuations in the data.

**Nigerian climate finance witnessed incremental growth in 2021/22, the third-highest by total<sup>4</sup> in Africa, however, flows fall well short of estimated needs.** In 2021/22, USD 2.5 billion of public and private capital—from both domestic and international sources—went to climate action in Nigeria, up by 32% from USD 1.9 billion in 2019/20. Comparing flows to estimated needs, however, shows an annual climate finance gap of USD 27.2 billion.

**Set in a broader context, and relative to opportunities for climate action, Nigeria's USD 2.5 billion in tracked climate finance is minimal.** Representing less than 1% of national GDP<sup>5</sup>, this amount was almost equivalent to the country's spending on foreign debt servicing in 2021/22 (USD 2.3 billion) ([DMO, 2021](#); [DMO, 2022](#)). Moreover, climate finance flows were dwarfed by the USD 9.3 billion spent on government fossil fuel subsidies in 2022 ([ODI, 2022](#)) and the USD 6.7 billion in estimated loss and damage resulting from devastating floods across the country in the same year ([UNDP, 2023](#)).

**Public actors continued to provide most (70%) of Nigeria's climate finance, though there was also relatively strong participation from corporations in 2021/22.** Among public actors, multilateral development finance institutions (DFIs) were the largest providers (USD 1.2 billion). Private actors provided USD 0.8 billion, or 30% of total climate finance (up from 23% of the total in 2019/20) with corporations accounting for over three-fifths of tracked private climate finance. This placed the corporate contribution in Nigeria substantially higher than their share across African private climate finance as a whole (34%). Similarly, private actors provided a greater share of Nigerian climate finance (30%) than the African average (18%). Overall, tracked corporate climate investments in Nigeria were largely for small scale solar PV.

**Mitigation investments remained dominant in Nigeria's climate finance landscape, totaling USD 1.2 billion, largely due to investment in solar PV.** Despite the relative dominance of energy mitigation finance, the energy access gap remains a critical challenge for Nigeria, which has high growth potential for decentralized off-grid solar energy solutions. Other key mitigation opportunities include abating methane emissions by reducing gas flaring, which is widespread. In 2021/22 there was a significant uptick in low-carbon transport investments, while other key mitigation sectors—notably buildings, waste, and industry—are being left behind, receiving little-to-no finance.

**Adaptation (USD 0.74 billion) accounted for less than one-third of Nigeria's climate finance, covering only 6% of the country's estimated adaptation finance needs, despite spiraling climate risks.** Half of Nigeria's adaptation finance went to the AFOLU<sup>6</sup> and fisheries sector. Water and wastewater adaptation finance grew significantly in 2021/22, but remains minimal relative to the scale of water stress throughout the country. Minimal-to-no adaptation finance was tracked for climate-resilient infrastructure for energy systems, buildings, transport, and industry. Overall, the financing gap for addressing flood risk is a major feature of the Nigerian adaptation landscape.

**Dual-benefit finance—simultaneously reducing emissions and building adaptive capacity—accounted for 20% of Nigerian climate finance (USD 497 million) in 2021/22, indicating efforts to ensure the effective use of scarce climate finance.** Most dual-benefit finance was for the AFOLU and fisheries sector, given the scope for climate-smart agriculture and sustainable

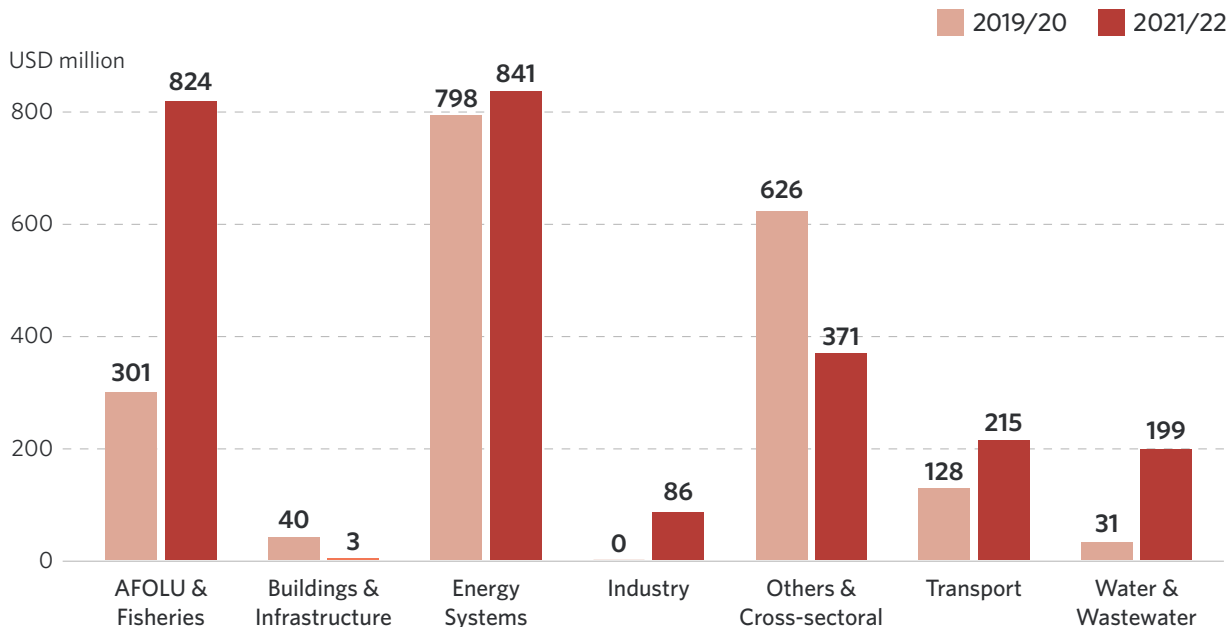
<sup>4</sup> Behind Egypt and South Africa, which had flows of USD 4.4 billion and USD 3.5 billion, respectively.

<sup>5</sup> USD 477 billion in 2022 ([IMF, 2022](#))

<sup>6</sup> Agriculture, Forestry and Other Land Uses

resource management. There are also untapped opportunities for integrating nature-based solutions into (rapidly growing) urban spaces, offering potential to deliver a wide array of social benefits for Nigerian people, including improved air quality.

**Figure ES2.** Tracked Climate Finance in Nigeria



**International public climate finance to Nigeria, which accounts for the bulk of flows, was largely channeled as debt, both concessional (54%) and non-concessional (35%).** Reliance on debt-based climate investment is cause for concern, given the country's already substantial debt burden. The Nigerian government spends over 80% of its revenue on settling or servicing debt, with only 20% of the remaining revenue available for spending on vital social services and development priorities ([Heinrich Böll Stiftung, 2023](#)). At a more granular level, mitigation investments are channeled via a wider range of financial instruments—largely reflecting the commercial maturity of renewable energy technologies—compared to adaptation solutions, which are mainly funded by public debt.

**In addition to the above quantitative findings, this study highlights key topics in the Nigerian climate finance landscape,** including: subnational climate action, domestic climate budget tagging, mobilizing private finance through guarantees, mitigating gas flaring, and anticipatory adaptation.

**Our research also identified the following challenges for scaling climate finance in Nigeria:**

- Affordability of finance:** The high cost of capital continues to stifle domestic and international climate investment.
- Bankability of projects:** Limited supply of bankable projects—with sufficient scale and ticket size—deters investors from financing mitigation and adaptation.
- Capacity, skills, and awareness:** A lack of awareness and understanding regarding the implications of the climate crisis, as well as the skills and capacity needed to address it, hinders the mainstreaming of climate action.

- d. **Data and disclosures:** Data gaps and limited data disclosures obscure the picture of progress and priorities for Nigerian climate action.
- e. **Easy access to technology:** A lack of affordable or locally appropriate green technology—for example, solar power components—inhibits the country from pursuing low-emission, climate-resilient growth.
- f. **Fiscal incentives:** limited green fiscal incentives as well as the roll-out of pro-fossil fuel incentives undermines the impetus to invest in climate action.

## OPPORTUNITIES

Based on the Landscape findings, as well as insights from interviews with several expert stakeholders, CPI presents the following seven actionable opportunities to help overcome persisting challenges for climate action and work towards implementing green, resilient growth throughout Nigeria.

No.	Agenda		Synopsis
1	<b>Step up project preparation support</b>		Given the current absence of bankable project pipelines (that is, the mismatch between financial and technical project objectives) relevant actors (notably, DFIs and the Government) must step up project preparation support.
2	<b>Articulate investment-ready, well-integrated climate action plans</b>		While the Nigerian Government has made progress in its climate policy and planning landscape, there is scope to provide costed and investment-ready climate action plans that are well-integrated with existing political, economic and social development priorities.
3	<b>Operationalize the National Climate Change Fund</b>		Following the recent completion of technical proposals, it is essential to now operationalize the National Climate Change Fund.
4	<b>Build Nigeria's domestic green industry</b>		Subject to adequate technology transfer, there is an opportunity to build Nigeria's domestic green industry, moving away from import dependence while creating jobs for a growing population.
5	<b>Prioritize anticipatory adaptation</b>		Nigeria must prioritize anticipatory, adaptation today—directly with the communities on the front line of the crisis—to avoid or minimize loss and damage later.
6	<b>Pursue innovative financing approaches</b>	<i>Risk mitigation instruments</i>	There is a need for greater use of, and access to, innovative financing approaches that can tackle affordability constraints and unlock domestic capital.
		<i>Local currency financing</i>	
		<i>Green bonds</i>	
		<i>Debt-for-climate swaps</i>	
		<i>PAYG consumer financing</i>	
		<i>Insurance</i>	
	<i>Carbon finance</i>		
7	<b>Better integrate climate and development priorities</b>		Pursuing development priorities through a climate change lens is an imperative and an opportunity for delivering multiple benefits for Nigerian people, including through job creation, reduced air pollution and lower gender inequality.

# LANDSCAPE OF CLIMATE FINANCE IN NIGERIA 2021/22

Nigerian climate finance flows along their lifecycle in 2021/22. Values are averages of two years' data to smooth out fluctuations, in USD millions.

**2.5** BILLION USD  
2021/22

## SOURCES AND INTERMEDIARIES

Which type of organizations are sources or intermediaries of capital for climate finance?

## INSTRUMENTS

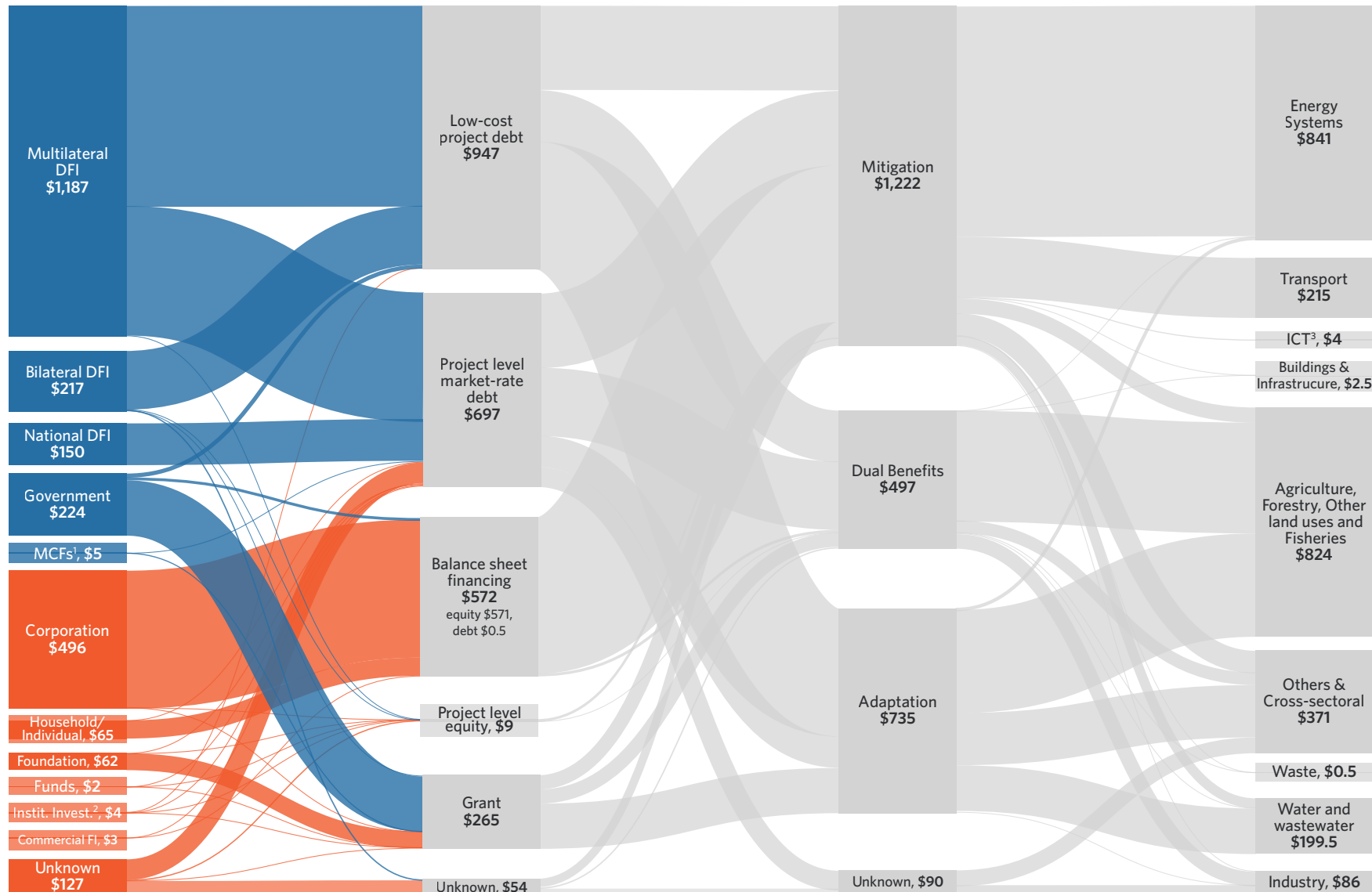
What mix of financial instruments are used?

## USES

What types of activities are financed?

## SECTORS

What is the finance used for?



**PRIVATE** **PUBLIC**

<sup>1</sup>MCFs: Multilateral Climate Funds  
<sup>2</sup>Instit. Invest.: Institutional Investors

<sup>3</sup>ICT: Information and Communications Technology

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# 1. INTRODUCTION

Since the 2022 edition of the [Landscape of Climate Finance in Nigeria](#), the country has faced economic turbulence in the form of inflation, currency devaluation, and fuel subsidy reform. This has caused the country to fall from being Africa's first- to its fourth-largest economy ([Bloomberg, 2024](#)).<sup>7</sup> Nevertheless set to become the world's third-most populous nation by 2050 ([IMF, 2023](#)), Nigeria's 21st-century development story poses the same enduring question: How can it ensure that prospective growth follows a low-emission, climate-resilient pathway, preventing carbon lock-in and adapting to the adverse impacts of climate change as it undergoes further industrialization and urbanization?

As a major African economy and one of the continent's largest GHG emitters ([IEA, 2022](#)), Nigeria has an important role to play in leading the green transition in Africa. Moreover, as an entrepreneurial hotspot with a relatively well-developed capital market, there are numerous opportunities for pursuing green growth, set in the context of infrastructure investment needs of USD 3 trillion up to 2050 ([World Bank Group, 2022](#)). However, to date, Nigeria has exhibited high fossil fuel dependency, with oil and natural gas revenue consistently the primary source of valuable foreign exchange earnings ([EIA, 2021](#)).

Nigeria's development story is colored by an enduring energy access gap<sup>8</sup>—only approximately 60% of the population has access to electricity ([MoE, 2023](#)) despite boasting the largest proven gas reserves in Africa and the ninth-largest globally ([PwC, 2019](#)). Indeed, Nigeria is one of the most underpowered countries in the world, with electricity consumption 80% below that expected based on population and income levels ([EGH, 2019](#)). As is true of all countries, energy poverty is both a cause and consequence of wider socioeconomic poverty in Nigeria. Requiring investment of USD 1.9 trillion up to 2060 ([ETP, 2022](#)), the energy transition presents both an opportunity and a challenge for achieving net zero targets in Nigeria, depending upon the extent to which renewables can be scaled and carbon lock-in avoided.

In addition to the energy deficit, the government has pledged to tackle two other critical deficits—on budget and infrastructure—in the medium term, up to 2027 ([Budget Office of the Federation, 2025](#)). To address the budget deficit, the government reined in spending by removing its (fossil) fuel subsidy in 2023; a contentious move that prompted backlash from the population at large who had long depended on it. With regards to infrastructure, at only 40% of GDP, Nigeria's infrastructure stock falls far short of international benchmarks<sup>9</sup> and stifles the ease of and opportunities for doing business in the country ([MoFBNP, 2020](#)).

Overall, agriculture remains foundational for the economy and national food security, accounting for almost a quarter of GDP and one-third of jobs ([AfDB, 2023](#)). Nonetheless, Nigeria's banking industry has proved relatively strong in recent years, despite domestic and global economic headwinds ([KPMG, 2024](#)). Indeed, Nigerian capital markets grew sevenfold in the last decade, gaining global recognition *vis-à-vis* its emerging market peers ([SEC Nigeria, 2022](#)).

<sup>7</sup> Nigeria now ranks behind Algeria, Egypt, and South Africa in terms of Africa's largest economies.

<sup>8</sup> Recent research suggests the energy access gap in Nigeria is likely even larger than the figure currently presented by the Government ([NRGL, 2024](#)).

<sup>9</sup> asset-to-GDP ratio of 70%.

Underpinning these macroeconomic trends is worsening climate risk throughout Nigeria. The country is particularly vulnerable to drought and reduced rainfall in the central savannah area and the semi-arid north, as well as sea-level rise in the tropics of the coastal south ([MoE, 2021](#)). Exposure to extreme heat cuts across the country, and incidences of flooding (and associated waterborne diseases) are also widespread ([IRC & IFPRI, 2023](#)). Indeed, 2022 saw devastating climate change-induced flooding in 34 of the country's 36 states, destroying farmland and livelihoods and leaving thousands displaced ([IOM, 2024](#)). Such climate risks threaten to jeopardize the country's quest to achieve upper-middle-income status by 2050, as in other countries on the continent, and demand a suite of actions to ensure the resilience of Nigerian people and their homes (including informal settlements)<sup>10</sup> as well as the infrastructure and ecosystems upon which the country's growth trajectory will depend.

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## Climate risks threaten to jeopardize the country's quest to achieve upper-middle-income status by 2050 and demand a suite of actions to ensure the resilience of Nigerian people and their homes.

This report provides a deep-dive analysis of tracked climate finance in Nigeria in 2021/22,<sup>11</sup> as a subset of the tracking of continental flows in the [Landscape of Climate Finance in Africa](#).<sup>12</sup> Following a stocktake of recent developments in climate change policies and plans in the country, the analysis unpacks climate finance committed to and within Nigeria, mapping flows along their lifecycle from (public and private) sources and intermediaries, the financial instruments used to channel funds (grants, debt, and equity), through to how finance is ultimately deployed on the ground (for mitigation, adaptation, or both).

Building on the previous edition, the purpose of this study is to: (i) provide a robust baseline of climate finance in Nigeria, against which to measure and manage progress; (ii) identify gaps, challenges, and opportunities in the Nigerian climate finance landscape; and (iii) ultimately, to inform strategies for mobilizing additional climate finance at the scale and pace required to deliver on Nigeria's Nationally Determined Contribution (NDC) and sustainable development more generally. Overall, this brief situates itself as a follow-up to the previous landscape study, providing an updated picture of current challenges and opportunities in the Nigerian climate finance ecosystem. The intended audience is policymakers, and public and private actors engaged with climate finance in Nigeria, West Africa, and the African continent at large.

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<sup>10</sup> It is estimated that approximately 70% of the Lagos population (approximately 16 million) live in informal settlements facing highly precarious conditions ([Amnesty International, 2020](#)).

<sup>11</sup> Financial amounts are reported as biennial averages to smooth out annual fluctuations in the data; the time lag is a function of delayed international climate finance reporting, two years after the date of financial commitment.

<sup>12</sup> See underlying [methodology file](#)

## 1.1 CLIMATE CHANGE POLICIES AND PLANS IN NIGERIA

The Nigerian Government has made discernible progress in designing climate change policies and plans over the last decade, including various UNFCCC submissions and the (2021) Climate Change Act, which creates the legal and regulatory framework for achieving net zero by 2060, as well as initiating the process for establishing a National Climate Change Fund. Nigeria is currently updating its NDC for submission to the UNFCCC this year and also launched an NDC Implementation Framework in 2024—including a monitoring, reporting and verification (MRV) component to enable bottom-up climate investment tracking—to coordinate and track the country’s progress towards its climate targets ([NDC Partnership, 2024](#)). Formulation of the National Adaptation Plan (NAP) is still ongoing, however, Lagos State recently published its Climate Adaptation and Resilience Plan, indicating the potential for subnational leadership on adaptation parallel to federal-level processes ([LCARP, 2024](#)).

Most notably, the 2021 Climate Change Act led to the formation of a National Council on Climate Change (NCCC), the new official focal point charged with climate change policy-making in Nigeria. Currently, institutional politics regarding ownership of, and political sponsorship for, the NCCC are creating uncertainty in the Nigerian policy landscape. Nonetheless, it is expected that the NCCC is responsible for intra-government coordination among the various ministries, departments, and agencies, as well as collaboration with other key stakeholders, such as the Nigeria Sovereign Investment Authority (NSIA) and the Development Bank of Nigeria (DBN). Moreover, one of the action items of the NCCC is to operationalize the National Climate Change Fund, which is expected to function as an investment fund utilizing seed funding (from the Federal Government as well as development partners) to de-risk and catalyze (domestic or international) private finance. Technical proposals for the Fund conceive of three separate windows: (1) a catalytic window; (2) an innovation window (providing grants to pilot innovative approaches); and (3) a technical assistance window.<sup>13</sup> The next steps involve broader stakeholder engagement and coalition-building for the operationalization of the Fund.

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**For EMDEs like Nigeria, credible climate action needs to be well-integrated with existing political, economic and social development priorities.**

The Energy Transition Plan (ETP), launched in 2022, proposes a pathway for achieving carbon neutrality by 2060. Though there is a focus on renewable energy, it makes a strong case for using Nigeria’s natural gas reserves as a transition fuel to support long-term aspirations ([Archibong & Osafo-Kwaako, 2023](#)), somewhat at odds with the stated ambition to decarbonize by 2060 and risking the creation of stranded assets. Costed at \$10 billion (additional to business-as-usual spending) annually up to 2060, it is not underpinned by a sufficient pipeline of bankable projects, nor has it been linked to the existing Integrated Resource Plan (IRP) for the power sector.<sup>14</sup>

<sup>13</sup> Stakeholder interviews

<sup>14</sup> *Ibid.*

Another important policy development is the 2023 Electricity Act, which devolves electricity generation, transmission, and distribution to state governments. Permitted to set up their own regulations, tariffs, and codes, this legislation enhances the opportunities for subnational action on electricity access and, relatedly, climate mitigation. For example, Katsina State Government is now engaged with developing wind power following implementation of the Act ([Baba-Ahmed, 2024](#)). Indeed, subnational climate action will be an integral part of delivering on national climate goals while ensuring local development priorities are met (see *Box 1*). However, it may take time for other states to set up an appropriate regulatory environment, while the move towards decentralised electricity also poses significant risk of fragmentation in the market.

Despite these key developments and the milestones depicted in Figure 1, there is a noticeable implementation gap in practice, with current institutional dynamics yielding siloed approaches. Rather than integrating climate plans and policies into existing planning and budgeting processes, they remain stand-alone documents which generally fail to effectively integrate climate objectives with wider development priorities. For EMDEs like Nigeria, credible climate action will be well-integrated with existing political, economic and social development priorities.

**Figure 1:** Progress and key milestones for climate action in Nigeria



**Box 1: Lagos and subnational climate action**

The importance of, and opportunities for, subnational urban climate action are well-established; a means by which local communities and their governments can bypass national delay, if not deadlock, on implementing low-emission, climate-resilient urban planning and development. 12 of the 36 Nigerian states, along with the Federal Capital Territory, have developed some degree of climate change action planning, however, there is little evidence of climate mainstreaming in the states to date ([Society for Planet and Prosperity, 2023](#)).

Given its sheer size and status as an economic nerve center, the megacity of Lagos—predicted to become the world’s largest city by 2100 ([IFC, 2022](#))—promises to be an important focal point for climate action in Nigeria. In 2018, Lagos State joined the C40 Cities network, which led to the development of the Lagos Climate Action Plan (2020-2025) and a commitment to reach net zero by 2050. Implementation options under the Plan include: reducing emissions in the residential housing sector via energy storage technologies and off-grid technologies, with a dedicated finance mechanism and subsidies for the uptake of renewables; and the introduction of new building standards with minimum energy efficiency standards ([CCFLA, 2023](#)). The Plan also targets transport and waste management as priority sectors.

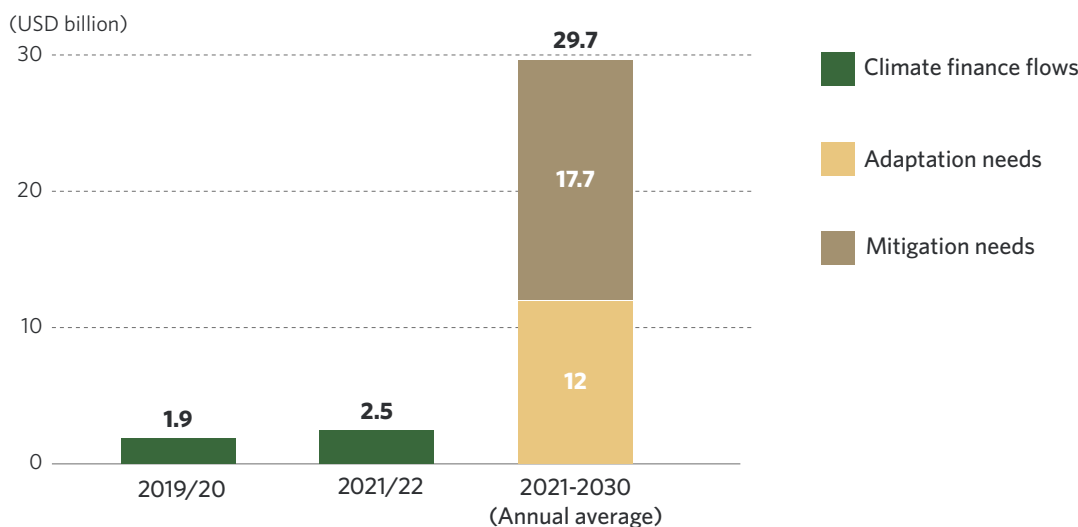
Faced with alarming rates of sea-level rise, the so-called “sinking city” will also need to ensure climate resilience is embedded into all new and future urban infrastructure to avoid or minimize losses and damages to assets and residents alike, with particular attention to the 16 million people living in informal settlements who have very little, if any, capacity to adapt. Given its context-specific nature, adaptation is particularly amenable to subnational action, which may be tailored to local needs using local knowledge and expertise. Indeed, the recent Lagos State Climate Adaptation and Resilience Plan (LCARP) sets out a clear strategy for building the resilience of infrastructure and public spaces, communities and vulnerable groups, as well as anticipating the climate risks faced by the state (Ministry of Environment, 2024). Tapping into networks like the [Cities Climate Finance Leadership Alliance](#) (CCFLA) can help improve local access to climate finance such that Lagos can move from climate action planning to implementation.

## 2. CLIMATE FINANCE LANDSCAPE

In 2021/22, USD 2.5 billion of public and private capital—from both domestic and international sources—was invested in climate action in Nigeria. This makes for an annual climate finance gap of USD 27.2 billion.

While Nigerian climate finance grew by 32% in 2021/22, up from USD 1.9 billion in 2019/20, USD 2.5 billion represents just 8% of the estimated USD 29.7 billion needed annually for mitigation<sup>15</sup> and adaptation until 2030 (NCCC, 2023). Nigeria’s climate finance gap is likely even larger given that the existing needs estimates do not cover prospective loss and damage costs,<sup>16</sup> while climate impacts only promise to compound over time, leading to spiraling costs of inaction (CPI, 2024).

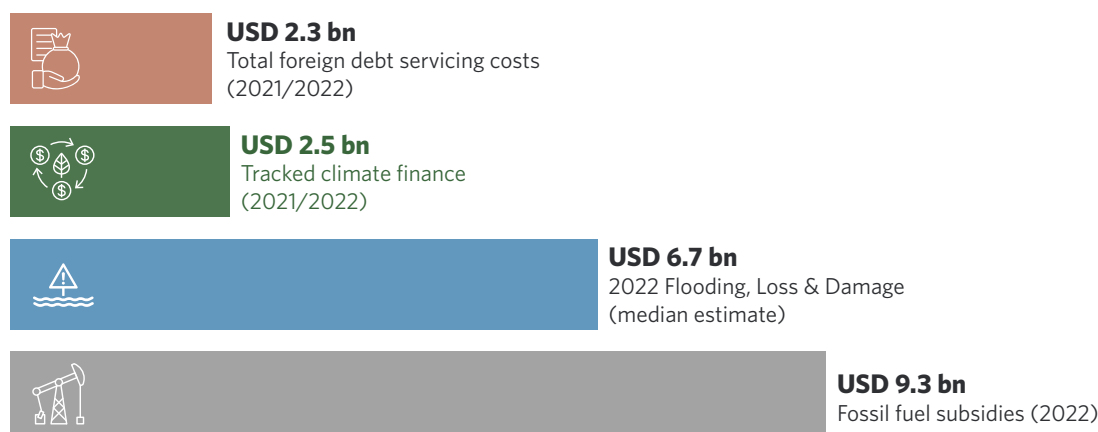
**Figure 2:** Tracked climate finance vs. estimated needs (USD bn)



**Source:** CPI analysis & NCCC (2023)

<sup>15</sup> In its NDC, the Federal Government of Nigeria (FGN) differentiates between the unconditional target of reducing emissions 20% below BAU, and the target of 47% below BAU, conditional on receiving international support. However, even meeting the 20% unconditional target will pose a challenge for the FGN given revenue constraints; an issue that merits further attention in the upcoming NDC update.

<sup>16</sup> One estimate puts loss and damage finance needs in Nigeria at USD 70.3 billion between 2020-2030 (AfDB, 2022)

**Figure 3:** Nigerian climate finance in context (USD bn)

**Source:** CPI analysis; [UNDP, 2023](#); [ODI, 2022](#). [DMO, 2021](#); [DMO, 2022](#).

**Nigeria was the third-largest recipient of tracked climate finance in Africa<sup>17</sup> and accounted for almost a quarter of Western Africa's regional climate finance in 2021/22.** However, tracked flows were less than 1% of national GDP;<sup>18</sup> almost equivalent to the total cost of the country's foreign debt servicing in 2021/22 ([DMO, 2021](#); [DMO, 2022](#)); and minimal relative to government fossil fuel subsidies of USD 9.3 billion in 2022 alone ([ODI, 2022](#)). Moreover, (median) estimates indicate that the cost of loss and damage associated with the flooding in 2022 was in the range of USD 6.7 billion ([UNDP, 2023](#)). The incidence of adverse (chronic and acute) climate events, and the associated costs of inaction,<sup>19</sup> are only set to increase with insufficient action on both mitigation and adaptation.

## 2.1 SOURCES AND INTERMEDIARIES

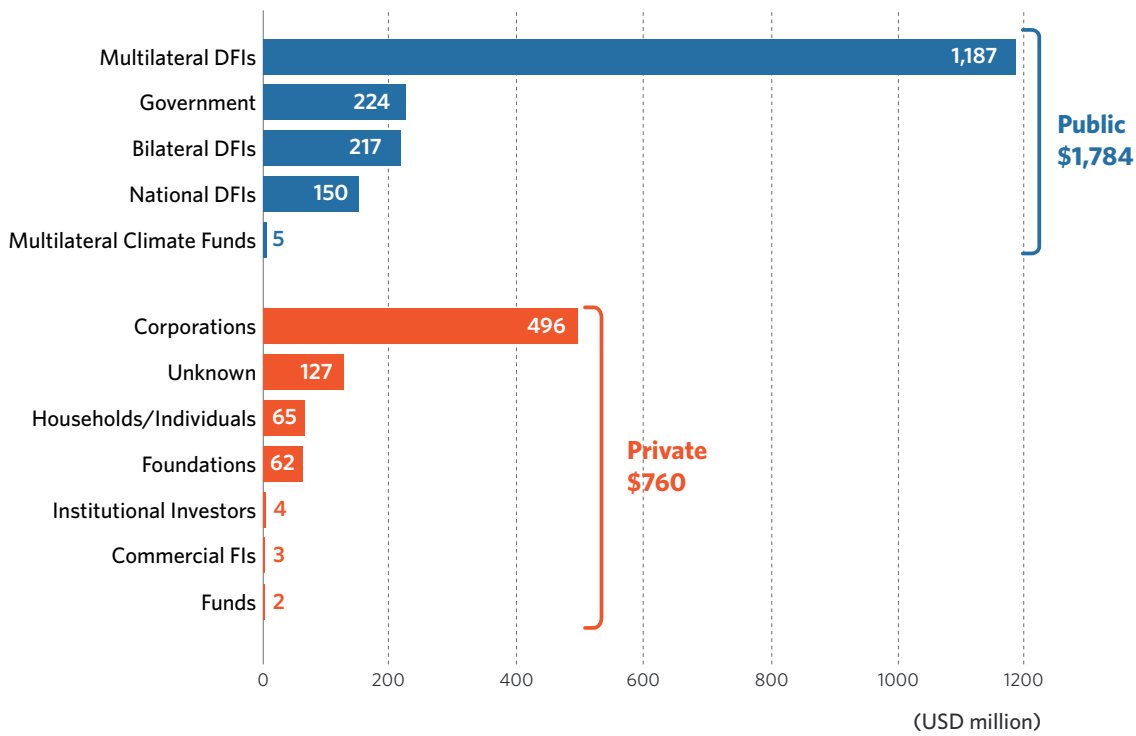
Public actors continue to provide the majority of climate finance in Nigeria, contributing USD 1.8 billion compared to just USD 760 million from private actors. Multilateral DFIs are the largest source of the country's climate finance.

<sup>17</sup> Nigeria's volume of climate finance in 2021/22 was behind only Egypt and South Africa at USD 4.4 billion and USD 3.5 billion, respectively.

<sup>18</sup> Nigeria's GDP was USD 477 billion in 2022 ([IMF, 2022](#)).

<sup>19</sup> In Lagos State alone, the costs of inaction by 2050 are estimated to be between USD 33 to USD 39 billion (Ministry of Environment, 2024).

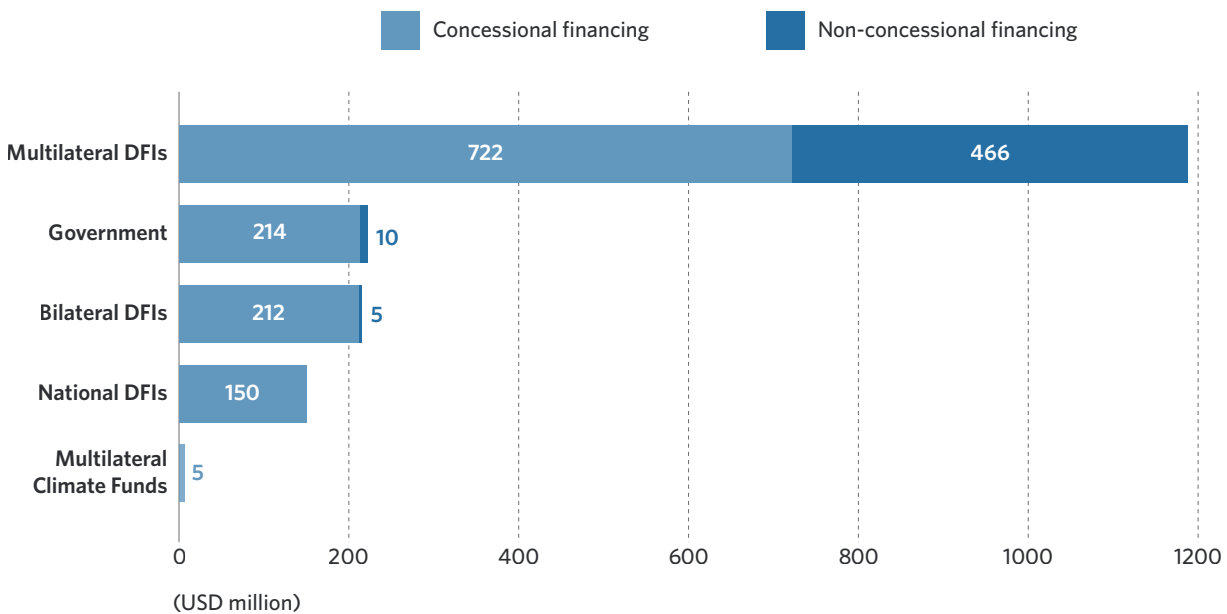
**Figure 4:** Sources of climate finance in Nigeria (2021/22)



### 2.1.1 PUBLIC FINANCE

Public actors committed USD 1.8 billion in climate finance in 2021/22, a 20% increase from USD 1.5 billion in 2019/20. Of this public finance, 65% was provided on concessional terms.

**Figure 5:** Public climate finance providers, with concessional vs. non-concessional breakdown<sup>20</sup>



<sup>20</sup> Concessional finance is counted as that provided as grants and low-cost debt, while non-concessional finance is counted as market-rate debt and equity.



**Multilateral DFIs continued to be the largest provider of public climate finance in Nigeria, accounting for 67% of the public total.** Since the COVID-19 pandemic, multilateral DFIs have increased the amount and flexibility of their financial support, offering new products like working capital loans, simplifying the approval and disbursement process, and emphasising DFI collaboration for African countries, including Nigeria ([ODI, 2022](#)). In 2021/22, multilateral DFI climate finance to Nigeria reached USD 1.2 billion, up by 45% from USD 0.8 billion in 2019/20. Certain large-scale initiatives stand out therein, for example, the World Bank's Agro-Climatic Resilience in Semi-Arid Landscapes (ACReSAL) project which offers a USD 700 million credit line to increase the implementation of sustainable landscape management in the country, supporting climate-resilient agricultural development ([World Bank Group, 2021](#)). Indeed, the project addresses natural resource degradation, using ecosystem-based approaches and building institutional capacity for risk reduction through information dissemination and knowledge sharing. Multilateral DFIs channeled climate finance almost exclusively as debt—low-cost project debt (61%) and project-level market rate debt (39%)—most of which was directed to the AFOLU sector (61%) followed by water & wastewater (17%) and other cross-sectoral uses (14%) including policy support and capacity building.

**Donor governments and bilateral DFIs followed as key providers, contributing USD 224 million and USD 217 million, respectively.** Bilateral DFIs also largely channeled finance as low-cost project debt accounting for 97% of their flows. In contrast, 89% of climate finance from donor governments was in the form of grants, which were directed toward policy, national budget support, and capacity building. In 2021/22, top donor countries included France, the US, and Japan, who together contributed 18% of total public climate finance in Nigeria. In addition to international flows from donor governments, the Nigerian government also contributes its own budgetary resources to climate action. While several states are rolling out climate budget tagging, to date there is no institutionalized, federal-level climate budget tagging system to support comprehensive assessments of domestic public climate finance. As a step in this direction, CPI carried out an additional desk-based analysis of publicly accessible Nigerian budget data, estimating new government climate finance commitments in 2021/22 (see Box 2). If the National Climate Change Fund is indeed operationalized, a key component should be sufficient MRV to track climate finance and associated projects.

**Multilateral climate funds provided less than 1% of public climate finance in Nigeria, or USD 5 million.** In recent years, Nigeria has accessed funding from the GEF, CIF, and GCF (for readiness support). It is also set to increase engagement with the GCF via the Development Bank of Nigeria (DBN), which was recently accredited for access to funding in the range of USD 50 million to USD 250 million. This makes the DBN the only direct access entity to the GCF in Nigeria, which will allow it to do on-lending, blending, and project management in relation to mitigation and adaptation investments. The recent accreditation is highly relevant for MSMEs—which are the primary focus of DBN and constitute 97% of businesses in Nigeria and 45% of national GDP—since it will help facilitate their access to climate finance ([GCF, 2024](#); [The Cable, 2024](#)). Nonetheless, with only one national accredited entity to the GCF, more needs to be done—via capacity building—to facilitate direct access to international climate finance in Nigeria.

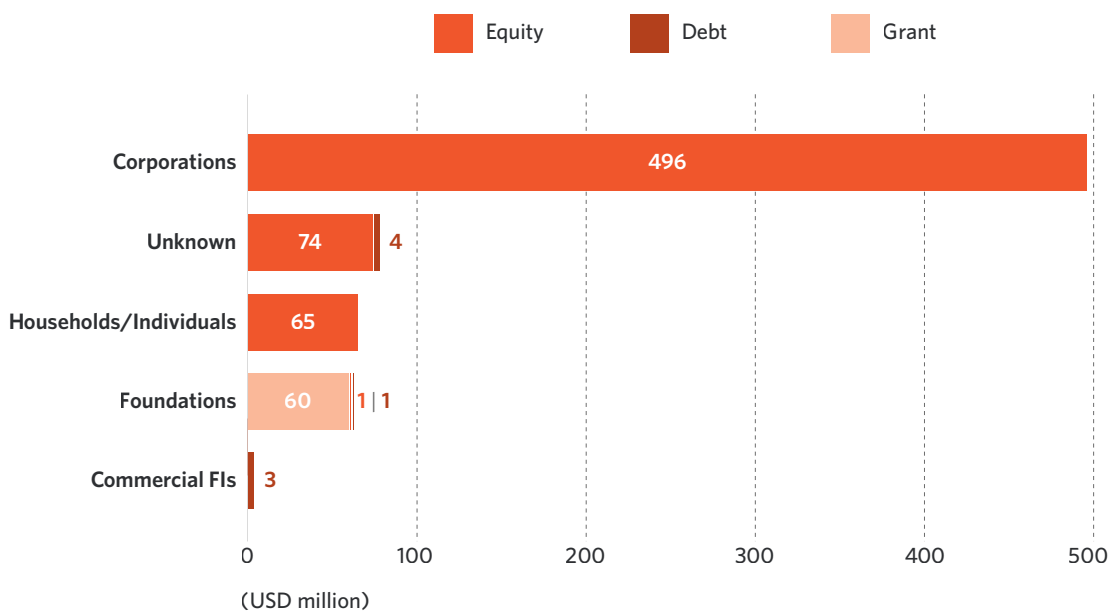
### Box 2: Domestic climate budget tagging

Climate budget tagging is an essential step for measuring and, in turn, better managing, domestic climate action. Climate budget tagging systems can be institutionalized by responsible Ministries of Finance to enhance transparency around the use of public funds (for climate) and to identify existing funding gaps relative to costed NDCs and NAPs. It is also a means of convening different actors to, together, prioritise climate change amongst wider spending priorities. An important step is providing training to relevant government officials to ensure adequate capacity to undertake accurate and comprehensive budget tagging without imposing excessive or complex administrative burdens.

Only a handful of African countries have implemented such tagging to date. Though Nigeria's Budget Office has rolled out a tool for use by MDAs to better track climate finance, and also provides a high degree of transparency on government spending across ministries via publicly accessible data ([Budget Office of the Federation, 2023](#)), there is still an absence of institutionalized climate budget tagging in the country. To provide an estimate of this data gap, CPI conducted desk-based analysis of budget data across six ministries, tagging new commitments in 2021/22 according to climate use, using key word searches derived from international climate finance taxonomies. The exercise yielded an estimated USD 300 million in domestic climate finance issued for various budget lines in 2021/22. Solar-based activities accounted for the bulk of financing (including the provision of solar streetlamps, solar home systems and solar-powered boreholes for water access). There was also some work on flood and erosion control, road rehabilitation with resilience components, and capacity building in the context of climate-smart agriculture. This estimate of domestic government climate finance suggests that the Nigerian government is making provisions for the climate in its annual budgets, with the derived figure surpassing the respective amounts that the country received from international donor governments and bilateral DFIs in 2021/22. However, with a total budget of approximately USD 39 billion in 2022 ([Reuters, 2021](#)), this estimate of domestic government climate finance represents less than 1% of the total spending and could, therefore, be significantly scaled by better integrating climate change considerations into wider development priorities.

## 2.1.2 PRIVATE FINANCE

**Private climate finance increased from a low base of USD 0.4 billion in 2019/20 to USD 0.8 billion in 2021/22, accounting for 30% of the country's climate finance landscape. Despite being higher than the African average (18%), this amount is minimal given Nigeria's climate finance needs and the potential private sector opportunities.**

**Figure 6:** Providers of private climate finance, with instrument breakdown (2021/22)

Note: private climate finance with unknown financial instruments is not shown on this figure.

**Corporations provided the majority of private climate finance in Nigeria at USD 496 million, or 65% of the private total.** This compares favorably with continent-wide shares, wherein corporations provided 34% of total private climate finance in Africa. In Nigeria, tracked corporate flows were entirely channeled as (balance sheet) equity financing towards solar PV power and heat generation. This includes a large corporate financial commitment for the Gezhouba Lagos Solar PV Park ([Power Technology, 2024](#)). Households/Individuals also accounted for a share of solar PV investment in Nigeria, for a total of USD 65 million, or 9% of the private total. Philanthropic foundations provided USD 60 million in grant funding, the majority of which (72%) was for adaptation initiatives in the AFOLU sector.

**Despite Nigeria's substantial pension fund market,<sup>21</sup> institutional investors contributed less than 1% of tracked private climate finance.<sup>22</sup>** To bridge this gap, institutional investors need access to de-risking mechanisms or blended finance structures that improve the risk-return profile of their climate investments (see Box 3); this is especially important in the context of infrastructure, which aligns well with the long-term investment profile of institutional investors such as pension funds. Indeed, evidence indicates that pension funds face various (real and perceived) barriers to investing in climate-smart infrastructure, including technology risk, navigating local and national regulations, and a lack of investment-ready, bankable projects ([CPI, 2022](#)).

**Tracked flows from commercial financial institutions are equally low (less than 1% of the tracked private total).** For commercial FIs, which currently engage in minimal climate-related lending in Nigeria, there is a need for raising awareness of climate-aligned investment opportunities as well as capacity building such that they can assess and price climate risk and the potential for stranded assets into all new investment decisions.

21 Nigeria's pension fund market was valued at USD 35 billion in 2022 ([Zawya, 2023](#); converted using the [2022 exchange rate](#)), however, with currency devaluation it has since shrunk to USD 14.4 billion ([Nairametrics, 2024](#)).

22 Note, however, that institutional investors' indirect allocation of capital through equity and bond markets falls out with the scope of this assessment, which specifically tracks direct investment in the real economy.

### Box 3: InfraCredit: Mobilizing private finance through guarantees

In 2017, the Nigerian Sovereign Investment Authority and GuarantCo launched InfraCredit, an entity providing local currency guarantees to enhance the creditworthiness of debt instruments issued to finance infrastructure assets in the country. As a means of catalyzing investment from institutional investors, including pension funds, as of 2022, InfraCredit has increased access to local currency finance for infrastructure to an aggregate amount of USD 201 million ([InfraCredit, 2022a](#)). A key component of the approach is capacity building with domestic institutional investors in order to facilitate engagement with climate-resilient infrastructure projects as well as integrating a gender lens into investment decisions ([InfraCredit, 2022a](#)). In 2022, InfraCredit convened a domestic institutional investor roundtable to promote these themes with attendees who, together, manage assets of over USD 30 billion in the country ([InfraCredit, 2022b](#)). InfraCredit is also working on strategic partnerships with donors, DFIs and MDBs to unlock early-stage capital for well-structured, bankable infrastructure projects ([OECD, 2023](#)).

Given that institutional investors accounted for only 1% of Nigeria’s tracked private climate finance in 2021/22, there is a major need to scale up risk mitigation financing to enable such actors—especially pension funds—to engage in climate finance, particularly for climate-resilient infrastructure. It is equally important that this risk mitigation finance is offered in local currency to avoid currency risk, a strong feature of the Nigerian investment landscape in recent years.

## 2.1.3 BLENDED FINANCE

Blended finance—using catalytic (concessional) capital from public or philanthropic sources to mobilize additional private sector investment—will be essential for delivering on Nigeria’s NDC, given the shortfall in public climate finance (both domestic and international) and the current low participation of private sector investors. The Nigerian Climate Finance Accelerator (CFA) initiative was a step towards this, seeking to scale private investment into NDC-aligned projects; however, it exposed key gaps in relation to skilled transaction intermediaries to do deal structuring ([Ricardo, 2019](#)).

Actors must use limited concessional resources strategically to crowd in more risk-averse capital from private actors who would not otherwise invest in mitigation or adaptation. This may include the use of risk mitigation instruments—for example guarantees—which are not, however, tracked in this Landscape study ([see methodology file](#)). OECD data indicates that donor governments and multilateral organizations mobilized USD 148 million in 2021/22 for climate action in Nigeria (across all sectors), largely through credit lines (36%) and direct investment in companies and special purpose vehicles (31%) as well as guarantees (19%) ([OECD, 2024](#)).

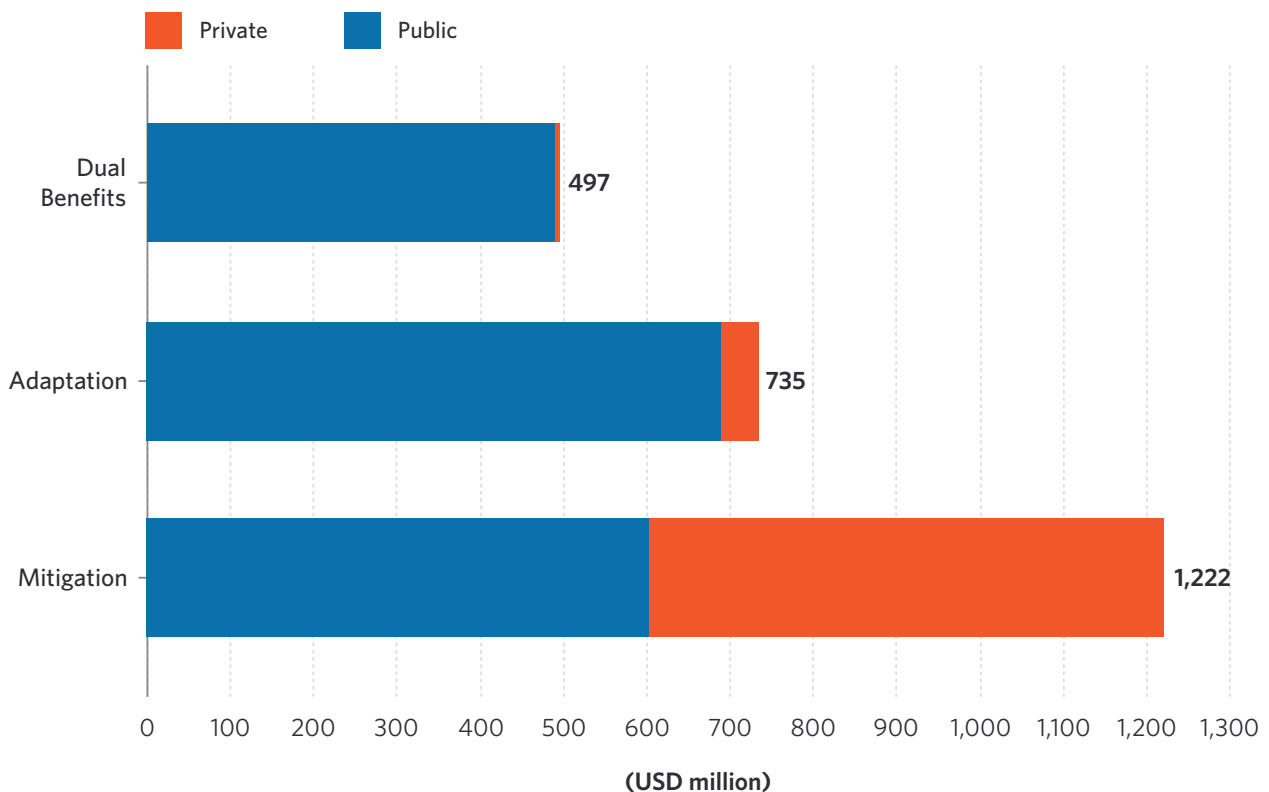
Convergence’s [State of Blended Finance 2024](#) finds that, since 2021, Nigeria has been the top destination, globally, for blended finance for agriculture (hosting 25 transactions) and energy (hosting 10 transactions, 50% of which were bonds). Notable recipients include the agri-tech company Thrive Agric, which provides smallholder farmers with better access to finance, advisory services and creates linkages with domestic and international markets ([Convergence, 2024](#)). Noting that public-private partnerships (PPPs) have a poor track record in Sub-Saharan

Africa and Nigeria therein to date, if well-designed, these partnerships offer a means of closing the large infrastructure gap in Nigeria. Ensuring that such deals finance *climate-resilient* infrastructure, and are designed in such a way as to avoid locking-in emissions, will be essential for sustainable development in Nigeria.

## 2.2 USES AND SECTORS

Mitigation continued to dominate Nigeria's climate finance landscape (48% or USD 1.2 billion), largely due to investment in solar PV. Adaptation accounted for slightly less than one third of the country's total climate finance despite spiraling climate risks<sup>23</sup>

**Figure 7:** Climate Finance by Uses

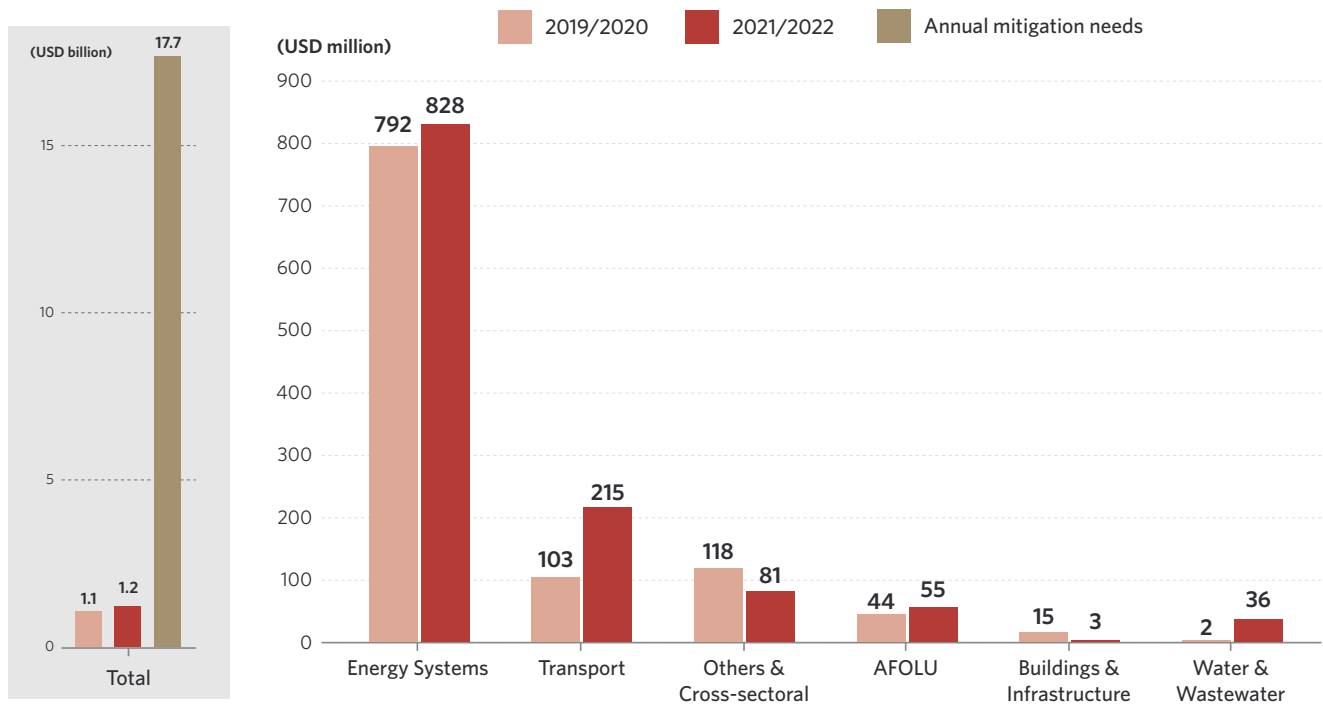


<sup>23</sup> Note that this distribution compares far more favourably to shares observed in the global landscape of climate finance (CPI, 2023): mitigation (91%); adaptation (5%); dual benefits (4%).

## 2.2.1 MITIGATION

Renewable energy investment—mostly solar PV—dominated the Nigerian mitigation landscape (68% of the mitigation total), while there was also a significant uptick in low-carbon transport investments. Other key mitigation sectors—notably buildings, waste, and industry—are being left behind, receiving little to no finance in 2021/22.

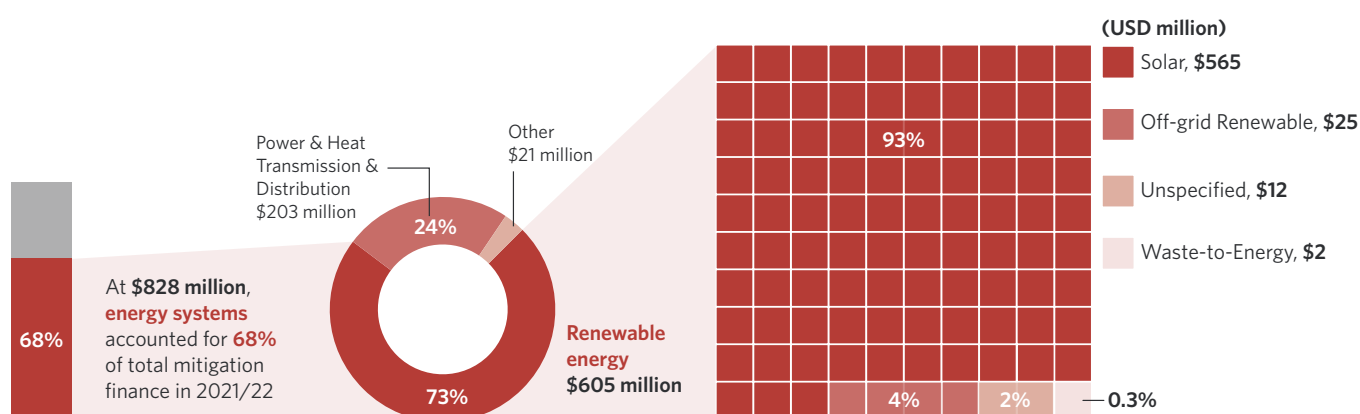
**Figure 8: Mitigation Finance by Sector**



**Energy-related mitigation finance largely plateaued between 2019/20 and 2021/22, funded by a mix of private (73%) and public actors (27%).** Given that the energy sector is responsible for approximately 60% of total GHG emissions in Nigeria, it is a mitigation priority, as outlined in the NDC (MoE, 2021). Among private actors, corporations were the key players in energy mitigation finance in Nigeria, providing equity for solar PV. Public sector investments were led by DFIs, who channeled finance for the construction of new power grids for renewable energy.<sup>24</sup> Compared to 2019/20, there was a notable increase in private actors' share of the energy mitigation finance landscape (73% compared to 34% previously), reflecting the increasing commercial viability of the sector.<sup>25</sup>

<sup>24</sup> Stakeholder interviews indicate that most of the projects have been poorly constructed and/or maintained yielding ineffective uses of public finance.

<sup>25</sup> This largely reflects three large solar PV deals across 2021/22, including the Gezhouba Lagos Solar PV Plant.

**Figure 9:** Mitigation finance to the energy sector

**Despite the relative dominance of energy mitigation finance, energy access remains a critical challenge for Nigeria.** Nigeria's low electrification rates (60%) and rapid population growth present a major opportunity for investment in renewable energy. However, a realistic scenario is that the energy gap will be filled in the medium-term via growth in fossil gas and expanding fossil fuel infrastructure ([Budget Office of the Federation, 2025](#)). To avoid carbon lock-in and to achieve Nigeria's target of net zero emissions by 2060, there is a pressing need for investment in renewable energy. Investment priorities for the Nigerian energy sector can broadly be categorised as: (i) strengthening the transmission and distribution (T&D) system, before increasing capacity; stimulating private sector investment in off-grid renewables, based on the observation that the grid is weak and does not serve many last-mile communities; and (iii) investing in public services (schools; hospitals) and their associated energy systems. Solar PV will be especially important, given the country's location in a high sunshine belt.<sup>26</sup> It is estimated that Nigeria's annual solar energy capacity is 27 times its fossil fuel capacity, and 115,000 times the electrical power it currently generates ([MoE, 2021](#)). Moreover, Nigeria can tap into continental renewable energy initiatives such as the AfDB's *Desert-to-Power* project, which aims to provide electricity to 250 million people in the Sahel, including Nigeria ([AfDB, 2024](#)).

**Currently, Nigeria's import dependency for renewable technologies such as solar panels and energy storage systems results in relatively high costs for related projects.** For the growth of renewable energy, it is imperative to create a strong enabling environment with the right incentives (for example, preferential tax treatment or subsidies), as well as kickstarting demand (for example, through government green procurement schemes). Programs such as the Africa Renewable Energy Manufacturing Initiative (Africa REMI) are helping domestic manufacturers focused on solar PV, battery and e-mobility technologies ([SEforALL, 2023](#)). Other initiatives in Nigeria include All-On, the (Shell-funded) 100MW solar PV assembly factory in Lagos to increase self-reliant energy production in the region ([AEP, 2023](#)), and the recent establishment of a lithium processing unit in Nasarawa State for the provision of raw materials for solar energy production and storage ([AfDB, 2024](#)).

**Given the shortcomings of Nigeria's electricity grid, and the country's positioning in a high sunshine belt, decentralized (solar-powered) off-grid solutions offer high potential for closing**

26 In fact, a key inhibiting factor is availability (or affordability) of land For solar PV installation.

**the energy access gap, particularly among last-mile, rural communities.** In this study, USD 25.5 million was tracked as off- or mini-grid mitigation finance in Nigeria, most of which was provided as market-rate debt from private actors. Other instruments used to finance off-grid included grants (29%) and project-level equity (28%). Indeed, Nigeria has a comparatively strong enabling environment for mini-grids and off-grid systems ([World Bank & ESMAP, 2022](#)), with the Rural Electrification Agency responsible for various off-grid electrification strategies and implementation plans. However, evidence suggests existing investment programmes encouraged over-sized mini-grids that were not, in fact, economical in Nigeria,<sup>27</sup> while steep upfront costs and currency fluctuations are two persisting challenges to off-grid investments in Sub-Saharan Africa generally. Nonetheless, there appears to be growth in the number of off-grid market players offering pay-as-you-go (PAYG) financing models in West Africa, including Nigeria ([TC, 2022](#)). Overcoming substantial affordability constraints via these innovative consumer financing models is essential to broaden access to off-grid solutions, which offer lower operating costs than diesel generators.<sup>28</sup> Switching from generators to renewable-powered off-grid systems will also reduce air pollution and the associated adverse health outcomes for Nigerian people.

**Other key action points for mitigation include methane abatement by reducing gas flaring, which is highly prevalent in Nigeria.** Methane is a potent GHG whose global warming potential is much higher than carbon dioxide in the short term. Released through activities such as gas flaring (see Box 4), there is a need for dedicated methane reduction policies. Recently, the Nigerian Upstream Regulatory Commission issued guidelines on the reduction of methane emissions from the oil and gas sector in order to achieve the country's targets of eliminating routine gas flaring by 2030 and a 60% reduction in fugitive emissions or leakage by 2030 ([NUPRC, 2022](#)). These measures make Nigeria the first African country to develop regulations to curb methane emissions from the oil and gas sector and are seen as a key milestone in the country's climate policy landscape.

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<sup>27</sup> Stakeholder interviews.

<sup>28</sup> Approximately 40% of all electricity consumed in Nigeria is produced by diesel-powered backup generators (AfDB, 2024), while households/SMEs spend 2-3 times more on kerosene, diesel, and petrol than they do on grid-based electricity ([Roche et al., 2019](#)).



**Box 4: Gas flaring**

Gas flaring is common during oil production or industrial activities as a means of reducing pressure for a variety of safety, emergency, technical (lack of transport options) or economic (insufficient production at scale) reasons. Flaring is the burning of methane (thereby converting it to CO<sub>2</sub>), contributing to global warming, ozone layer depletion, and acid rain ([APRI, 2025](#)). In addition to wasting energy, contributing to climate change, polluting water, and damaging crops, flaring is dangerous for human health, inducing adverse health outcomes among communities living in Nigeria's oil-producing regions ([World Bank, 2022](#)).

Nigeria ranks seventh in the world in terms of total volume of gas flared, with approximately 40% of the gas produced from crude oil in Nigeria currently flared ([AfDB, 2023](#)). Ending gas flaring has been identified as a key measure for delivering on the Government's 2060 Net Zero target and offers low-hanging fruit in terms of abatement potential relative to investment cost. Estimates suggest USD 1.96 billion is needed to end gas flaring by the target date of 2030 ([Society for Planet & Prosperity, 2023](#)). This compares favorably against the annual financial losses from flaring in Nigeria, estimated at USD 2.5 billion ([ERA & Friends of the Earth International, 2019](#)).

While Nigeria made some progress in reducing gas flaring between 2000 and 2018 ([The Climate Group, 2020](#)), related to the Government's Gas Flare Commercialization Programme (NGFCP), the NGFCP has been subject to delays. The program resumed in 2022 with a renewed impetus on the commercialization and utilization of gas, with harsher penalties for flaring included in the Petroleum Industry Act (2021). Typically, existing international climate finance – as defined by international donors – does not support such mitigation activities in the oil and gas sector, despite the abatement potential and positive cost-benefit ratios they offer for countries like Nigeria.

**Compared to 2019/20, there was an uptick in low-carbon transport investment in 2021/22.**

The transport sector received USD 215 million or 18% of mitigation finance, doubling the investment level recorded in 2019/20, mostly for rail and public transport (57%). While there are a lot of rail projects in the pipeline, they are not, however, moving towards quick implementation on the ground, with the Nigerian Railway Corporation (NRC) perceived as unreliable. On a more positive note, the electric two-and three-wheelers (or "keke") market offers strong growth potential in Nigeria; for example, the electric keke initiative in Kano State, supported by FCDO-LINKS, piloted an ecosystem-approach to developing the market and vital charging infrastructure, with potential for this to become a viable carbon market project. Notably, in 2023, Nigerian (petrol) fuel subsidies were removed almost overnight as a macro-economic lever to tackle the ballooning budget deficit. This was a contentious political move that, in effect, leveled the playing field for low-carbon transport investments. However, in the context of double-digit inflation and given that subsidy removal tripled fuel prices—in turn, increasing the cost of food and transport—this approach highlights the need for just transition policies to alleviate any fallout from climate-positive fiscal policies.

**Nigeria has seen little-to-no tracked<sup>29</sup> mitigation finance for buildings and energy efficiency despite the strong need for low-carbon buildings and existing housing shortages.** Low-carbon buildings can match the commercial viability of conventional construction if approached innovatively. However, political, financial, and market readiness barriers, along with perceived investment risk, hinder their development ([CCFLA, 2023](#)). Currently, the absence of an effective enabling environment with green building standards or certifications undermines mainstreaming of green buildings, while the government could also leverage its purchasing power through green procurement schemes. Indeed, with a predicted need for 700,000 new housing units by 2050, greening the building sector—with adequate energy efficiency standards therein—will be an essential prong of mitigation action in Nigeria ([CCFLA, 2023](#)).

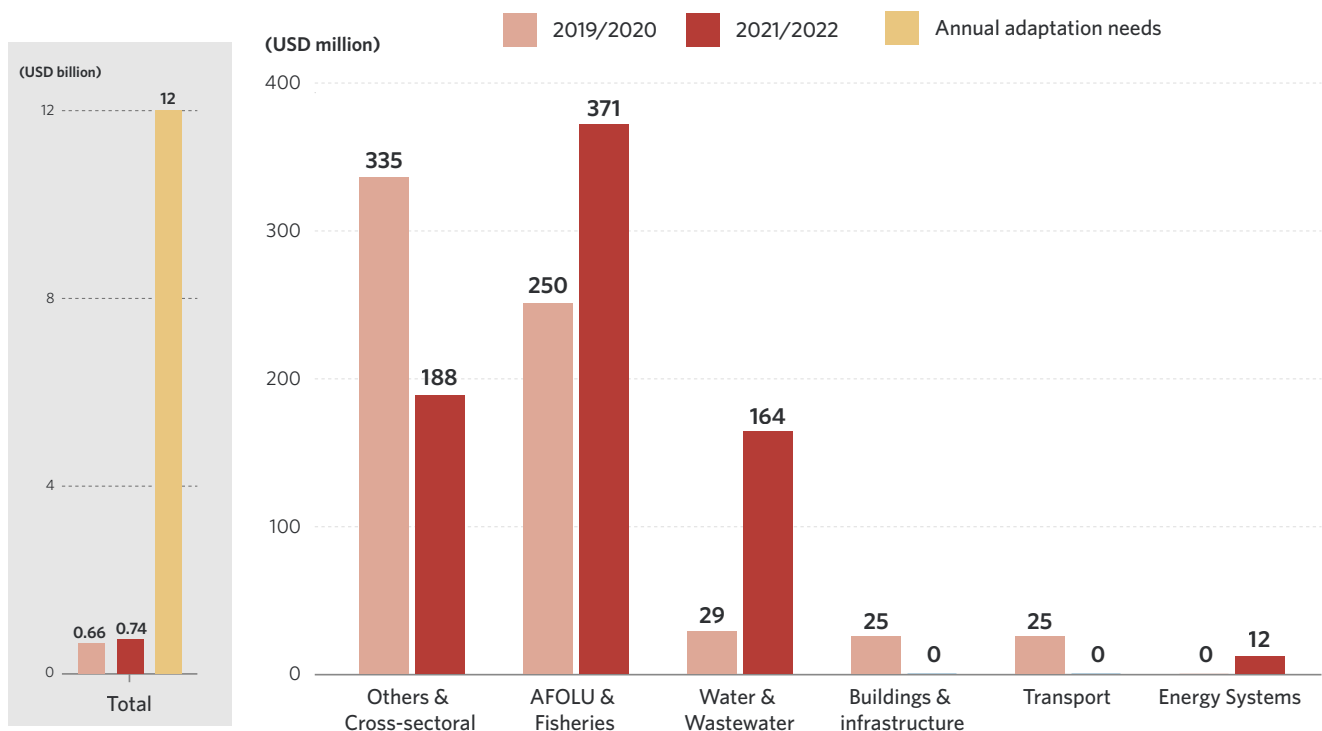
**Industry and waste continued to receive negligible mitigation finance despite their contribution to emissions in Nigeria.** Industrial processes and product use (IPPU) and waste are both considered priority mitigation sectors under the NDC, contributing 5% and 9%, respectively, to total GHG emissions in the country ([Ministry of Environment, 2021](#)). However, over the last four years, neither sector has received any material tracked mitigation finance illustrating an important gap in the Nigerian climate finance landscape. There are opportunities for waste-to-energy conversions (producing biogas) and circular economy initiatives, which Nigeria could pursue subject to sufficient technology transfer, access to mitigation finance, and public-private partnerships.

## 2.2.2 ADAPTATION

**Despite escalating climate change impacts across the country and the associated costs to GDP, adaptation finance saw limited growth in 2021/22, reaching USD 735 million, or only 6% of Nigeria's annual adaptation finance needs.** The country is still in the process of formulating its NAP; however, as outlined in the NDC, adaptation for Nigeria will primarily center around agriculture and food security, as well as responding to water stress (floods, droughts, and sea-level rise). It will also mean ensuring all new and future infrastructure (whether for transport, energy, or buildings) is designed with climate-resilient principles, avoiding maladaptation and building the resilience needed to respond to (anticipated) climate risks. Inadequate adaptation or maladaptation will result in painful losses and damages to Nigerian assets, ecosystems and people alike, emphasising the case for building resilience and adaptive capacity in the short-term, as well as the need to “build back better” (ensuring resilient reconstruction) in the aftermath of a climate shock.<sup>30</sup>

<sup>29</sup> Noting that investments in the sector are notoriously difficult to track, given limited data coverage of private building investments.

<sup>30</sup> One estimate puts loss and damage finance needs in Nigeria at USD 70.3 billion between 2020-2030 ([AfDB, 2022](#))

**Figure 10:** Adaptation finance by sector vs. needs

**Half of Nigeria’s adaptation finance was channeled to the AFOLU and fisheries sector (USD 371 million).**

Within northern Nigeria, agriculture is particularly vulnerable to climate variability and extreme heat, with the greatest vulnerability during the growing season (IFPRI, 2023). Smallholder farmers, who dominate the sector, are already employing various adaptation strategies to cope with these threats, including diversifying their crops and income sources, expanding livestock holdings, and adjusting agricultural inputs (IFPRI, 2023). In 2021/22, the bulk of Nigeria’s tracked AFOLU adaptation finance (69%, or USD 257 million) came from the World Bank-funded Agro-Climatic Resilience in Semi-Arid Landscapes (ACReSAL) project. This project, located in northern Nigeria, combines dryland management with integrated watershed management, community climate resilience-building, institutional and policy support, and a contingent financing mechanism for emergency response to disburse funds during a crisis (World Bank, 2024). Other key adaptation strategies for the sector will include the uptake of drought-resistant seeds and the widespread adoption of small-scale (ideally solar-powered) irrigation techniques. These are currently lacking across Nigerian agriculture, which is instead reliant on rain (IFPRI, 2018).

**Water and wastewater adaptation finance grew significantly in 2021/22 but remains minimal in absolute terms (USD 164 million) and relative to the scale of water stress throughout the country.**

A considerable portion of the population is at risk of water stress, with less than 40% having direct access to potable water (MoE, 2021). Indeed, water scarcity is most pronounced in northern Nigeria, where Lake Chad has largely receded beyond the country’s borders. In addition, a general lack of infrastructure combined with poor urban planning accentuates flood risk throughout the country, but particularly in Lagos and other coastal cities (USAID, 2021). There are indications that water insecurity, combined with related food insecurity, has been linked to conflict in the northern region, including the ongoing Boko Haram insurgency. Almost all of Nigeria’s tracked water and wastewater adaptation finance was provided by (international) DFIs,

tagged as improving water supply infrastructure efficiency to reduce water losses and associated vulnerability to water shortages (USD 162 million). It has been observed that while there is relatively high readiness in the water resources management sector (underpinned by a quality project pipeline), there is low absorptive capacity amongst sub-national government actors for receiving finance.<sup>31</sup> Indeed, overall, only USD 1 million was tracked in water-related policy support and capacity building. Moreover, minimal tracked disaster risk management finance in 2021/22<sup>32</sup> demonstrates that the financing gap for addressing flood risk is a major feature of Nigeria's adaptation landscape. While subnational initiatives are emerging in this regard—for example, Jigawa State's recent announcement of a Permanent Flood Disaster Emergency Trust Fund ([Daily Trust, 2024](#)); and the Lagos State Climate Adaptation and Resilience Plan (LCARP)—much more needs to be done, particularly in terms of anticipatory adaptation (see *Box 5*), including the provision of adequate early-warning systems.

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## The financing gap for addressing flood risk is a major feature of Nigeria's adaptation landscape.

**Little-to-no adaptation finance was tracked for climate-resilient infrastructure in the key sectors of energy systems, buildings, transport, and industry.** Aside from a minimal USD 12 million for climate-proofing energy systems, no adaptation finance was tracked to these sectors. Given Nigeria's current and expected industrialization and urbanization, all new and future infrastructure must be designed with climate resilience in mind. To that end, it will be important to mainstream climate risk assessments into planning and project design—whether by public or private actors or in PPPs. Additional data and technical capacity are needed to conduct evaluations of exposure, sensitivity, and vulnerability to prospective climate hazards. A variety of so-called grey, green, blue, and hybrid solutions are available to deliver climate-resilient infrastructure including, for example, integrating green vegetation into building facades to induce cooling or on roofs to decrease stormwater runoff ([PPIAF, 2023](#)). Where Nigeria lacks the experience or capacity to implement such solutions, there is scope for peer-to-peer learning (for example, learning from Dutch companies on how to tackle sea-level rise) and a need for technology transfer, which may be facilitated by governments and international climate finance providers.

### Box 5: Anticipatory adaptation

Anticipatory action has historically been associated with humanitarian assistance, a means through which to avoid or minimize the prospective losses and damages that arise from crises, whether related to food insecurity, health, conflict, or adverse weather events. In the climate context, it means anticipating a climate shock or stress and acting in advance of it to reduce exposure and vulnerability to the hazard (for example, drought, flooding, or a heatwave).

<sup>31</sup> Stakeholder interviews.

<sup>32</sup> Tracked as 'Other & Cross-sectoral' adaptation finance

Anticipatory adaptation is emerging as a cost-effective use of (public) climate finance. For example, a [2018 USAID study](#) found that, in the context of drought, every USD 1 invested in early response and resilience-building could save approximately USD 3 in humanitarian aid later. Pursuing locally led, anticipatory action will be essential for Nigeria to build resilience to escalating climate risk, which largely translates into either too much water (flooding and sea-level rise) or not enough water (drought). Key measures will include early-warning systems and communicating information on how a prospective climate shock is expected to evolve. In other sub-Saharan African countries, national safety net platforms have been leveraged by international donors to deliver early cash transfers to vulnerable populations, thereby mitigating the adverse impacts of predicted failed rainy seasons, including food and livelihood insecurity ([GCA & CPI, 2023](#)). Given the current and expected lack of dedicated loss and damage finance, anticipatory adaptation is essential for Nigeria to avoid or minimize losses and damages arising from climate change, whether in relation to assets, ecosystems, or human lives and health outcomes. Indeed, anticipatory adaptation could be a major opportunity for concessional financing with (agricultural-relevant) studies indicating every USD 1 dollar invested can create a return of more than USD 7 dollars in avoided losses and added benefits (FAO, 2021).

Actors seeking to pursue anticipatory adaptation in Nigeria may learn from existing financial mechanisms used to deliver anticipatory humanitarian assistance. For example, forecast-based financing enables early access to humanitarian funding based on in-depth forecast information and risk analysis, determining specific thresholds that need to be breached for subsequent disbursement of funds ([GCA & CPI, 2023](#)). In 2022, a pilot run by GiveDirectly channeled remote cash transfers to survivors in northern Nigeria as soon as a major flood began, with other anticipatory payments trialled in Mozambique *before* flooding hit ([GiveDirectly, 2023](#)). Building capacity and collecting the data required for forecasting will be an essential step towards implementing anticipatory adaptation.

### 2.2.3 DUAL BENEFITS

**Finance tagged as delivering dual benefits—for both adaptation and mitigation—accounted for 20% of Nigerian climate finance, or USD 497 million.** Investing in activities with dual benefits is a means of ensuring effective use of scarce climate finance, simultaneously reducing emissions and building adaptive capacity. Most dual benefits finance in Nigeria (80%, or USD 393 million) was for the AFOLU and fisheries sector, reflecting the opportunities for climate-smart agriculture and sustainable resource management, including afforestation and reforestation activities. Indeed, in its NAP Framework, the Government has already indicated the potential for pursuing ecosystem-based approaches for delivering dual benefits ([MoE, 2020](#)). In addition to rural AFOLU contexts, nature-based solutions can be integrated into urban spaces, for example, green buildings or mangrove-based flood defenses, with the potential to deliver a wider array of social benefits, including improved air quality. This is particularly important for Nigeria, which currently ranks 159<sup>th</sup> out of 180 countries for poor air quality ([EPI, 2024](#)). Finally, investing in energy-efficient cooling systems will be important for climate action in Nigeria, as the incidence and duration of heat waves grow, particularly in large urban areas exposed to urban heat island effects. Nigeria is already the largest and one of the fastest-growing markets for cooling products in Africa ([FSD Africa, 2022](#)). However, Nigeria is at risk of importing cheaper air conditioning

systems that utilize short-lived climate pollutants, given the current dumping observed in the market following EU regulations to phase out fluorinated gases.

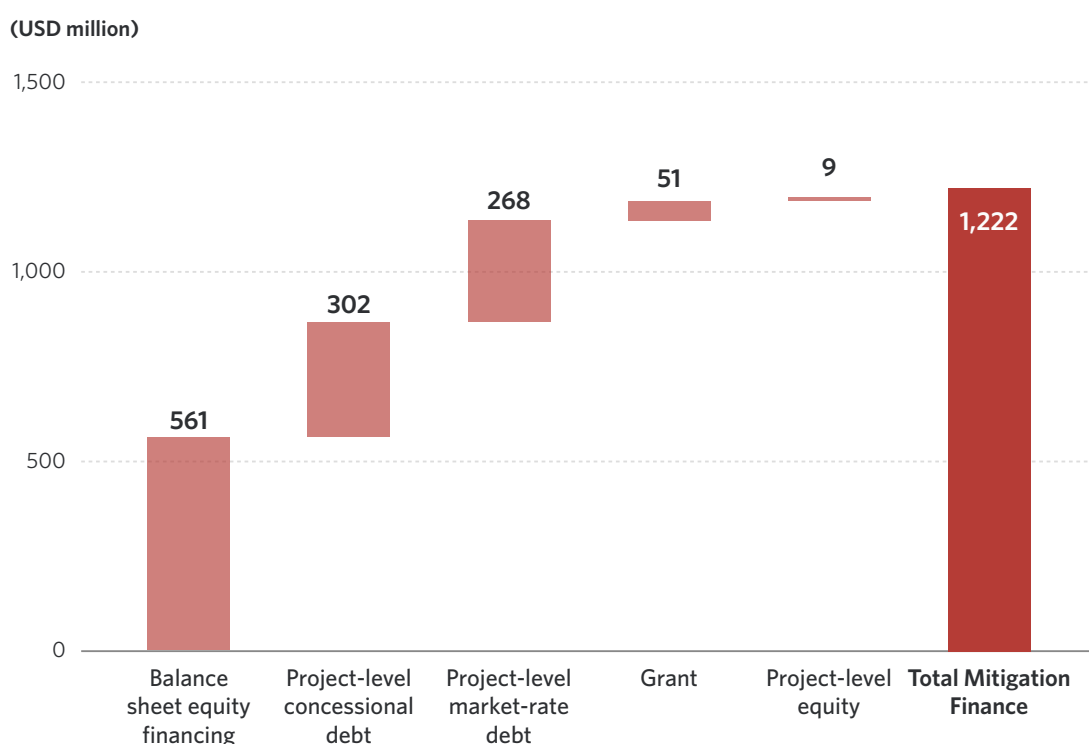
## 2.3 INSTRUMENTS

**International public climate finance—which accounted for 68% of Nigeria's total climate finance in 2021/22—was largely channeled as concessional (54%) and non-concessional (35%) debt.** Heavy reliance on debt to finance climate action raises concerns, given the country's already-substantial debt burden.<sup>33</sup> At a more granular level, mitigation finance is channeled via a wider range of financial instruments, largely reflecting the commercial maturity of renewable technologies, compared to adaptation, which is dominated by public debt (78%).

### 2.3.1 MITIGATION INSTRUMENTS

**Investments by a mix of public (49%) and private (51%) actors contribute to a relatively wide range of mitigation finance instruments in Nigeria.** Equity accounted for 47% of total mitigation finance, largely reflecting corporates investing in renewable energy. Meanwhile, mitigation debt financing was spread across a wider range of sectors; primarily energy systems as well as transport and AFOLU.

**Figure 11:** Mitigation finance instruments



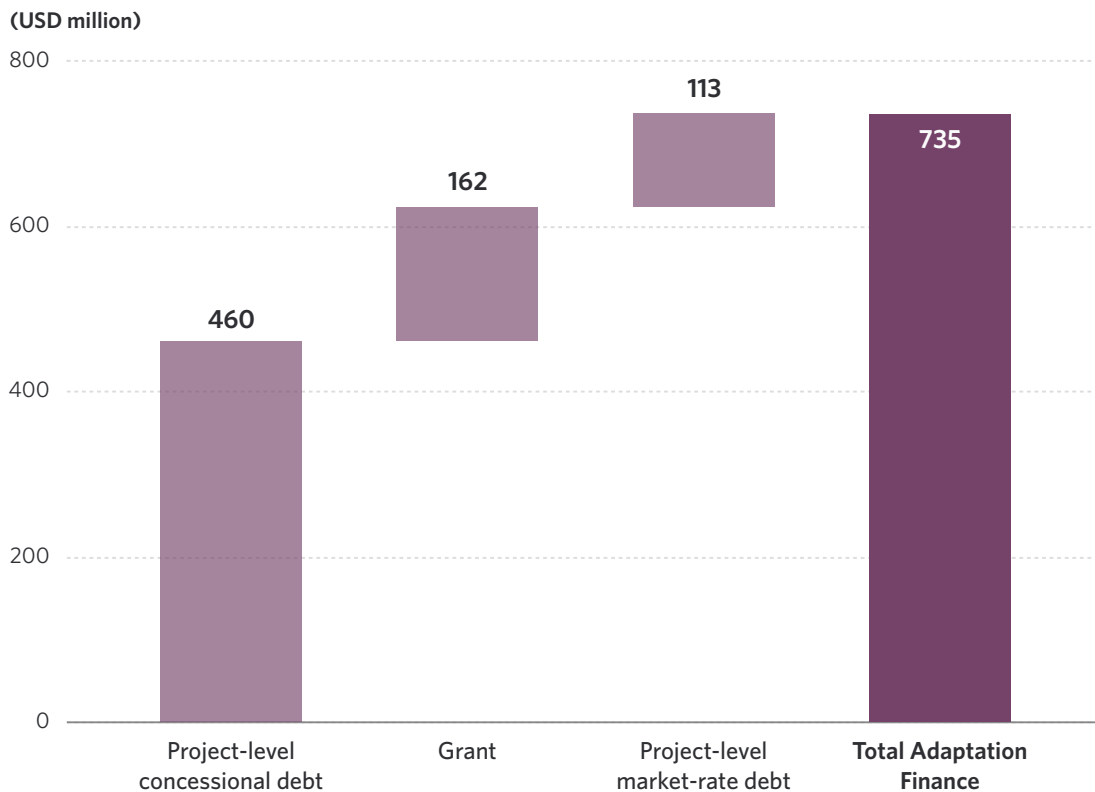
<sup>33</sup> Over 80% of the country's revenue is being used to settle or service debt ([Heinrich Böll Stiftung, 2023](#)).

**Green bonds are gaining traction for scaling climate action.** In 2017, FSD Africa initiated the Nigerian Green Bond Programme to facilitate the development and growth of a domestic green bond market. This initiative pools licensed verifiers, building the pipeline of green investments and engaging with potential investors while developing an issuance framework and guidelines for the use of proceeds ([FSD Africa, 2023](#)). As a result, Nigeria became the first African country to issue a sovereign green bond, raising USD 26 million in 2017. Due to the creation of an enabling environment that fosters collaboration between public and private actors, Nigeria's green bond market grew to USD 136 million by 2021 ([NIPC, 2021](#)), mostly focused on small-scale renewable energy projects. In addition, a USD 250 million sovereign green bond issuance was planned in 2024. However, in order to further develop the market, there is a need for better quality project design and a stronger pipeline, MRV systems, and higher buy-in amongst a broader range of domestic financial actors ([African Climate Wire, 2024](#)).

**Beyond traditional financing structures, more innovative solutions can be explored.** For example, results-based financing (RBF) involves tying the receipt of funds to the achievement of a pre-defined and verifiable result. The World Bank's Global Partnership for Results-Based Approaches (GPRBA) has used this instrument in other African countries, including Kenya and Ghana, to unlock commercial finance for development goals. Overall, GPRBA funding was able to generate co-financing of USD 3 for every dollar invested and could be replicated in Nigeria ([World Bank, 2019](#)). More specifically, in Kenya, a commercial bank used RBF for the provision of water and sanitation services through lending to a water utility; while in Ghana, an RBF-grant was used to increase the demand for urban household sanitation by incentivising contractors to provide toilets to low-income households. Overall, RBF-based financing can be especially useful in Nigeria to establish and improve institutional capacity and strengthen infrastructure set-up ([World Bank, 2019](#)).

### 2.3.2 ADAPTATION INSTRUMENTS

**Adaptation finance continued to rely heavily on debt, underscoring the need to explore innovative financial instruments to stimulate investment in resilience.** Nigeria faces a large debt burden of USD 91.5 billion, with external debt servicing costs amounting to USD 2.8 billion in the first half of 2024 ([National Bureau of Statistics, 2024](#)). The country's debt has reached 37% of GDP, nearing the government's self-imposed 40% limit, raising concerns about the sustainability of further debt-financed investments ([Reuters, 2023](#)). This is particularly concerning in the context of adaptation finance, which is dominated by debt (78%).

**Figure 12:** Adaptation finance instruments

**Against this backdrop, exploring innovative financing options that do not worsen debt distress will be important for adaptation in Nigeria.** For example, in the appropriate circumstances, debt-for-climate swaps may alleviate the debt burden while simultaneously advancing climate goals. In such a swap, part of a country's debt is forgiven in exchange for commitments to invest in climate-related projects. However, the growth of adaptation finance also hinges on attracting private finance into the mix. This would require creating an enabling environment that de-risks investments and compensates private investors for the non-market benefits associated with adaptation and resilience-building. Experience designing innovative adaptation instruments in the [Global Innovation Lab for Climate Finance](#) indicates that the most successful adaptation instruments overcame key barriers through strategic structuring—managing high upfront costs, slow fundraising rounds and high perceived risk—including through dedicated pre-development funds or TA facilities, revolving funds (to efficiently recycle limited capital) and blended finance (de-risking investments using concessional capital) ([Richmond, 2024](#)). In addition, the insurance sector will have a key role in facilitating adaptation in Nigeria; providing cover for those exposed to climate risk, especially in an agricultural context.<sup>34</sup> Studies indicate that there is a need to raise awareness of the possibilities for and effectiveness of insurance among Nigerian farmers, as well as a supportive enabling environment that can help build out the market ([Madaki et al., 2023](#)). Currently, climate change is posing a systemic risk for countries like Nigeria with insurers growing increasingly concerned about their own exposure.

<sup>34</sup> For example, NIRSAL (Nigeria Incentive-based Risk Sharing System for Agricultural Lending) specialises in agricultural risk management, wholly-owned by the Central Bank of Nigeria and established in collaboration with the Federal Ministry of Agriculture and Rural Development.



## 3. CHALLENGES FOR CLIMATE FINANCE IN NIGERIA

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In light of the findings in Section 2, and informed by interviews with expert stakeholders, the following have been identified as key barriers and challenges to scaling climate finance in Nigeria.

### A. AFFORDABILITY OF FINANCE

**The high cost of capital continues to stifle domestic and international climate investment in Nigeria.** Aggravated by the country's worsening macroeconomic situation and related currency devaluation, the affordability of finance is a key issue for entrepreneurs seeking investment generally, and more so for climate projects, which are often perceived as riskier. Given that few international climate finance providers lend in local currency, a volatile foreign exchange rate is challenging for project developers who are generating revenue in local currency but making debt repayments in (harder) foreign currency. Our analysis showed that, in 2021/22, 79% of Nigeria's total international climate finance was provided as debt, almost half of which was lent on non-concessional terms. This is a harsh reality for a country that already spends over 80% of its revenue on settling or servicing debt, with only 20% of its revenue remaining for vital social services and development ([Heinrich Böll Stiftung, 2023](#)).

### B. BANKABILITY OF PROJECTS

**Limited supply of bankable projects—with sufficient scale and ticket size—deters investors from financing mitigation and adaptation.** Nigeria has long been recognized as an innovative and entrepreneurial hotspot in sub-Saharan Africa and among EMDEs more broadly ([GEM, 2013](#)). However, in the climate context, the country suffers from a lack of bankable, investment-ready projects; that is, there is often a mismatch between financial and technical project objectives. Indeed, technical project developers often cannot clearly articulate the business case with clear revenue streams, which hinders proposals from securing initial finance and progressing to implementation. Moreover—aggravated by the infrastructure gap that reduces the ease of doing business—project transaction costs are high while ticket sizes are small, with low potential rewards. Taken together, many prospective investors do not see the merits of financing climate action (particularly adaptation which often has more public good characteristics), compared to the relative attractiveness of low-risk government securities ([UNEP, 2018](#)).

## C. CAPACITY, SKILLS & AWARENESS

**A general lack of awareness and understanding of the implications of the climate crisis, as well as the skills and capacity needed to address it, hinders the mainstreaming of climate action.** Quantitatively, tracked climate finance for *policy, national budget support & capacity building* increased by approximately 20% in 2021/22, starting from a low base in 2019/20 (USD 125 million). While awareness of and strategies for addressing the climate crisis are broadly institutionalized among the Federal Government, these have not sufficiently trickled down to other actors, such as subnational governments, the private sector, and civil society who are preoccupied with other, more immediate concerns. Indeed, a study indicated that some Nigerian stakeholders perceived sustainability as an international concept or something that would damage financial performance ([UNEP, 2018](#)). Sensitizing people to the nature and implications of the climate crisis is essential to generate and sustain a whole-of-society approach with positive feedback loops for demand and supply. Raising awareness of the impacts of climate change among those local communities already on the front line of the crisis and communicating the tangible benefits they may derive from anticipatory adaptation can be key steps toward catalyzing action. In addition, there will be a need for skills development and capacity building to meet the demands of green growth; for example, currently, a shortage of technicians for installation, operation, and maintenance of renewable technologies inhibits growth of the sector.

## D. DATA & DISCLOSURES

**Data gaps and limited disclosures impair a clear picture of progress and priorities for Nigerian climate action.** Data and reporting are essential aspects for all countries to measure and, in turn, better manage their progress towards climate targets, identifying gaps and opportunities therein. Notably, the recent launch of a Nigerian NDC Implementation Framework – structured around 19 outcomes, over 150 outputs and 300 key performance indicators, across several critical sectors – indicates progress with regard to data and MRV ([ICEED, 2024](#)). As does Nigeria’s announcement to be an early adopter of the recent International Sustainability Standards Board (ISSB) Sustainability Disclosure Standard ([AB, 2024](#)). However, another essential component currently lacking is institutionalized climate budget tagging to systematically track Federal budget lines that are allocated for mitigation or adaptation activities. In addition, various mitigation and adaptation initiatives are often predicated on certain data, monitoring, and evaluation requirements. For example, if Nigeria is to implement the proposals for a domestic carbon market,<sup>35</sup> or engage with the voluntary (off-setting) carbon market, there will be a need for robust emissions data (and MRV capacity) to validate mitigation outcomes. Conducting climate risk assessments—considering exposure and vulnerability to a particular hazard—is also highly data-intensive and requires technical capacity. More, and more granular, data and disclosures will help to reduce the information asymmetries that stifle investment in climate solutions.

<sup>35</sup> Included as part of the 2021 Climate Change Act, the inter-governmental committee on carbon market activation is considering both a carbon tax and emissions trading.

## E. EASY ACCESS TO TECHNOLOGY

**A lack of affordable or locally appropriate green technology inhibits the country from pursuing low-emissions, climate-resilient growth.** Currently, the absence of a domestic green industry means that Nigeria’s clean energy transition relies heavily on expensive technology imports – such as solar power components – from China, the US, and Europe, thereby worsening the trade deficit ([ODI, 2022](#)). Barriers that preclude access to technology include a lack of awareness of available technologies, bureaucratic hurdles, and complex intellectual property rights ([MoE, 2021](#)). The Government has recognized the importance of technology transfer for the country to deliver on its NDC targets and has already undertaken the initial steps towards conducting a technology needs assessment for mitigation and adaptation ([GCF & CTCN, 2021](#)). Adapting international technology to local conditions will be important, and there is also a need for peer-to-peer learning and knowledge exchange; for example, Lagos can learn how to cope with sea-level rise using technologies developed and used by other “sinking cities.” A challenge of global proportions, the lack of energy storage technology also continues to undermine Nigeria’s clean energy transition, given the intermittency of renewables like solar.

## F. FISCAL INCENTIVES

**Limited green fiscal incentives as well as the roll-out of pro-fossil fuel incentives undermines the impetus to invest in climate action.** Acknowledging the sudden and contentious end to consumer fuel subsidies in 2023, Nigeria does not yet have sufficient green incentives to stimulate investment at scale in the green transition ([PwC, 2022](#)). For example, while renewable energy equipment was added to the list of goods exempt from VAT in 2021, batteries for solar panels – which are the most expensive component of solar energy systems – are not included ([PwC, 2022](#)). Additionally, in 2024, the government implemented a slate of policy reforms and fiscal incentives to encourage investment in oil and gas projects ([AEC, 2024](#)). In order to deliver on the President’s ambition for Nigeria to become a leading green manufacturing hub, globally ([MoINO, 2023](#)), a wider toolkit of green fiscal incentives (including carbon pricing) should be initiated by the incumbent government.

## 4. OPPORTUNITIES FOR CLIMATE FINANCE IN NIGERIA

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The following opportunities and recommendations have been identified for delivering low-emission, climate-resilient growth in Nigeria.

### 1. STEP UP PROJECT PREPARATION SUPPORT

**Given the current absence of bankable project pipelines, relevant actors must step up project preparation support.** Funding pre-feasibility studies and early-stage design is essential to move project proposals toward implementation. Indeed, the Federal Government is looking to develop a Project Preparation Facility that can serve the country's interests rather than only preparing pipelines for specific donors. Such project preparation support may also be provided by international climate finance providers, the DBN, or the Government via a dedicated window of the National Climate Change Fund. Given the ongoing exercise to update the NDC by 2025, there is an opportunity to link government planning processes with project pipeline development. There is also a need for incubation programs that build out and integrate climate considerations into the business ideas of MSMEs. Particularly in larger cities, there is scope for aggregation which can yield revenue models that investors are more amenable to. Reviews of existing climate project preparation support indicate that investors are often absent from the project preparation ecosystem, and there is an important role for brokers or matchmaking between project developers and financiers to ensure quality proposals receive finance (CPI, 2023). A particular emphasis should be placed on building bankability of urban infrastructure resilience projects given Nigeria's urbanization trajectory.

### 2. ARTICULATE INVESTMENT-READY, WELL-INTEGRATED CLIMATE ACTION PLANS

**While the Nigerian Government has already produced various climate policies and action plans, these must be investment-ready and well-integrated with other national priorities.** Whether at the federal or state level, articulating robust, investment-ready climate action plans—for both mitigation and adaptation—that are anchored in economically material priorities of the country is an essential prerequisite for implementation. They serve an important signaling function to other actors, including the private sector, regarding future priorities and investable opportunities. For example, this could take the form of specific targets for market growth in the solar energy sector (including relevant measures for energy sector reform), better linking the ETP with the NDC. It is important that these plans are costed by sector and, ideally, underpinned by relevant enabling policies along with a pipeline of bankable, example projects.

The ongoing revision of the NDC for submission in 2025 presents an opportunity to ratchet up ambition while providing further detail on finance needs per sector or specific solution. It is also essential that Nigeria now establishes a NAP, outlining options or priorities for ensuring the resilience of Nigerian people, their homes, and the infrastructure and ecosystems upon which the economy depends.<sup>36</sup> Parallel to planning processes, there should be adequate MRV systems and capacity to track and monitor progress moving forward. Overall, there is also scope for better integrating these climate action plans with other existing national development plans, including the Nigeria Agenda 2050, to capitalize on synergies and to avoid trade-offs.

### 3. OPERATIONALIZE THE NATIONAL CLIMATE CHANGE FUND

**Following the recent completion of technical proposals, it is essential to now operationalize the National Climate Change Fund.** This will require intra-government coordination between the NCCC and the Ministry of Finance as well as external engagement and coalition-building with other key actors, including international climate finance providers, the Nigeria Sovereign Investment Authority (NSIA) and the Development Bank of Nigeria (DBN). The proposed Fund could offer an effective institutional arrangement for accessing, coordinating, and ultimately mobilizing additional climate finance in Nigeria. It could also be a means through which to provide transparency to donors. It is important to ensure that such a Fund is designed with strong governance and accountability frameworks, and there should be channels that facilitate direct subnational access to funding. Equally important will be clarifying the contributor base, which could cover a range of sources, including corporation tax, proceeds from a carbon market, redirection of fossil fuel subsidies, budget lines, and international climate finance. There is scope for peer-to-peer learning to better understand how other countries have operationalized their own national climate change funds<sup>37</sup> and any lessons learned or best practices regarding fund design and governance. Finally, in addition to funding climate-positive projects, the National Climate Change Fund could provide a platform and finance for activities such as ending gas flaring or ensuring a just transition in Nigeria and mitigating the adverse effects of the fossil fuel phase-out for impacted workers and communities.

### 4. BUILD NIGERIA'S DOMESTIC GREEN INDUSTRY

**Subject to adequate technology transfer, there is an opportunity to build Nigeria's domestic green industry, moving away from import dependence while creating jobs for a growing population.** Especially given Nigeria's status as an entrepreneurial hotspot on the continent, there is an opportunity to localize green value chains, for example, the opening of a solar panel factory in Lagos ([AEP, 2023](#)), the plans for scaling green and blue hydrogen production ([CCCCD & IDDRI, 2024](#)), and the ongoing Africa Renewable Energy Manufacturing Initiative (Africa REMI). The electric two- and three-wheeler (keke) market presents another major opportunity for import substitution. Nigeria, which is Africa's largest importer of motorcycles, has a chance to develop a regional market with green jobs in transport and manufacturing, provided the right incentives are in place ([AfDB, 2023](#)). Net-zero buildings present yet another opportunity, especially given Nigeria's urbanization trajectory paired with current housing shortages ([CCFLA,](#)

<sup>36</sup> To this end, a useful reference is the Lagos State Climate Adaptation and Resilience Plan (LCARP), launched in 2024.

<sup>37</sup> For example, Nigeria could seek to learn lessons from Rwanda's Green Fund (FONERWA).

2023). With effective financial de-risking mechanisms, combined with access to concessional finance, technology transfer, skills development, and a hospitable enabling environment, Nigerian entrepreneurs will have the opportunity to build green industry across a range of sectors, generating various green jobs for a growing population. In parallel, there must be training and capacity development through education programs so as to ensure a workforce that may participate in these emerging sectors.

## 5. PRIORITIZE ANTICIPATORY ADAPTATION

**Nigeria must prioritize anticipatory adaptation today—working directly with communities on the front line of the crisis—to minimize loss and damage later.** The country is highly vulnerable to the impacts of climate change, and current adaptation finance flows account for only 6% of the estimated annual needs. Scaling anticipatory approaches to multi-hazard shocks will require more forecasting capacity and early-warning systems. Empowering local communities to ensure that they have agency over the design, monitoring, and evaluation of adaptation activities is an important component (APRI, 2024), while social protection schemes can be leveraged to deliver transfers prior to, or immediately after, a climate shock. Another crucial strategy will be mainstreaming climate risk assessments into all new and future infrastructure projects. This will include climate-proofing roads, transport options, energy systems, and buildings to anticipate climate risks. In this regard, Nigeria can look to other countries or cities facing similar climate shocks or stresses, to learn from their approaches to climate-proofing infrastructure and assets. In addition to adaptation with public good characteristics, there is scope to embrace adaptation as a business opportunity for the local private sector; that is, adaptation out of self-interest. For example, all businesses—from large corporations to MSMEs—will need to climate-proof their value chains to reduce their own vulnerability to climate risk and ensure business continuity. To this end, climate risk needs to be better understood and valued within investment decisions, something that is explicitly explored in the LCARP. There is also scope for providing adaptation goods and services as new business offerings; for example, providing climate analytics data, agricultural irrigation equipment, flood defenses, or drought-resistant seeds. Where feasible, actors should pursue ecosystem-based approaches that promise to deliver a host of social benefits (for example, air quality improvements) in addition to adaptation and resilience-building.

## 6. PURSUE INNOVATIVE FINANCING APPROACHES

**There is a need for greater use of and access to innovative financing approaches that can tackle affordability constraints and unlock domestic capital.** Currently, tracked climate finance in Nigeria largely depends upon hard currency-denominated debt from international public actors with only limited equity funding to date. There is a need for innovative financing instruments or structures that can tackle affordability constraints (avoiding debt distress) and improve risk-reward equations to unlock capital from risk-averse domestic actors, particularly institutional investors. To that end, the following approaches demand further consideration by actors in the Nigerian climate finance landscape:

- a. **Risk mitigation instruments:** Offering guarantees or providing first-loss positions is now a recognized means of crowding in risk-averse private finance. Indeed, guarantees (from public actors) are rarely actually called upon and, therefore, offer a catalytic approach

without depleting limited resources, either applied to individual transactions/projects or, more innovatively, at a broader portfolio level, allowing recipients to leverage their balance sheets ([ODI, 2024](#)).

- b. **Local currency financing:** Given the difficulties posed by international debt financing for project developers, it is important that international financiers consider offering local currency financing, or making use of currency hedging mechanisms, where possible and as appropriate. These actors may also provide technical support for developing a local currency domestic debt market, particularly in relation to green bonds ([AfDB, 2023](#)).
- c. **Green bonds:** Nigeria's green bond market has been in development since the inaugural bond issuance by the Federal Government in 2017. With other successful issuances since then, including by a commercial FI (Access Bank), there is scope to further scale the domestic green bond market so as to unlock long-term, patient capital from the likes of institutional investors. International climate finance providers and domestic actors like DBN can help support the green bond market through capacity building (for adequately tracking and reporting on the use of proceeds) and multi-stakeholder engagement to build out the ecosystem; for example, augmenting the Nigerian Green Bond Market Development Programme ([FSD Africa, 2022](#)).
- d. **Debt-for-climate swaps:** Subject to high-level engagement from international governments and the IMF, in the appropriate circumstances, debt-for-climate swaps can free up much-needed fiscal space for climate action while also improving a country's overall balance sheet and credit rating ([ODI, 2024](#)). Foregone expenditures on debt servicing can be invested in climate mitigation or adaptation projects, using a results-based approach with key performance indicators to ensure robust outcomes ([IIED, 2022](#)). Nigeria can seek peer-to-peer learning from other countries in West Africa where debt-for-climate swaps have already been piloted ([IIED, 2022](#)).<sup>38</sup>
- e. **Pay-as-you-go consumer financing:** PAYG consumer financing models are essential for overcoming affordability constraints to green products. For example, off-grid solar energy solutions have relatively high upfront costs, but lower operating costs compared to business-as-usual backup generators. In such cases, PAYG financing enables poorer, often rural, households to pay for technologies in affordable instalments via mobile technologies, either under lease-to-own or usage-based fee structures ([IRENA, 2020](#)). In addition, PAYS (pay-as-you-save) models can enable building owners to invest in energy efficiency upgrades while avoiding prohibitively expensive upfront costs ([FSD Africa, 2022](#)).
- f. **Insurance:** Though the insurance regulatory body in Nigeria, the National Insurance Commission (NAICOM), encourages insurers to integrate ESG considerations into their operations, insuring against climate risk is yet to take off in Nigeria, largely due to a lack of awareness of the possibilities for and effectiveness of insurance (particularly in an agricultural context). By working both ex-ante (prior to a climate hazard) and ex-post (rebuilding in its aftermath), the insurance sector can contribute to preventative adaptation as well as resilient reconstruction, building back better in post-disaster contexts. This will be increasingly important as climate shocks such as flooding increase in Nigeria.

<sup>38</sup> African countries that have already piloted debt-for-climate swaps include Cabo Verde, Guinea-Bissau, Mauritania, and Senegal.

- g. **Carbon finance:** Nigeria has already established an Intergovernmental Committee on Carbon Market Activation to establish the frameworks and policies necessary for developing a carbon market, valued at USD 2.5 billion; that is, more than the total Nigerian climate finance tracked in 2021/22. Moreover, several states are interested in pursuing carbon markets to finance climate action. In addition to regulatory frameworks, public and private actors—project developers, brokers, philanthropies, and DFIs—can all work to establish the prerequisites for a high-integrity market; for example, there is a need for capacity-building to develop project standards, establish robust MRV systems, and facilitate trading platforms that will connect buyers with sellers. A key role for the government is to actively encourage, and crowd-in, high-integrity developers that can work with local communities to ensure equitable sharing of benefits, while there is also scope for offering government guarantees for credits to project implementation lenders.

## 7. BETTER INTEGRATE CLIMATE AND DEVELOPMENT PRIORITIES

**Pursuing development priorities through a climate change lens is both an imperative and an opportunity for Nigeria.** As in other EMDEs, Nigeria's development priorities include economic diversification, job creation, energy access, adequate water, sanitation and hygiene (WASH) services, quality housing and infrastructure, sustainable agriculture, and access to health and education. It is essential to factor climate risks and opportunities or co-benefits into investment decisions for these various development priorities. From a government perspective, there is scope to prioritize more integrated planning, for example, between the Energy Transition Plan, the National Development Plan (2021-2025), and the various UNFCCC submissions (NDC, NAP, and Long-Term Strategy (LTS)). In this regard, it is important to ensure subnational engagement, working with state governors to understand local development priorities and possibilities, and integrating climate change considerations therein; that is, ensuring credible climate action which is integrated, implementable and impactful, rather than imposing top-down climate agendas that focus on climate benefits as the sole outcome, in isolation of the wider (local) development context. Indeed, there needs to be more consistency between policy and reality, avoiding a disconnect between the two. For example, the recent announcement that Nigeria will be the headquarters for the Africa Energy Bank (AEB)—which will kickstart a new era of oil and gas financing across the continent ([African Energy Chamber, 2024](#))—is in direct conflict with the climate policies and plans emanating from Abuja. Overall, actors should instead seek to capitalize on and scale synergistic solutions that can deliver multiple benefits for the majority of Nigerian people, including climate action, protecting ecosystems, reducing air pollution, improving gender equality, and creating jobs. Better understanding the intersectionality of climate and economic vulnerability in Nigeria, and using that to inform national development planning, should be a priority moving forward.



## 5. CONCLUSION

Nigeria is at a critical juncture in its development: Investment decisions today will affect the country's emissions profile and vulnerability to climate risk for the remainder of the century. At the same time, there is high, and widening, socio-economic inequality across the country, which is a major source of tension and a driver of open conflict. It is, therefore, imperative that all actors work toward sustainable development, delivering on the Government's climate targets while building vital infrastructure and improving living standards for the population at large. To that end, the quantity and quality of climate finance will be key. This study has shown that, despite some advancement since the last stocktake of Nigerian climate finance in 2019/20, progress has been uneven across sectors. It also falls well short of estimated needs, for both mitigation and adaptation. Acknowledging the enduring challenges for climate finance in Nigeria laid out in Section 3, there are nonetheless various opportunities, as presented in Section 4, that can be implemented in the short term to build out the country's climate finance ecosystem and catalyze investment across the board, at the pace and scale required to deliver green, resilient growth throughout Nigeria.

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