

RESEARCH STUDY OF THE EXTRACTIVE SECTOR IN NIGERIA



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**EXTRACTIVE SECTOR
RESEARCH SERIES 2025**

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The Extractive Sector Research Series spans across Liberia, Nigeria, Zimbabwe, Zambia and Kenya uncovering how natural resource extraction is an opportunity for a feminist and just transition.

The series is part of ActionAid Denmark's Global Program on Climate Justice, and will be recurring, deepening the evidence and momentum for lasting change.

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ACRONYMS

AMGF	African Mineral Governance Framework
AMV	African Mining Vision
ASM	Artisanal and small-scale miners
BEPS	Base Erosion and Profit Shifting
CBN	Central Bank of Nigeria
CFA	Climate Finance Accelerator
CFRN	Constitution of the Federal Republic of Nigeria
CIT	Company Income Tax
CITA	Corporate Income Tax Act
CNG	Compressed Natural Gas
COP	Conference of Parties
CSO	Civil Society Organization
DRM	Domestic Resource Mobilization
EBITDA	Earnings before interest, taxes, depreciation, and amortization
EITI	Extractive Industries Transparency Initiative
ETP	Energy Transition Plan
ETS	Emission Trading System
FGN	Federal Republic of Nigeria
FIRS	Federal Inland Revenue Services
GCF	Green Climate Fund
GDP	Gross Domestic Product
GHG	Greenhouse Gas
HCDF	Host Communities Development Trust Fund
IOC	International Oil Companies
JOA	Joint Operations Agreements
JV	Joint Venture
LPG	Liquified Petroleum Gas
LT-LEDS	Long-Term Low Emission Development Strategies
MNC	Multinational corporations
MoU	Memorandum of Understanding
NCCC	National Council on Climate Change
NDC	Nationally Determined Contributions
NEITI	Nigeria Extractive Industry Transparency Initiative
NGFCP	Nigerian Gas Flare Commercialization Programme
NHT	National Hydrocarbon Tax
NMDPRA	Nigerian Midstream and Downstream Petroleum Regulatory Authority
NNPCL	Nigeria National Petroleum Corporation Limited
NURPC	Nigerian Upstream Petroleum Regulatory Commission
OGIC	Oil and Gas Reform Implementation Committee
OPEC	Organization of Petroleum Exporting Countries
PIA	Petroleum Industry Act
PPT	Petroleum Profit Tax
PSC	Production Sharing Contract
SCF	Standard cubic feet
VAT	Value-Added Tax
WHT	Withholding Tax
WPT	Windfall Profit Tax

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EXECUTIVE SUMMARY

Nigeria relies heavily on revenues from natural resources. The country ranks 2nd in Africa, 8th within the Organization of Petroleum Exporting Countries (OPEC) and 10th globally in terms of proven oil reserves. In 2023, oil and gas contributed about 70% of Nigeria's federal budget and 95% of its foreign exchange earnings, while the solid minerals contributed less than 1% of GDP.

In 2007, Nigeria accounted for roughly one-sixth of global gas flaring, making it the highest contributor to the country's greenhouse gas (GHG) emissions. At the same time, Nigeria ranks among the top 10 most climate-vulnerable countries and is already experiencing the adverse effects of climate change. As a result, it requires substantial climate finance to support the country's existing adaptation and mitigation efforts.

Nigeria has implemented several fiscal instruments in the extractive sector designed to boost domestic resource mobilization through increased revenue generation. The Petroleum Industry Act 2022 incorporates key principles from Pillar 3 of the African Mineral Governance Framework (AMGF), which is rooted in the African Mining Vision (AMV) and Action 4 of the Base Erosion and Profit Shifting (BEPS) Action Plan of 2015. Additionally, the Minerals and Mining Act of 2007 seeks to harness the potential of artisanal and small-scale miners as prescribed by Cluster 4 of the AMV.

Nigeria is confronted with a dilemma: Achieve the 2060 net-zero global carbon goal while also sustaining revenues from oil and gas needed for national development. This undermines Nigeria's ability to attract substantial climate finance and investment in the development of transition minerals. It also adds to the revenue losses caused by the weak implementation of fiscal regimes in the extractive sector.

With an annual climate finance gap of \$USD 27.2 billion in 2022, a debt-to-debt servicing ratio of 68% and a debt service-to-revenue ratio of 162% in 2024, Nigeria requires innovative mechanisms to mobilize climate finance.

It is therefore recommended that Nigeria explore carbon pricing, green bonds, climate risk insurance, while prioritizing public investment in Long-Term Low Emission Development Strategy (LT-LEDS) and encouraging private investment in sustainable development. The country should intensify actions toward exploring climate risk insurance, impact investing, payment for ecosystem services and emission trading system (ETS). It is further recommended that other climate finance options such as risk mitigation instruments, local currency financing, debt-for-climate swaps and carbon finance be considered.

Advocates should push for the implementation of provisions in key policies and legal instruments to increase Domestic Resource Mobilization (DRM) and the level of resources from the extractive sector available for climate action.

1. INTRODUCTION

Nigeria is a resource-rich country. Much of its economy depends on revenues from the extraction and trading of natural resources like oil and gas, and solid minerals, with the former playing a dominant role. Operations in the sector have long been dominated by multinational corporations (MNCs) and international oil companies (IOCs), largely due to the high capital, technical expertise and advanced technology required for exploration and extraction. As a result, the government faced limited capacity to negotiate favourable terms, attract sufficient investment and mobilize adequate revenue. This led to fiscal arrangements skewed in favour of the IOCs at the expense of the government's share of revenue. Additionally, the opacity and corruption risks that characterize the sector further affect government revenues.

We cannot mitigate the effects of climate change without an end to fossil fuels. This in turn creates uncertainty in the global oil market, with fluctuating demand for crude, which is impacting negatively prices and investments. There have been several divestments of interest by MNCs/IOCs. This has primarily affected onshore assets. In December 2024 TotalEnergies sold a minority share in a major Nigerian onshore oil joint venture to Mauritius-based Chappal Energies for USD 860 million; ExxonMobil's onshore oil and gas assets were divested to Seplat Energy Plc for approximately USD 1.28 billion; Eni closed a USD 783 million oil divestment deal with Nigeria's Oando for four onshore oil blocks; Equinor Nigeria Energy also divestment onshore assets Project Odinmin Investments for about USD 700 million; and Shell Petroleum Development Company closed a USD 2.4 billion onshore asset sale to Renaissance Africa Energy.

The environmental impacts of fossil fuel production and use of fossil fuels, combined with the effects of climate change and global warming, underscore the urgent need for an energy transition - shifting away from petroleum towards renewable and more environmentally friendly energy sources, or green energy.

This transition brings both challenges and opportunities. Natural gas is seen as a temporary bridge fuel, while minerals like lithium are key to producing renewable energy technologies.

Climate change can lead to flooding, droughts and irregular rainfall, which in turn can result in crop failure and increase the risk of food insecurity and contamination of water sources. The need to intensify climate action and mitigate, adapt, build resilience and meet commitments made in international climate conferences has become imperative.

There is also decline in foreign aid, and Nigeria is grappling with the weight of huge debts and dipping revenues. Accessing climate finance is a challenge and high-income countries are slow to commit funding to support less economically developed countries, as seen in the recent COP29. Domestic resource mobilization (DRM) is key if Nigeria is to reach its sustainable development aspirations. Maximizing the enormous revenue potential of the extractive sector presents an opportunity to meet this need, if harnessed properly.

2. THE EXTRACTIVE SECTOR IN NIGERIA

Overview

The extractive sector in Nigeria comprises oil and gas, as well as solid minerals. Nigeria is the largest producer of crude oil in Africa and has the 10th largest proven natural gas reserves globally.

Fig. 1: Nigeria extractive sector at a glance



The country has about 44 types of minerals spread in 500 different locations. Its extractive landscape covers the entire value chain – from extraction to processing and the sale of mineral resources, including solid minerals, oil and gas. It is regulated by both constitutional provisions and Acts of National Assembly.

Nigeria has 209 trillion standard cubic feet (SCF) of proven natural gas reserves with upside potential estimated at 600 TSCF.¹

In addition to the hydrocarbon sources, Nigeria has a diverse range of solid mineral deposits. The Solid Mineral Development Fund (Nigeria's sovereign mining wealth fund) estimates that the commercially viable minerals are valued at approximately USD 700 billion.²

The sector, especially oil and gas, has played a very significant role in the economy.

Figure 2: Global ranking for proven crude oil Reserves

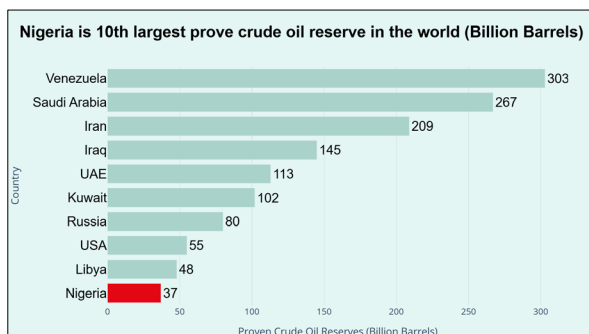
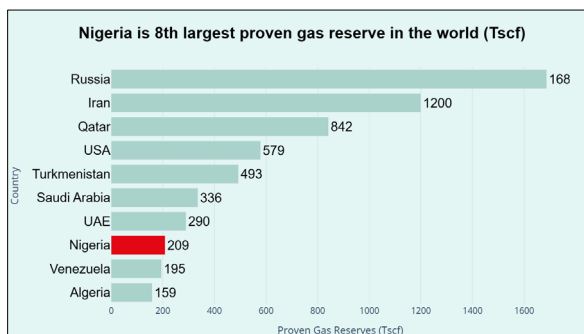


Figure 2b: Global ranking for proven gas reserves



Source: OPEC Annual Statistical Bulletin 2023

¹ See, Gbenga Komolafe, "Energy Transition Regime: Leveraging Investment Opportunities in the Nigerian Upstream Petroleum Sector"; being a speech delivered by NUPRC's CEO at the 2023 Africa Oil Week (AOW) under the theme "Maximizing Africa's Natural Resources in the Global Energy Transition" published in the UPSTREAM GAZE November 2023.

² CF. <https://swfinstitute.org/>

As of Q4 2023, oil and gas contributed about 70% to the federal budget and 95% of foreign exchange to the economy. The annual budget estimates are always benchmarked against the international (dollar) prices of a barrel of crude oil multiplied by the expected output allocated by OPEC. The performance of the budget, especially revenue earnings, depends largely on the international crude oil market.

The Federal Ministry of Petroleum Resources provides policy direction and oversight to the sector. The Nigeria National Petroleum Corporation Limited (NNPCL) used to be the state-owned company representing the commercial interests of the government and interfacing with the IOCs in contractual and concessionary arrangements and obligations in the oil and gas sector.

The lack of transparency in the sector prompted reforms, beginning with the establishment of the Oil and Gas Reform Implementation Committee (OGIC) in 2000. A National Oil and Gas Policy was approved in 2007 and the OGIC was reconstituted to ensure transparency in the sector. The Nigeria Extractive Industry Transparency Initiative (NEITI) was established through an enabling Act. These reforms laid the foundation for the **policy, legislative and regulatory frameworks** that continue to govern the sector today.

Solid minerals, on the other hand, contributed only 0.77%³ to the GDP in Q4 2023. Mining sector reforms have included the development of a Solid Minerals Roadmap in 2016 and the unveiling of the seven Strategic Minerals in 2020. Following the end of the Covid-19 pandemic, there has been renewed efforts by the federal government to attract investment to explore energy minerals to facilitate the energy transition plan.

The sector is overseen by the Federal Ministry for Solid Minerals Development which is responsible for implementing policies and regulating operations through its agencies. Unlike the oil and gas sector, there are no large-scale operations by MNCs, and the sector is dominated by informal, artisanal and small-scale miners, local indigenous Nigerian owned companies and illegal operators. **Most of these operators lack the financial and technical capacity to fully optimize mining resources.** As a result, mining activities are often carried out in **environmentally harmful ways**, with **little to no value addition** to raw materials. Additionally, minerals are frequently **exported through informal or illegal channels, leading to significant revenue losses and reduced national benefits.**

³<https://kpmg.com/ng/en/home/insights/2024/06/nigerian-mining-sector-brief.html#:~:text=Click%20here%20to%20download%20the,2023%20GDP%20is%20about%200.77%25.>

3. POLICY INSTRUMENTS AND GOVERNING FRAMEWORKS

The extractive sector is a convergence of technical, environmental, commercial, technology and enormous financial interests. The finite and non-renewable nature of the resources involved and their implication for sustainable development and national security means that states must take adequate measures to secure their stakes.

This is the basis for the development of policy instruments and governing frameworks to regulate operations and protect their national interests. Such frameworks include strategies, roadmaps, policies, laws, regulations and guidelines. The goal is to have a sector where the interests of all stakeholders are guaranteed, rules of engagement and conduct are established, roles and responsibilities clearly spelt out, dispute resolution and grievance mechanisms are enunciated and the basis for distributing benefits and entitlements are unambiguously stated.

There are about fifteen policy instruments governing the solid mineral sector, five are primary and 10 are secondary or ancillary. The oil and gas sectors have about 12 frameworks, nine are primary and three are secondary.

Figure 1: policy instruments in the mining Sector

Solid Minerals			
S/No	Primary	S/No	Secondary
1	The Constitution of the Federal Republic of Nigeria 1999 As amended	1	Guidelines on Mineral Titles Application, 2014
2	Land Use Act 1978	2	Environmental Impact Assessment Act 1992
3	Nigerian Minerals and Mining Act (Mining Act), 2007	3	Foreign Exchange (Monitoring and Miscellaneous Provisions) Act 2004
4	Nigerian Minerals and Mining Regulations 2011 (the Mining Regulations)	5	Nigerian Investment Promotion Act, 2004
5	Guidelines on Mineral Titles Application, January 2014	6	Corporate Income Tax 2007
		7	Nigeria Extractive Industry Transparency Initiative Act 2004
		8	Value Added Tax Act 1993 CF Financial Act 2020, 2022, 2023
		9	Corporate Income Tax 2007
		10	Value Added Tax Act 1993 CF Financial Act 2020, 2022, 2023

Figure 1b: policy instruments in the oil & gas Sector

Oil and Gas			
S/No	Primary	S/No	Secondary
1	The Constitution of the Federal Republic of Nigeria 1999 As amended	1	Environmental Impact Assessment Act 1992
2	Associated Gas Re-Injection Act 1979	2	Corporate Income Tax 2007
3	Petroleum Act 1990	3	Value Added Tax Act 1993 CF Financial Act 2020, 2022, 2023
4	Nigeria Extractive Industry Transparency Initiative Act 2004		
5	Nigerian Oil and Gas Industry Content Development (NOGICD) Act of 2010		
6	National Gas Policy 2017		
7	National Petroleum Policy 2017		
8	Deep Offshore and Inland Basin Production Sharing Contracts (Amendment) Act 2019		
9	Petroleum Industry Act 2021		

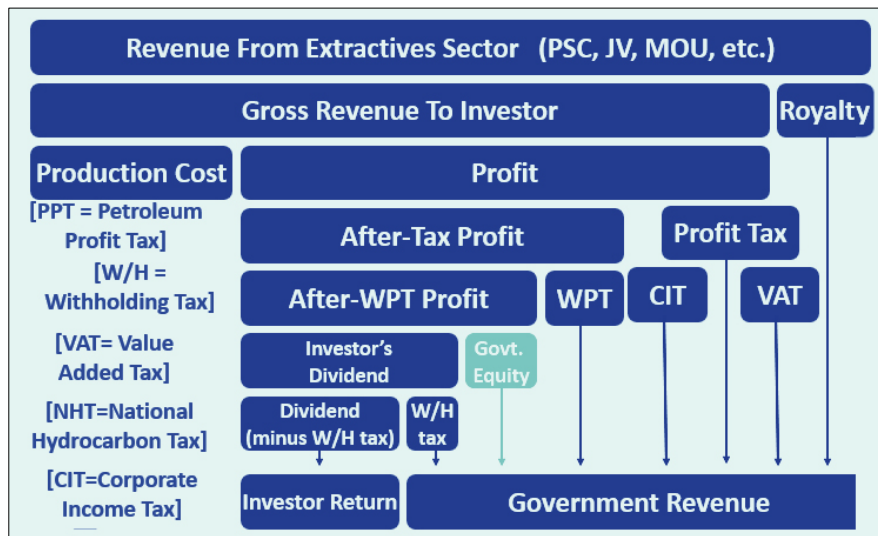
Under the 1999 Constitution of the Federal Republic of Nigeria (CFRN), ownership and control of all mineral resources, in any part of the country, is vested in the Federal Government of Nigeria.⁴ The National Assembly will decide how they will be managed. The policy and legal instruments cover a wide range of issues in the respective sectors. They have evolved over time, several have been amended or repealed. Some operate legacy frameworks and others are in transition with terminal dates tied to existing exploration licenses and contracts. This report focuses on those that are currently in force and or will become applicable upon renewal of contracts and licenses; contain substantial provisions on fiscal arrangements; and have a nexus with the environment and climate related provisions.⁵

⁴ Mines and minerals, including oil fields, oil mining, geological surveys and natural gas are listed under the exclusive legislative list in part of the Second Schedule to the 1999 CFRN.

⁵ Additional information and a mapping of other relevant instruments with brief responses to the research questions can be found in report Annex.

Fiscal instruments and domestic resource mobilization

Figure 3: indicative fiscal instrument in Nigeria's extractive sector



Fiscal instruments help determine how benefits from extractive resources will be distributed among parties. The extent of the profit made by the investor and the revenues generated by the government on behalf of the citizens are usually codified and documented after the negotiations and agreements. This is to ensure certainty and to minimize discretion and conflicts during the project. Fiscal arrangements are a trade-off between company profit and government take. In recent times, there has been growing awareness among resource-dependent countries of the need to maximize DRM from oil and mining contracts. As a result, deliberate efforts have been made to maximize government take and increase revenues from the sector.

The fiscal environment in Nigeria's oil and gas sector is defined by key legislations that govern the different fiscal terms used to capture rent and revenue for the government while also ensuring the investment remains viable and profitable for investors.

Figure 4 summarizes the fiscal arrangements in the Nigeria extractive sector to include the Production Sharing Contracts (PSCs), Joint Operating Agreements (JOAs), or Joint Ventures (JVs). Government revenue from these arrangements is generated through several fiscal instruments, including signature bonus, royalties, corporate income tax/hydrocarbon tax, windfall profit tax, value added tax, equity participation, production share, levies, fees and penalties.

Accordingly, the major fiscal regimes governing resource mobilization in the extractive industry in Nigeria revolve around the following legislation or regulatory instruments:

4. THE PETROLEUM INDUSTRY ACT 2021

This important legislation was enacted to provide legal, governance, regulatory and fiscal framework for the Nigerian Petroleum Industry. Among the stated objectives of the petroleum industry fiscal framework in the Act are to:⁶

- Balance rewards with risk, while enhancing revenue to the Federal Government of Nigeria.
- Establish a fiscal framework that expands the government revenue base while ensuring fair return to investors.
- Promote equity and transparency in the petroleum fiscal regime.

The African Mineral Governance Framework (AMGF) is drawn from the African Mining Vision (AMV). Pillar 3, which focuses on fiscal regime design and revenue management, urges African governments to optimize their share of revenues from mineral extraction through:

- improved policy, legal and fiscal instruments for revenue maximization.
- Increased investment in the mineral sector; and
- The prevention of illicit financial flows.⁷

The PIA aims to achieve these goals and contribute significantly to DRM. The Act increased the tax base and net and introduced anti-tax avoidance mechanisms.

The following reforms support improved DRM under the PIA, aligning with Pillar 3 of the AMGF:

- **Introduction of CIT and HCT:** Corporate Income Tax (CIT) and Hydrocarbon Tax (HCT) are set at 30% for converted or renewed onshore and shallow offshore petroleum mining lease and 15% for prospecting petroleum license and marginal fields.
- **Royalty reform:** New royalty rates are now based on production volumes and oil prices, allowing the government to collect windfall royalties when prices rise beyond USD 70 per barrel. This marks a shift from cost-based to output-based incentives, reducing the risk of base erosion.
- **Restrictions on cost deductions:** The number of non-allowable deductions has increased to around eight, including costs incurred outside Nigeria. This measure helps reduce base erosion and improves government revenue.
- **Separation of operations:** Companies are now required to establish separate entities for their upstream, midstream and downstream operations. This allows ring-fencing by taxing assets separately to maximize tax revenues.
- **Removal of fiscal stability clauses:** Fiscal stability clauses in PSCs and other contracts have been eliminated, allowing the government to benefit from upward movements in operation environment and adjust levies and fees.
- **Strengthened transfer pricing enforcement:** There is renewed emphasis on enforcing transfer pricing regulations and the arm's-length principle in dealing with affiliate companies. The introduction of the term 'reasonableness' in pre-tax deductions and the requirement for

⁶ The Petroleum Industry Act 2021 Section 258

⁷ <https://www.igfmining.org/event/future-resource-taxation-africa-mining-vision/#:~:text=A%20key%20outcome%20of%20Pillar,in%20the%20mineral%20sector%3B%20and>

local authority approval of artificial transactions are key steps to limit tax avoidance, including profit shifting by IOCs.

To further improve DRM, the FGN through the Financial Act 2019 applied the principle in Action 4 of the Base Erosion and Profit Shifting (BEPS) Action Point of 2015 which recommends limiting deductibility of interest and other financial payments made to third and related parties.

Table 2: Chargeable Tax under the PIA 2021

Chargeable tax under the PIA 2021					
License Status	Operation Lease under the PIA	Tax Type/Rate		New Total Rate (%)	Total New Rate (%)
Existing or Converted License	Onshore/Shallow Waters	NHT	CIT		65.75 & 85
		30	30	60	65.75 & 85
	Deep Offshore	0	30	30	65.75 & 85
Post-PIA Renewals & Marginal Field License Holders	Onshore/Shallow Waters	15	30	45	65.75 & 85
	Deep Offshore	0	30	30	65.75 & 85

The FGN recommended a fixed ratio rule, limiting interest deductions to 10-30% of the entity's earnings before interest, taxes, depreciation and amortization (EBITDA).⁸ As such, the Act introduced the only semblance of a thin capitalization rule applicable to the extractive sector. It restricted the interest deductible on related party loans to 30% of EBITDA, for any accounting period. It also limits the carryover of excess that cannot be recovered in a tax year to five years. This was to address profit-shifting techniques to improve DRM and increase government expected federal budgeted revenue for 2019.

While the PIA introduces reforms aimed at attracting investment and enhancing DRM, its overall impact is mixed.

The PIA reduces the headline tax rates from 85% to 65% and lowers royalty rates from 7.5%-20% to a range of 5%-15%. It also exempts deep offshore licenses from paying the NHT, to attract investors. However, the Act does not address the multiplicity of fees, levies and taxes that are considered burdensome to the industry. Instead, it introduces additional financial contributions, including:

- 1% of the sale of petroleum products, and
- 3% of actual annual operating expenditure for upstream companies to fund the Host Community Development Trust Fund.

As a result, while the PIA has the potential to improve DRM, global oil and market must respond positively for new investment to come into the sector and the fiscal terms must be effectively enforced for this to materialize.

⁸<https://assets.kpmg.com/content/dam/kpmg/ng/pdf/tax/base-erosion-and-profit-shifting-notes-on-implementation-in-nigeria.pdf>

5. FISCAL ARRANGEMENTS IN THE SOLID MINERAL SECTOR

NIGERIAN MINERALS AND MINING ACT (2007)

The Mining Act was enacted to regulate all aspects of the exploration and exploitation of solid minerals in Nigeria. It is complimented by the Minerals and Mining Regulations 2011. Compared to the oil and gas sectors, the fiscal arrangement in the solid minerals is still driven more by the desire to attract investment for large scale operations. This explains the widespread use of incentives which undermines revenue generation and DRM. These incentives include:

- Accelerated Capital Allowances of up to 95% aligning with the Corporate Income Tax Act (CITA 1990), recognizing mining expenditure as a qualifying capital expenditure for capital allowance. These include cost of exploration, infrastructure, regardless of ownership, and feasibility studies.
- Deductibility of incurred losses from assessable profits indefinitely as per the Financial Act (2019) amending the four-year provision of the CITA.
- Tax Holiday for up to three years with the possibility of an extension at the discretion of the Minister, aligning with the pioneer status granted to the sector.
- Exemption from payment of customs and import duties in respect of plant, machinery, equipment and accessories imported solely for mining operations.
- Tax-Deductibility of the costs for environmental protection, pensions, mine rehabilitation, reclamation and mine closure – benefits which are not available to operators in the oil and gas sector or other industries.
- Permission to retain and use foreign exchange by maintaining a foreign domiciliary account for transactions, insulating the companies from the fluctuation of exchange rates and free transferability of funds through the Central Bank of Nigeria (CBN) in convertible currency for key operating transactions and servicing of certified loans.

When assessed against the framework of Pillar 3 of the AMGF, these concessions increase tax expenditures and allow for base erosion, resulting in revenue loss. Consequently, the government cannot optimize the share of revenues from resource extraction. This is particularly relevant given that, despite the giveaways, Nigeria has not been able to attract the anticipated level of large-scale industrial mining firms as seen in the oil and gas sector. The sector remains dominated by artisanal and small-scale miners (ASMs) who are responsible for over 90% of the minerals currently produced in Nigeria.⁹ This confirms that investors consider other factor beyond fiscal incentives in their investment decisions.

One of the goals and pillars of the AMV is to harness the ASMs' potential to stimulate local national entrepreneurship and advance rural socio-economic development. Cluster 4 of the Vision focuses on ASM and aims to create a mining sector that harnesses their potential to advance integrated and sustainable rural socioeconomic development. Accordingly, the Mining Act reflects this aspiration by recognizing ASMs and making provisions for their operations. This includes the setting up of a fund to offer them extension services, including capacity building, exploration and feasibility services. The Act

⁹<https://www.scirp.org/journal/paperinformation?paperid=131810#:~:text=Over%2090%25%20of%20the%20country's,industry%20not%20being%20fully%20established.>

also establishes the Small-scale and Artisanal Mining Department and encourages formalization into co-operatives to enhance their business success.

The fiscal provisions do not apply to them. The establishment of the Mineral Buying Centres by the Act has not yielded the desired results as revenue losses persists due to practices like the underreporting of exported minerals.¹⁰ This has led to the establishment of additional initiatives such as the Presidential Artisanal Gold Mining Initiative (PAGMI) in 2020, to address the issue of illegal gold mining and to ensure that revenues generated by the sector were adequately remitted to the government.

The NEITI Industry Report 2021, for instance, revealed that although the number of ASM operators increased from 1,273 in 2020 to 2,336 in 2021 across the six geo-political zones of the country, there was no commensurate improved data in the areas of production, royalty payments or exports figures etc. to validate this growth.¹¹ As the foregoing established, the fiscal instruments in the solid minerals would require improvement to reflect the reality exemplified by the ubiquity of small-scale, informal, unregulated ASMs and the prevalence of illegal miners in the sector.

¹⁰<https://www.undp.org/nigeria/publications/transforming-nigerias-artisanal-and-small-scale-mining-sector-resource-mobilization-and-sustainable-development>

¹¹ NEITI Solid Mineral Report 2021 in <https://neiti.gov.ng/cms/nigeria-earned-193-59-billion-from-solid-minerals-in-2021-neiti/>

6. POTENTIAL VERSUS ACTUAL REVENUES FROM THE EXTRACTIVE SECTOR

THE NIGERIA EXTRACTIVE INDUSTRIES TRANSPARENCY INITIATIVE ACT (2007)

The NEITI Act was enacted to promote transparency and accountability in the management of Nigeria's oil, gas and mining revenues. The Act serves as a domestication mechanism of the Global Extractive Industries Transparency Initiative (EITI) and its principles, which also responds to Pillar 3 of the AMGF and its outcomes. The annual industry audit and fiscal allocation and statutory disbursement audit reports have resulted in public disclosure of information that was previously unavailable or inaccessible to the public. Such information includes:

- Mining contracts
- Beneficial ownership of mining assets
- Company payments and government receipts across the extractive value chain
- Production and lifting volumes
- Subnational transfers and revenue distributions
- And in some cases, budgetary allocation and expenditure on key developmental sectors.

The NEITI report has been the most verifiable sources indicating the link between estimates of actual generated revenue, potential revenue generation and loss from the extractive sector. According to NEITI's 2020 Oil and Gas Industry Report 2020, Nigeria lost an estimated N16.25 trillion-naira (USD 46.16 billion) value of 619.7 million barrel of crude in 12 years (2009–2021). According to the combined 2022–2023 reports, as of June 2024, a total of USD 6.071 billion and N66.4 billion in outstanding revenues remain uncollected by the Federal Government from the extractive sector. There are also liabilities of USD 6.049 billion and N65.9 billion in unpaid royalties and gas flare penalties owed to the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) as collectible revenues by August 31, 2024. These amounts are cumulative from previous years.

The report also highlighted outstanding petroleum profit taxes, company income taxes, withholding taxes and Value Added Tax (VAT) due to the Federal Inland Revenue Service (FIRS) amounting to USD 21.926 million and N492.8 million as of June 2024.¹² In the mining sector, the NEITI also reported that companies outstanding liabilities to government stood at N1.06 billion.

Prior to 2021, there were high levels of discretion in the application of fiscal instruments. However, currently only the mining sector retains some degree of discretion exercised by the Minister. In the PIA, incentives are largely applied to all licenses that fulfil the conditions provided in the law with decision-making authority resting with either the **Nigerian Upstream Regulatory Petroleum Commission** (NURPC) or the **Nigerian Minerals and Mining Development Petroleum Regulatory Authority** (NMDPRA).

It is therefore clear that there are huge potential revenues from the extractive sector that are not being collected and deployed for sustainable national development and to address critical national challenges, including financing climate action. These represent a poor performance by DRM. For

¹² NEITI 2022–2023 Oil and Gas Industry Report in <https://neiti.gov.ng/cms/oil-gas-sector-owes-fgn-over-6-billion-n66-billion-latest-neiti-report/>

example, a study recently published by the Tax Justice Advocacy Network indicated that the existing tax incentives, exemptions, credits and waivers that contribute to tax expenditures in Nigeria, with an estimation of amount of revenue forgone in the last five years, amounted to about 4% of the GDP (N6.8 trillion) in 2021.¹³

It has also been estimated that in 2018 alone, the economic cost of gas flaring in Nigeria amounted to N233 billion in revenue loss, with an additional N28.76 Billion in environmental costs Furthermore the opportunity cost of value addition from derivatives from gas flared was N42,73 billion. These figures represent huge losses of revenues.¹⁴

Table 3: revenue loss from gas flaring in Nigeria 2018

Revenue loss from gas flaring in Nigeria 2018			
Volume of gas flared per thousand scf	Average price of gas per thousand scf	Revenue lost in \$	Revenue lost in Naira
282,080,000	2.70	761,616,000	233,054,496,000
324,192,401	2.70	875,320,000	267,847,920,000
288,917,198	2.60	751,185,000	229,862,610,000
330,933,000	2.40	794,240,000	243,037,440,000
393,839,836	2.50	984,600,000	301,287,600,000

Source: DPR annual report, NNPC, PwC analysis

¹³See, "Tax Expenditure and its Implication for Debt Management and Sustainability in Nigeria, CISLAC (2024

¹⁴ Assessing the impact of Gas flaring on the Nigeria Economy, Price Water Coopers, 2019, Page 11
<https://www.pwc.com/ng/en/assets/pdf/gas-flaring-impact1.pdf>

7. THE EXTRACTIVE SECTOR AND CLIMATE CHANGE NEXUS

The extractive sector is inextricably linked to the environment, it depends on nature and the environment while also affecting it. The effects of climate change manifest through the elements of nature and environmental factors. Consequently, policy instruments in the extractive sector contain provisions that seek to mitigate climate change impacts and vice versa. Some fiscal terms in the extractive sector are introduced with climate finance in mind.

Nigeria is ranked amongst the top 10 most vulnerable countries to climate change,¹⁵ with environmental issues such as deforestation, land degradation, freshwater shortage, flooding, food security, and air and water pollution. A 2007 World Bank study revealed that Nigeria accounted for roughly one-sixth of global gas flaring, releasing approximately 400 million tonnes of carbon dioxide into the atmosphere.¹⁶

This highlights the complex nexus between climate change and the extractive sector, characterised by cause, effect and possible solutions:

- Emissions in the extractive sector, driven by upstream energy consumption (fuel use), venting and gas flaring, contribute 11% of Nigeria's greenhouse gas emissions.¹⁷
- The urgent need to mitigate climate change impacts is increasing pressure on core fossil fuel commodities as cleaner energy sources are adopted. This in turn will influence prices and investments in the sector.
- Conversely, the demand for certain metals may increase as infrastructure investments are made to achieve a 'net zero carbon future', potentially shifting the focus from oil and gas to solid mineral mining.

NATIONAL POLICY ON CLIMATE CHANGE FOR NIGERIA 2021 - 2030

The National Policy on Climate Change for Nigeria 2021 – 2023¹⁸ seeks to achieve net zero emission by 2060. It also recognizes that the main GHG emissions in the oil and gas sector are from gas flaring, fugitive methane emissions, on-site fuel use (upstream and midstream) and on-site fuel use from refineries. The combined contribution of flaring and venting to the environment is about 80% of emissions in the sector. It sets the target to reduce flaring down to less than 10% by the year 2020 and end it completely by 2030.

The policy highlights several initiatives – including the Nigerian Gas Flare Commercialization Programme (2016), the Nigerian Gas Policy (2017), the Flare Gas (Prevention of Waste and Pollution Regulation, 2018), the Petroleum Industry Roadmap and the Nigeria Gas Master Plan – all of which recognise that gas flaring contributes to climate change.

In response, these policies recommend incentives for gas utilization as a transition fuel, with the objective of reducing GHG emissions from the oil and gas sector. This approach aims to mitigate the impacts of climate change by directly altering operational practices in the extractive sector, thereby reinforcing the link between the extractive activities and climate change mitigation.

¹⁵ The 2014 World Climate Change Vulnerability Index

¹⁶ <https://ajjeel.com/index.php/a/article/view/51/52>

¹⁷ Nigeria Energy Transition Plan

¹⁸ National Policy on Climate Change 2021-2030

Furthermore, measures outlined in Nigeria's Nationally Determined Contributions (NDC) – particularly the identification of the oil and gas sector for methane emission reduction, and the focus on minerals as the long-term enablers of renewable energy transition – further demonstrates the nexus between the extractive sector and climate action.

CLIMATE CHANGE ACT 2021

Subsequently, the provisions of the policy were codified by the enactment of the Climate Change Act (2021). The Act mandates that private entities with 50 or more employees put in place measures to achieve the annual carbon emission reduction targets in line with the Action Plan and designate a climate change officer responsible for submitting annual reports on carbon emission reduction and climate adaptation plan to the National Climate Change Secretariat. This also applies to companies operating in the extractive sector.

The Act also establishes a National Council on Climate Change (NCCC) chaired by the President. The Council is empowered, among other things, to:

- Develop and implement a mechanism for carbon tax, in consultation with the FIRS.
- Administer the Climate Change Fund.
- Monitor and ensure compliance with the carbon emission reduction targets across all sectors, including the extractive sector, to reduce GHG emissions.

NIGERIA ENERGY TRANSITION PLAN

The Energy Transition Plan (ETP) seeks to promote fair, inclusive and equitable energy transition. It was created with support from COP26, prompting Nigeria's net-zero commitment by 2060. The plan has government approval and presents a USD 23 billion opportunity for supporting financiers and partners and maps a pathway to reduce Nigeria's dependence on fossil fuels, with an emphasis on renewable energy. The ETP aims for net-zero emissions by 2060 and proposes gas commercialization until 2030, followed by a gradual phase-out of fossil fuels. The ETP considers natural gas central to driving the transition because it is a versatile and pivotal source of energy across multiple sectors, including cooking, heating and industry.¹⁹ It also supports uninterrupted and flexible energy supply, complementing intermittent renewable sources like solar and wind.

This illustrates the important role of the extractive sector in enabling the transition, requiring investment to shift from fossil fuels to clean energy. The ETP also recognizes that oil and gas contribute 11% to total GHG emissions.

However, Nigeria faces a huge debt burden, which doubled from 2022 to 2023, making it difficult to access climate finance, most of which comes in loans rather than grants. The ETP requires the sum of USD 1.9 trillion investments for a full transition by 2060. This is an annual requirement of USD 10 billion.²⁰

Nigeria submitted its first NDC in 2015, followed by a revised one in July 2021, with a zero-gas flaring target by 2030, a 60% reduction in fugitive methane emission by 2031 and an estimated implementation cost of approximately USD 542 billion over seven years.²¹ A comprehensive Long

¹⁹ <https://ukniaf.ng/2024/03/19/what-you-need-to-know-about-nigerias-energy-transition-plan/#:~:text=How%20much%20will%20this%20cost,the%20creation%20of%20new%20markets.>

²⁰ *ibid*

²¹ <https://unfccc.int/process-and-meetings/the-paris-agreement/nationally-determined-contributions-ndcs/ndc-synthesis-report/ndc-synthesis-report>

Term-Low Emission Development Strategy (LT-LEDS) to advance its global commitments was thereafter developed.

EXTRACTIVE SECTOR INSTRUMENTS AND CLIMATE ACTION

The terms provided in the most recent fiscal instruments aimed at increasing DRM were designed to enhance revenue from the sector to boost climate finance and support climate action. These include, but are not limited to:

- The submission of an environmental management plan by licensees or lessee to the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) or the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)²² is a condition for project approval. The plan must comply with national and international environmental laws and regulations. The requirements also align with Nigeria's NDCs and emission reduction targets, which must be reported annually to the NCCC. The introduction of penalties for gas flaring, regulations on emissions and incentives for the commercialization of gases, deregulation of the petroleum sector and a move towards compressed natural gas for transportation, are measures taken to reach the 2030 and 2031 targets.
- The PIA 2021 makes gas flaring and venting illegal. **The 2023 regulations** set penalties, and any fines collected will be used to help the environment and support local communities.
- The Climate Change Act 2021 allows for a carbon tax to be developed by the Council working with the FIRS. This will finance climate action in relation to mitigation commitments and the NDC.
- The Climate Change Act also creates a National Climate Change Fund which can receive funding from multiple sources. Plans for this fund are still being discussed.
- Stability clauses in contracts have been removed so the government can adjust fees, levies and taxes necessary for environmental protection and meeting international climate commitments.
- The **VAT Modification Order 2024** now exempts equipment for LPG, CNG, biogas, biofuels and renewable energy from VAT to encourage the use of cleaner gas technologies.
- The Notice of tax incentives for deep offshore oil and gas production, in accordance with the oil and gas companies (tax incentives, exemptions, remissions) order 2024 provides for:
 - A tax-free period of up to five years.
 - Accelerated capital allowance after the tax-free period.
 - Tax-free dividends during the tax-free period.
 - Additional five-year tax-free period for investors in gas pipeline projects.
- Payment of a prescribed amount of money as contribution into an Environmental Remediation Fund for the rehabilitation or management of environmental impacts arising from petroleum activities carried out by the licensee or lessee.²³

²² Petroleum Industry Act 2021, Section 102 (1)

²³ Petroleum Industry Act 2021, Section 104

- Companies involved in mineral resource extraction under the Mining Act are required to establish a tax-deductible reserve to cover environmental protection, mine rehabilitation, reclamation and closure costs.²⁴

ISSUES IN CLIMATE FINANCE

The **nexus between the extractive sector and climate action** presents a clear conflict. While there are efforts to deploy fiscal instruments that incentivize climate action and facilitate access to some climate finance, a contradiction persists: the climate finance required for Nigeria to meet its climate action needs can only be sourced from the extractive sector if the DRM improves and if such funding is channelled toward climate mitigation and adaptation. At present the incentives provided and penalties imposed are grossly inadequate.

Furthermore, for Nigeria to meet its NDC commitments and energy transition goals, the country would need to halt new investments in crude oil exploration and focus on gas while promoting other sources of green energy. However, such a shift would likely result in inequality in the regions where the economy depends on oil and gas investments, create funding gaps for development at national and sub-national levels, increase budget deficits and lead to an inability to meet debt obligations.

This explains why the divestments have been approved by the government. Notably, Shell Petroleum and Eni are moving away from onshore assets while increasing investments in deep offshore operations, where the National Hydrocarbon Tax (NHT) is zero. Ironically, gas flaring continues to be used as a mitigation measure in the sector. It also does not qualify as a mitigation activity among existing donors in international climate finance.²⁵ Nigeria must therefore explore alternative sources for climate finance over the next two decades.

Additionally, efforts to exploit transitional minerals must be intensified. As of 2023, the government has awarded 823 licenses for the exploration of lithium, and 80 for copper but none yet for nickel and cobalt.²⁶ The NEITI reported that there is insufficient data on proven reserves for transitional minerals due to the reliance on outdated historical maps. This data gap discourages serious investment.

Looking ahead, however, the opportunity to focus on energy minerals and renewable energy can be explored. The resources in the Frontier Exploration Fund which is funded with 30% of oil and gas profit in production sharing, and risk service contracts accruing to NNPC, should not all be invested in exploring hydrocarbon when energy minerals will subsequently replace fossil fuel.

This should be complemented with the development of a good understanding of the private sector interests and objectives, as well as robust climate project pipelines and adequate data. This transition must also involve building the capacity to develop bankable projects that can attract international climate finance and foster viable public-private partnership. Achieving this requires huge investments in data acquisition, feasibility studies, sensibility analysis, development of appropriate business models and innovative financial frameworks to de-risk potential investments and attract investors. There should also be efforts to access grants considering the current macroeconomic factors such as credit ratings, debt servicing expectations, exchange rate fluctuations, inflationary trends and profit repatriation conditions.

²⁴ Nigerian Mineral and Mining Act 2007, Section 30

²⁵ <https://www.climatepolicyinitiative.org/wp-content/uploads/2024/10/Landscape-of-Climate-Finance-in-Nigeria-2024.pdf>

²⁶ <https://neiti.gov.ng/cms/wp-content/uploads/2024/12/NEITI-SMA-REPORT-2023.pdf>

Finance for climate action from domestic and international sources increased by 32% from USD 1.9 billion in 2019/2020, to USD 2.5 billion in 2021/22 in Nigeria. This is however minimal, leaving an annual gap of USD 27.2 billion and represents only 1% of national GDP. The 2022 figure is also almost equivalent to the USD 2.3 billion spent on debt servicing, much less than the USD 9.3 billion expended on petroleum subsidies and the USD 6.7 billion estimated to be the cost of the loss suffered in the flooding, in the same year.

Nigeria seeks to increase climate finance by exploring innovative financing mechanisms such as carbon pricing, green bonds, and climate risk insurance and prioritize public investment in LT-LEDS and encourage private investment in sustainable development. The country also plans to explore climate risk insurance, impact investing, payment for ecosystem services, and emission trading system (ETS). Other climate finance options to be considered include risk mitigation instruments, local currency financing, green bonds, debt-for-climate swaps and carbon finance.

Furthermore, Nigeria can deepen engagement with existing funding mechanisms. These include: The Nigerian Climate Finance Accelerator (CFA) to scale up private finance into NDC-aligned projects intensified with capacity building for skilled transaction intermediary for deal structuring; the DBN as an accredited Direct Access Entity for GCF funding in Nigeria; InfraCredit of the Nigeria Sovereign Investment Authority; the Green Climate fund; the Global Environment Facility and the Climate Investment Fund.

8. RECOMMENDATIONS AND ADVOCACY ISSUES FOR CIVIL SOCIETY AND CLMATE JUSTICE ACTIVISTS

OIL AND GAS

1. **Full implementation of 2021 PIA framework:** NURPC and NMDPRA should ensure strict enforcement of the fiscal instruments in the PIA 2021.
2. **Recover revenue:** the NUPRC, FIRS and other collection agencies highlighted in the NEITI report 2022-2023 should enforce the tax laws, royalties, fees and penalties to recover all outstanding payments and engage the relevant law enforcement agencies with investigative and, if needed, prosecutorial powers.
3. **Implement NEITI audit Reports recommendations:** the Chairman of the Board of NEITI and Secretary to the Government of the Federation, and the Chair House Committee on Petroleum Upstream should follow through to ensure that the recommendations in the NEITI reports are implemented to recover outstanding payments and prevent leakages in the future.
4. **Phase out of the exception waiver allowing gas flaring in the Niger Delta region:** the NURPC and the Ministry for Petroleum Resources should review the number of exceptions under which gas flaring can be allowed. An outright ban is recommended.
5. **Raise gas flaring penalty:** the NUPRC and the Ministry for Petroleum Resources should review the penalty for gas flaring and venting upwards to deter defaulters. The current rate is not sufficient to deter defaulters.

SOLID MINERALS

1. **Legislative review of mineral act:** there is an urgent need to revise the Nigerian Minerals and Mining Act 2007 to align its provisions with the best practices and address the current realities of Nigeria's mining ecosystem. The existing Minerals and Mining Law is long overdue as some of the provisions no longer reflect the current realities of the sector. Civil Society Organizations (CSOs) such as Tax Justice and Fiscal Governance Network should sustain advocacy and engagement efforts to push for amendments to the Solid Minerals Act because the fiscal instruments in the solid minerals require improvement to reflect the reality exemplified by the ubiquity of small-scale, informal, unregulated ASMs and the prevalence of illegal miners in the sector. As such, it is important the Ministry of Solid Minerals Development develop a framework to organize ASMs and a corresponding fiscal instrument that ensures rent capture from them. This would require the amendment of the Mining Act 2007.
2. **Further legislative action is also needed** to ensure the National Assembly amends the PIA to dedicate a proportion of the Fund for Frontier Exploration to energy minerals for green and renewable energy such as lithium, to support the energy transition plans.
3. **The government should create a state-owned enterprise to drive investment in the solid mineral sector,** with a specific focus on transitional minerals. This would help mobilize resources, de-risk investments to grow the sector and introduce value addition for beneficiation and resource optimization while also driving domestic utilization to achieve ETP.

FINANCING CLIMATE ACTIONS AND DE-CARBONIZATION:

- 1. Activate carbon tax framework:** the NCCC and FIRS should accelerate the development of the carbon tax for deployment as soon as possible.
- 2. Activate the National Climate Change Fund:** the NCCC, Ministry of Finance, Budget and National Planning should expedite the development of the framework and structure for the National Climate Change Fund.
- 3. Dedicate a portion of Host Communities Development Trust Fund (HCDTF)** to finance climate mitigation and adaptation action in oil producing areas. Community-based organizations should advocate to the Board of the HCDTF to prioritize climate related projects in their funding portfolio.
- 4. Strengthen capacity to access International Climate Finance Funds and private sector investment:** The Ministry of Environment should set up an inter-disciplinary technical working group made up of relevant professionals, including CSOs, to review why access to climate finance failed and recommend solutions. Additionally, the ministry should establish a Public-Private Partnership task group to facilitate co-creation and review climate pipeline projects to enhance their bankability and increase the chances of attracting investors.
- 5. Ring-fence all environmental costs:** The Federal Ministry of Budget and Economic Planning should deploy all revenues, including proceeds from gas flaring penalties into climate action and investments in transition minerals exploration and value addition for development of green energy.

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ANNEX

Appendix: How Nigeria's extractive sector compares to global best practices in revenue mobilization and management

Thematic research area	Key guiding questions	Remarks
National fiscal policies and frameworks governing extractive activities in the country.	1. What are the key legislative documents guiding resource mobilization from extractive sectors? 2. What is the key content of the legislative documents guiding resource mobilization from extractive sectors? 3. What are the key extractive activities in the country? (e.g. fossil fuels? lithium? copper? other?) 4. Are there available estimates for: a) Total revenue generated from the extractive sector? b) How much revenue raised and how much revenue is lost to bad policies?	Over the decades, the major fiscal regimes for resource mobilization in Nigeria's extractive industry have revolved around the following legislations or regulatory instruments: 1. Petroleum Industry Act (2021) seeks to encourage investment in the petroleum industry by balancing rewards with risk, increasing revenue to the Federal Government of Nigeria and providing a forward-looking fiscal framework. 2. Nigerian Minerals and Mining Act (2007): This Act regulates all aspects of the exploration and exploitation of solid minerals in Nigeria and provides for related matters. 3. Nigerian Oil and Gas Industry Content Development Act (2010): This Act provides for the development and implementation of Nigerian content in the oil and gas industry. It outlines provisions for the Nigerian content plan, supervision, coordination, monitoring and implementation of Nigerian content requirements and addresses related matters. 4. Minerals and Mining Regulations 2011 5. Nigerian Mining Corporation Act 6. National Environmental Standards and Regulations Enforcement Agency (Establishment) Act 2007. 7. Nigeria Extractive Industries Transparency Initiative (NEITI) Act 2007
	Some of the key provisions within the policy and legislative frameworks guiding resource mobilization from the extractive sectors outline specific taxes that extractive industries are required to pay in Nigeria. For example, the Mining Act allows the participation of companies and individuals, as well as co-operative societies, in the mining sector. This opens the sector to various forms of tax, depending on whether the entity is an individual or corporation. One implication of this is	

	that the determination of tax payable by such entity is a function of whether the entity is a corporate body or individuals or co-operative society. The PIA replaced the Petroleum Profit Tax Act (PPTA) 2004 with a new tax regime named the hydrocarbon tax. This new tax regime introduces significant changes to petroleum taxation in Nigeria. The tax rates imposed under the hydrocarbon tax is determined by the license acquired by the company during that accounting period (that is, a PML or a PPL). Thus, the chargeable tax for any accounting period of a company will be a percentage of the chargeable profit for that period aggregated which shall be: a) 30% of the profit from crude oil for PMLs for onshore and shallow waters b) 15% of the profit from crude oil for onshore and shallow water and for PPLs This rate is a major reduction when compared to the tax rates under the PPTA which range from 85% to 50% of the profits depending on the structure of the company. The major concern in the solid minerals with implication on effective domestic revenue mobilization from the mineral extraction is the issue of illegal miners. Stakeholders believe that the Nigeria CIT rate of between 20-30% compares favourably with those of South Africa, Chile and Australia, much lower than that of the United States of America at 40%.²⁷ Nonetheless, effective governance of finite extractive resources is essential for promoting economic growth, reducing poverty and ensuring environmental sustainability. While the extractive industry has contributed significantly to government revenue and serves as the bulwark of foreign exchange earners for the country, Nigeria has struggled to translate its natural resources into broad-based prosperity and inclusive economic development. Many citizens still lack access to necessities of life. A comprehensive extractive industry legislative and policy regime in alignment with the African Mining Vision is imperative for Nigeria to enhance domestic revenue mobilization and resilience in anticipation of the future and take advantage of the opportunity available now. Looking at the structure of the oil sector, for instance, and its continuous fall in the government GDP, compared to other non-oil sector, it shows that there are strong imperatives as to why Nigeria needs to shift and build a more resilient economic that looks beyond oil.	
National climate policies impacting extractive sectors in the country. The basis of environmental policy in Nigeria is contained in the	1. What are the key climate policies that impact the extractive sector? 2. Are climate considerations integral to legislation governing extractive activities in the country?	Nigeria has formulated several national policies and legislative responses to climate change; it focusses on mitigation and adaptation measures. The following are the climate related legislation and policies in Nigeria that also impacts on the extractive sector: 1. <i>Climate Change Act (2021)</i>: Provides a legislative framework for the attainment of low-carbon emissions, promoting inclusive green growth and sustainable economic development. The Act mandates the development of climate change mitigation and adaptation strategies and ensures that

²⁷ See, NEITI (2019) Occasional Paper Series, Issue 4, "Improving Transparency and Governance in Nigeria's Mining Sector"; February 2019.

1999 Constitution of the Federal Republic of Nigeria. Pursuant to section 20 of the Constitution, the State is empowered to protect and improve the environment and safeguard the water, air and land, forest and wildlife of Nigeria.	3. Do companies have to report on climate impacts and how they are mitigated?	climate change action is integrated into national development priorities and effectively implemented. 2. National Climate Change Policy for Nigeria (2021-2030): It promotes a low-carbon, climate-resilient and gender-responsive sustainable socio-economic development. 3. Nigerian Gas Flare Commercialization Program (2018): It seeks to attract investments and develop a transparent market mechanism through a competitive procurement process for allocating gas flares. 4. National Renewable Energy and Energy Efficiency Policy (2015): It forms the overarching policy on renewable energy and energy efficiency in Nigeria. It sets out the government's blueprint to increasingly harness the country's renewable energy and energy efficiency resources in driving sustainable development across the country. Developed in line with the country's national energy policy, the NREEEP outlines the government's programmes and measures for deploying renewable energy and energy efficiency technologies and practices towards facilitating Nigeria's green transition. 5. National Environmental (Waste Management) Regulation (2009): This regulation promotes the adoption of sustainable and environment friendly practices in environmental sanitation and waste management to minimize pollution. 6. Nationally Determined Contributions Updated 2022
	Companies in Nigeria, including those operative in extractive industries are required to report on the environmental and social impacts of their operations, including climate-related impacts. Here are some key regulations and guidelines: The Environmental Impact Assessment (EIA) Act requires companies to conduct environmental impact assessments for projects that may have significant environmental impacts. According to the EIA Act, the objectives of any environmental impact assessment should be a) “to establish, before a decision is taken by any person, authority, corporate body or unincorporated body, including the Government of the Federation, State or local government intending to undertake or authorize the undertaking of any activity, those matters that may likely or to a significant extent affect the environment or have an environmental effect on those activities and which shall first be take into account”. Section 2(1) of the Act provides that the public or private sector of the economy shall not undertake or embark on or authorize projects or activities without prior consideration, at an early stage, of their environmental effects. Similarly, the National Environmental (Environmental Assessment) Regulations provide guidelines for environmental impact assessments, including	

	requirements for reporting on environmental and social impacts. It requires the consideration of environmental impacts, including climate-related impacts, in environmental impact assessments. The Environmental Assessment Regulations set out procedures and criteria for the drafting, submittal, review and approval of environmental impact assessments and the application and granting of environmental permits. Any activities that may have an impact on the environment (specified in Schedule 1 and 2) must be registered with the Environmental Protection Agency and the Agency must approve an environmental permit before the commencement of the activity. The Regulations also require the submittal of an annual environment report by holders of a permit and a periodical environmental management plan by a person responsible for an undertaking in respect of which a preliminary environmental report or an environmental impact statement has been approved. For example, Regulation 14(1) provides that “In submitting an environmental impact statement pursuant to regulation 13(2), the applicant shall indicate in the document a clear assessment of the proposed undertaking on the environment based on the contents of the scoping report; The environmental impact statement shall also address possible direct and indirect impact of the undertaking on the environment at the pre-construction, construction, operation, decommissioning and post-decommissioning phases”.	
Regional policies and frameworks impacting extractive activities in the country.	1. Which – if any – regional or international frameworks or policies have been incorporated into national frameworks and policies governing the extractives sector? 2. What – if any – international tax rules have a direct impact on the country being able to raise revenue from the extractives sector?	Nigeria is a signatory to both the UN Framework Convention on Climate Change (UNFCCC): which seeks to stabilize greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous interference with the climate system; and the Paris Agreement: that also seeks to limit global warming to less than 2°C above pre-industrial levels and pursue efforts to limit the rise to 1.5°C; improve the ability to adapt to climate change and foster climate resilience. Other international Frameworks or policies on extractive sector governance include: 1. Extractive Industries Transparency Initiative (EITI) 2. African Mining Vision (AMV) 3. ECOWAS Mineral Development Policy 4. United Nations Guiding Principles on Business and Human Rights
	While some of these regional and international instruments have been domesticated, Nigeria has yet to domesticate both AU AMV and ECOWAS regional mining statutes and protocols. ECOWAS Mineral Development Policy was adopted in 2012 by the member states. Nonetheless, it is gladdening that Nigeria has domesticated many of these instruments into its municipal national laws as evidenced above. While domestication remains a significant first step, the actual implementations of these governance frameworks also remain very important.	
Discretionary fiscal incentives	1. Which body/agency/ministry has the authority to grant	In Nigeria, the extractive sector is overseen by several ministries and agencies. These include:

in the extractives sector.	discretionary tax incentives to companies operating in the extractives sector? 2. Are there any known estimates to how much the tax expenditure from such discretionary tax incentives is? 3. Are there any publicly available case studies on specific discretionary incentives that could be mentioned in the report?	1. Ministry of Mines and Steel Development: established by the Government of the Federal Republic of Nigeria to ensure sustainable development of the nation's minerals and metal sector. 2. Ministry of Petroleum Resources (MPR): is responsible for formulating and implementing policies that regulate Nigeria's oil and gas industry. 3. The Ministry of Environment works to ensure environmental protection, natural resources conservation and sustainable development. Its mandates include securing a quality environment conducive for good health and wellbeing of fauna and flora; promoting sustainable use of natural resources; restoring and maintaining the ecosystem, ecological process and preserving biodiversity; arising public awareness and promoting understanding of linkages of the environment; and cooperating with relevant MDAs, the private sector, NGOs, and international organizations on environmental matters. Additionally, there are several agencies that play important roles in the extractive sector. These include: I. Nigerian National Petroleum Corporation (NNPC) Limited II. Nigerian Mining Cadastre Office (NMCO) III. National Upstream Petroleum Regulatory Commission (NUPRC) IV. National Oil Spill Detection and Response Agency (NOSDRA)
	Some Ministries, Departments, and Agencies (MDAs) possess subsidiary legislative powers that allow them to grant discretionary tax incentives to companies operating in Nigeria's extractive industry. This has escalated Nigeria's tax expenditure in recent years. For example, a study recently published by the Tax Justice Advocacy Network indicated that the existing tax incentives, - exemptions, credits, waivers, etc - contribute to tax expenditures in Nigeria, with an estimation of amount of revenue lost in the last five years amounting to approximately four per cent of the GDP (N6.8 trillion) in 2021.²⁸ Natural resource governance is central to the socioeconomic development of the country. There is growing public awareness and demand for the sustainable exploitation of natural resources and the equitable distribution of revenues derived from them, in a way that benefits both the government and the citizens. However, tax	

²⁸ See, "Tax Expenditure and its Implication for Debt Management and Sustainability in Nigeria, CISLAC (2024).

	holiday for an initial period of three years from the commencement of operations; exemption from custom and import duties on mining equipment are amongst non-discretionary incentives which however have been somewhat abused.	
Transparency issues in the extractives sector.	1. Is relevant legislation publicly available on e.g. government websites? 2. Are the details of individual projects in the extractive sector available? 3. Does the government itself provide figures on tax expenditure in the extractives sector?	There are significant transparency issues, despite the availability of accountability regimes such as Freedom of Information Act, domestication of EITI through the NEITI legislation and its statutory reports and efforts of other accountability stakeholders in Nigeria, resulting in revenue loss and corruption. For example, Nigeria lost an estimated N16.25 trillion (USD 46.16bn) value of 619.7 million barrel of crude in 12 years (2009 – 2020) ostensibly due to leakages associated with theft and underhand occurrences attributable to transparency and accountability deficiencies. Tax Expenditure Statements provide information on tax expenditure generally. The extractive industry (which includes oil, gas and mining-solid minerals) is a major driver of economic growth. These growth potentialities of the extractive industries, however, come at a price. The 2019 EITI Standard, which is a set of requirements that the EITI expects implementing countries to comply with, includes environmental reporting provisions. The 2019 EITI Standard's environmental reporting obligations address both the disclosure of data on required and discretionary payments connected to each country's environmental regulatory framework as well as information on environmental impact.
	A more transparent, accountable and sustainable management of the abundant mineral endowments holds promising potential and could serve as a veritable source of revenue generation for the country and contribute to employment opportunities for the people. Mining subsector has the potential to sharply contribute to GDP as Nigeria currently lags behind African peers such as Congo DR, South Africa and Cote D'Ivoire. Stakeholders believe that "The existing fiscal frameworks, including tax policies in Nigeria's mining sector, are not attractive enough to drive needed investments and they do not consider the peculiar nature of the sector."²⁹ A KPMG report cited in the Business Day story, noted that attempts to revamp the sector only recorded minimal successes. The report recalled the enactment of the Nigerian Minerals and Mining Act in 2007, amongst other policy efforts only led to a stunted growth in the sector with the solid mineral sector's contributions to the GDP remaining at less than 1% as of 2023. The FGN issued a revised sector growth and development roadmap (Roadmap for the Growth and Development of the Nigerian Mining Industry) in 2016 as part of commitment to enhancing the sector's GDP contribution and facilitating the diversification of the economy; with one of the targets being 10% sector's total contribution to Nigeria's GDP by 2026. Under this target, the government launched an N30 billion intervention fund to open the sector to multinational companies. The fund was to be used to promote	

²⁹ <https://businessday.ng/news/article/existing-fiscal-frameworksin-nigeriasminingsector-not-attractive-for-investment-kpmg/> (Accessed 21 November 2024)

	exploration and research. “Despite these significant efforts, only little traction was achieved across the mining value chain, as the sector only contributed 0.77% to the GDP in 2023” according to the National Bureau of Statistics (NBS).	
Key climate finance issues in the country.	1. Has the government (or anyone else) estimated the annual climate finance gap i.e. the difference between climate finance needed and climate finance available? 2. If so, what is the financing gap? 3. Are there any key climate actions in the country that need financing, including investments in adaptation, resilience, specific re-wilding initiatives, etc?	Nigeria's climate finance is significantly lower than the amount needed to address climate change and is dwarfed by the government's spending on fossil fuels. Climate finance gain: in 2021/22, Nigeria invested USD 2.5 billion in climate action, but the estimated annual need is USD 29.7 billion. This gap is likely even larger because it doesn't include potential loss and damage costs. Fossil fuel spending: in 2022, the government spent USD 9.3 billion on fossil fuel subsidies. Nigeria was also the second most financed country in Africa for fossil fuel projects between 2016 and 2021.³⁰ Relative to GDP: Nigeria's climate finance is minimal relative to its GDP. In 2021/22, it represented less than 1% of the country's GDP. Being a major oil and gas producer, Nigeria fiscal governance is highly dependent on extractive revenues as the oil and gas sector accounts for 7% of GDP, 89% of exports and about 80% of government revenues and provides direct and indirect jobs in the country's coastal regions. A green energy transition could therefore create significant fiscal challenges and fear of job losses if not carefully implemented. The potential economic impacts of transitioning away from traditional industries need to be addressed and ensure no one is left behind. Amidst the clamour for a just transition to cleaner energy sources, Nigeria has joined other countries across the world to roll out policies, processes, mechanisms, for realizing this objective. Nigeria's commitment towards carbon neutrality was formally announced at COP26, followed by the unveiling of its Energy Transition Plan (ETP) in August 2022, highlighting the action plans toward achieving the 2060 net-zero targets. Other related policy actions – such as the National Climate Change Policy, Nigeria's 2050 Low Emission Vision, and the enactment of Nigeria's Climate Change Act 2021 – further demonstrate the country's ambition to attain a net-zero status between 2050 and 2070. These frameworks, together with the ETP, seek to mainstream climate justice into the national development priorities and accelerate the transition to a low-carbon, climate-resilient economy, leveraging natural gas as a transition fuel driving Nigeria's path to net-zero.³¹

³⁰ <https://www.climatepolicyinitiative.org/wp-content/uploads/2024/10/Landscape-of-Climate-Finance-in-Nigeria-2024.pdf> (Accessed 5 December 2024)

³¹ S4C's “Energy Transition in Nigeria: Expanding Opportunities for Inclusive Stakeholder Engagement, undated.

	Finance in support of technological and societal changes for a net-zero, climate-resilient, green development future is a global contested political battleground. Climate finance is a delicate policy issue, where even the definition is contested. What is also important is to prepare for a day when fossil fuels eventually become economically and politically unviable would be counterproductive it would be counterproductive to overlook current realities, such as widespread energy poverty and high unemployment. Any transition strategy must therefore be balanced and inclusive, addressing both the urgency of climate action and the pressing need for economic development and energy access.³²	
Recommendations for changes to national extractive policies, linking recommendations also to the need for increased climate finance.	1. What can the country do to improve its fiscal policies and frameworks governing extractives sectors? 2. What can the country do to better implement regional policies and frameworks in relation to the extractives sector? 3. What can the country do to improve transparency in the extractives sector? 4. What can the country do to decrease tax expenditure from discretionary tax incentives? 5. What policies can the country adopt to improve the climate impact of extractive activities in the country? 6. Are there any estimates of how much additional revenue could be mobilized from better	1. Enhanced consultation to cultivate stakeholders support for the present administration tax reforms currently before the National Assembly. Stakeholders, including KPMG believe: “fiscal incentives for miners appear to be scattered in pieces of different and independent fiscal legislation, which urgently calls for harmonization, to provide clarity to operators as to which should prevail (e.g., incentives in the NMMA and Companies Income Tax Act, CITA). Typically, fiscal incentives should be codified into the relevant corporate tax law to avoid overlaps and/or inconsistencies”. More importantly, KPMG stressed that the FGN needs to revisit the entire fiscal framework for the taxation of mining operations, to align with global best practices and attract mining majors and foreign investors. “Apart from the harmonization of the fiscal incentives, the revision of the NMMA is long overdue, as some of the provisions may no longer be in tandem with current realities. Hence, there is a need for an update of the legislation to ensure that the provisions align with the best global practices and address the current realities of the mining ecosystem in the country.”³³ 2. While some of these regional and international instruments have been domesticated, Nigeria has yet to domesticate both AU AMV and ECOWAS regional mining statutes and protocols. ECOWAS Mineral Development Policy was adopted in 2012 by the member states. Nevertheless, it is encouraging that Nigeria has domesticated many other instruments into its national laws, as previously mentioned. While domestication remains a significant first step,

³² APRI (2022). Climate Finance in Sub-Saharan Africa: Needs, Challenges and Opportunities to deliver the financial resources required to drive low-carbon and climate-resilient development, African Policy Research Institute, Berlin, Germany

³³ Ruth Tene Natsa (2024). Existing fiscal frameworks in Nigeria's mining sector not attractive for investors KPMG". Business Day Newspaper, June 20, 2024

	legislation, and how far this would go towards meeting the climate finance gap?	the actual implementations of these governance frameworks also remain very important. 3. Improving transparency and governance for value optimization of Nigeria’s extractive governance; averting illicit financial flows (IFFs), effective governance of finite extractive resources is essential for promoting economic growth, reducing poverty and ensuring environmental sustainability.
	Domestic Revenue Mobilization (DRM) initiative aligns with the target 1 of Goal 17 of SDGs which underscores the need to “strengthen domestic resource mobilization, including improving domestic capacity for tax and other revenue collection through improvement on domestic revenue generation to support budget implementation. The DRM model seeks to improve revenue mobilization system of development which delivers significant reduction on borrowing and the attendant disproportionate huge costs to the economy for Nigeria, adequate funding for critical sectors as well as investment in social empowerment programmes to address poverty and enhance sustainable development.” ³⁴	

³⁴ HEDA (2024). Revenue Administration and Governance Constraints: Transparency and Accountability Gaps in Nigeria’s Public Sector. Publication of HEDA Resource Centre with support of MacArthur Foundation