Nigeria's private sector is susceptible to fluctuations in the international price for crude oil – a commodity that accounts for 90% of exports and foreign exchange earnings. This susceptibility is manifested in:

- **Government of Nigeria’s economic management and revenue mobilization shortcomings with the Q1 2020 collapse in oil price – a source of 90% of exports and government revenues.** The collapse in revenue further aggravated a debt burden that approached a +90% of debt service ratio in Q1 2020.

- **Policy conflicts:** massive budgetary subsidies for fossil fuels deprive critical mass transportation and renewable energy sectors of badly needed investment. Inability to de-risk agriculture dominated by small farm lots/holdings starves agriculture of credit and investment.

- **Key obstacles to investing in Nigeria including but not limited to risk related to currency volatility arising from foreign exchange scarcity leading to rationing and capital controls.**

- **Crumbling infrastructure** that registers lowly in the World Bank’s Logistics Performance Index (“LPI”) causes delays, higher costs for haulage and mounting losses for importers and exporters.

- **Additional threats arising from inadequate availability of information** on market activity deals, limited number of available options.

Nigeria’s private sector is susceptible to sea level changes as a rise of 1 metre or more could result in the loss of 75% of the Niger Delta – a crucial and fragile marine habitat that also serves as a vital carbon sink. Population growth driven deforestation is compounded by the related demand for land for various uses, including settlement, development and logging (Haider, 2019). Changes in land use and activities of the forestry industry contribute 38% of Greenhouse Gas (GHG) emissions in Nigeria, followed by energy, waste, agriculture and the industrial processes sector which contribute another 32%, 14%, 13% and 2% respectively (USAID, 2019).

Nigeria’s Intended Nationally Contributions (INDCs) became NDCs in March 2017 with a pledge to reduce emissions by 20% while stating that with international support and funding, emissions will be reduced by another 45% by 2030; hence the phrase for Nigeria’s NDCs became ’20% conditionally and 45% unconditionally’. However, the document is under review to include the water and waste management sector. Under its NDC, the key priority sectors for climate change mitigation are Energy, Agriculture and Land Use, Transport, Industries.

Preliminary estimates of investment needs for the energy and mitigation-related activities are in the region of USD 142 billion. Comparatively, the priority sectors for climate change adaptation are Health, Environment, Disaster Risk Management, Water, Forestry, Agriculture, Energy and Transport. In order for NDC implementation to be self-sustaining on a recurring basis, private sector green investments will have to increase.
of scalable enterprises caused by a proliferation of Micro/Small Enterprises, and long holding period for portfolio companies weigh heavily on Nigeria’s investment attractiveness.

Similarly, other challenges that register as hurdles to potential investors include weak corporate governance, limited exit opportunities; lack of depth in green investment fundraising environment; and shortage of qualified human capital.

Climate variability impacts the reliability of data used to plan future investments increasing stranded asset risk due to under-performance or cost overruns of projects.

PRIVATE SECTOR CHALLENGES

Beyond climate data variability, inadequate climate related data and resources such as weather forecasting data, lack of climate-resistant seedlings and crops; and poor socio-economic conditions make investment decisions more prone to forecast errors.

Limited understanding of climate change adaptation or mitigation measures that benefit businesses and society calls for capacity training on climate change and public dialogue.

PRIVATE SECTOR OPPORTUNITIES

To address concerns about the lack of information on market deals in sustainable financing, the Green Tagging Project was launched that seeks to leverage a reporting framework through which all financial institutions can report, in a homogenous manner, their financing of projects with the goal of providing a monitoring mechanism and offer visibility to green and sustainably compliant market activities.

Recognizing the cumulative deficit in public and private sector funding for infrastructure across all sectors, there is an opportunity to ramp up sustainable infrastructure investment, leveraging private sector sustainable finance in mitigation (for instance using renewable energy technology) and adaptation (energy efficiency in buildings).

Private sector led climate change adaptation investment in agriculture leveraging climate smart-technology open up avenues for de-risking green investment in agricultural ventures, utilizing field mapping, satellite imaging and improved seed to build agri-business integrated value chains and achieve higher yields.

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Climate change risk arising from continued reliance on diesel powered generators, firewood and charcoal for cooking can be mitigated by private sector ventures to install smart-meters in homes, closing a crucial loophole in green energy value chain and increasing supply of reliable electricity.

Furthermore, there are opportunities to deploy sustainable finance behind private sector led investment in environmentally friendly run-of-the-river hydro power plants, and renewables - wind and solar.

Sustainable finance can be extended to Nigeria’s Private sector to advance green investments in waste management leveraging climate adapting: bioethanol cooking fuel, waste to matter-organic fertilizer and waste to energy – biomass technology.

There is growing awareness of the climate adaptation benefits of applying digital infrastructure to build platforms that enable users sort, sell, and dispose of solid waste for cash or points, while simultaneously scheduling pickups or drop-offs with waste merchants or disposal services.

Advances in Digital Technology – high speed broadband internet, 4G/5G Mobile telephony, cloud infrastructure, artificial intelligence and machine learning offer innovative approaches to overcoming some of the physical and geographic barriers to inclusion for under-served populations bolstering resilience.

Possibilities to leverage financial inclusion and growth of cashless society to reduce in-person store purchases in favor of online purchases and home delivery with the prospect of reducing traffic, pollution and fossil fuel consumption in densely populated cities across Nigeria.
**PRIVATE SECTOR OPPORTUNITIES**

- New financial instruments, especially project finance, and the globalization of private investment funds, can play a major role in the **expansion of the green investments** such as green bonds launched in December, 2017 in Nigeria.

- There is equally an opportunity to encourage multi-national and domestic corporations to embrace **Environmental and Social Governance principles**. Adopting ESG scorecards in their management reporting brings added visibility and can induce the flow of institutional equity capital to firms that are aligned to the missions of fund managers. Nigerian companies can leverage the transparency to gain favourable access to global capital markets to power future growth.

**RECOMMENDATIONS**

- **Tax incentives** for green investment such as the conferment of “Pioneer” status to all Green/Climate related investments by the Nigeria Investment Promotion Council in support of Nigeria’s NDC. Such a proclamation of Pioneer Status Incentives (“PSI”) extends incentives designed to reduce the cost of doing business in Nigeria by providing corporate income tax relief for 2 years to qualifying companies making investments in industries designated as “pioneer” will encourage the flow of capital to green investments.

- Infrastructure related projects can benefit from **zero import tariffs and exemption from VAT** that aid the seamless acquisition and installation of critical inputs for green investments and advance NDC attainment.

- **Update Policies and regulations** in sectoral plans to attract private investment and re-risking in mitigation and adaptation projects in waste and water management, in digital infrastructure.

Provide Project Development **technical assistance** to:  
(i) support established firms and start-ups with tools for conducting green investment business case development that capture ESG metric – triple bottom line;  
(ii) training workshop for private sector to understand the value-add benefits of mainstreaming climate change action in their business;  
(iii) build capacity in accessing climate finance instruments that can support in de-risking in ne;  
(iv) early stage financing to develop bankable climate related projects, more specific to understand the value of adaptation.