



Reduce, Recycle, Renovate, Reuse

Put simply, net zero means we are not adding new emissions to the atmosphere. Emissions will continue, but will be balanced by absorbing an equivalent amount from the atmosphere.

Practically every country has joined the Paris Agreement on climate change, which calls for keeping the global temperature to 1.5°C above pre-industrial era levels. If we continue to pump out the emissions that cause climate change, however, temperatures will continue to rise well beyond 1.5, to levels that threaten the lives and livelihoods of people everywhere.

Net zero by 2050 is the goal. But countries also need to demonstrate how they will get there. Efforts to reach net-zero must be complemented with adaptation and resilience measures, and the mobilization of climate financing for developing countries.

The good news is that the technology exists to reach net zero - and it is affordable. This is why a growing number of countries are making commitments to achieve carbon neutrality, or "net zero" emissions within the next few decades. It's a big task, requiring ambitious actions starting right now.

Do have a happy reading!

GREEN ECONOMY - GLOBAL CONTEXT

By early 2021, countries representing more than 65 per cent of global carbon dioxide emissions and more than 70 per cent of the world economy, will have made ambitious commitments to carbon neutrality.

More than 2,000 governments and businesses appear to have taken the net-zero pledge. The United Nations Race to Zero Campaign, for example, includes a coalition of about 1,675 businesses, 85 large investors, and more than 470 cities.

The European Union, Japan and the Republic of Korea, together with more than 110 other countries, have pledged carbon neutrality by 2050; China says it will do so before 2060.

To avoid the worst of warming (maximum 1.5 °C rise), the world will need to decrease fossil fuel production by roughly 6 per cent per year between 2020 and 2030. Countries are instead planning and projecting an average annual increase of 2 per cent.

Climate action is not a budget buster or economy-wrecker: In fact, shifting to a green economy will add jobs. It could yield a direct economic gain of US\$26 trillion through to 2030 compared with business-as-usual. And this is likely to be a conservative estimate.

These commitments are important signals of good intentions to reach the goal, but must be backed by rapid and ambitious action. One important step is to provide detailed plans for action in nationally determined contributions or NDCs. These define targets and actions to reduce emissions within the next 5 to 10 years. They are critical to guide the right investments and attract enough finance.

So far, 186 parties to the Paris Agreement have developed NDCs. This year, they are expected to submit new or updated plans demonstrating higher ambition and action. Click here to see the NDC registry.

The COVID-19 pandemic recovery could be an important and positive turning point. When economic stimulus packages kick in, there will be a genuine opportunity to promote renewable energy investments, smart buildings, green and public transport, and a whole range of other interventions that will help to slow climate change.

Challenges include agreeing on a formal definition of the term, ramping up global financing and infrastructure investments, and ensuring green technology advancements occur and their costs are reduced or subsidized to enable a rapid shift away from carbon-emitting fossil fuels. Other hurdles include picking the right carbon offsets, not relying on renewable energy credits alone, attaining the right balance between climate-related policies at the federal and local levels, and starting the ball rolling on hard-to-decarbonize sectors.

The United Nations Intergovernmental Panel on Climate Change (IPCC) in 2018 estimated the world needs to invest about \$3 trillion annually under a 1.5-degree scenario. Of that amount, about \$2.4 trillion – or about 2.5% of global GDP – will be needed annually over the next 15 years for clean energy-related investments, the IPCC said. In comparison, global total investments in clean energy and energy efficiency in 2019 reached only US \$635.8 billion, according to the International Energy Agency.⁴ The world would need to invest about 3.8 times that amount annually to achieve the IPCC's 1.5-degree scenario.

GREEN ECONOMY - NIGERIAN CONTEXT

According to Statista, Nigeria has the largest economy and population with a GDP of \$442.98 billion and a population of 206.1 million people. It is expected to overtake China to become the world's second most populous country after India by the end of the century. It was the world's 17th biggest emitter of greenhouse gases in 2015, the second highest in Africa after South Africa.

Climate change is having a large impact on Nigeria. Sharp increases in extreme heat are affecting the many millions of people without access to air conditioning or electricity and changes to precipitation threaten Nigeria's largely rain-fed agricultural sector. Some suggest that climate change could fuel the risk of conflict in the north of the country. The desertification taking place in the Northern part of the country as a direct consequence of climate change coupled with the reduction in water levels of the Lake Chad.



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Nigeria is signed up to the Paris Agreement, the international deal aimed at tackling climate change. It ratified the agreement in 2017. Through this, it has pledged to reduce its greenhouse gas emissions by 20% by 2030, when compared to “business-as-usual” levels. This pledge rises to 45% (or 495m tonnes of CO₂ a year) on the condition of international support.

KEY INITIATIVES TAKEN BY NIGERIAN GOVERNMENT

GAS FLARING

- An estimated 7.4bn cubic feet of gas was flared in Nigeria in 2018 – making it the world’s seventh largest gas flarer.
- In its national climate pledge, the Nigerian government has promised to “work towards” ending gas flaring by 2030.
- To aid this goal, the government has established a Gas Flare Commercialisation Programme to encourage investment in practices that reduce gas flaring.

RENEWABLES

- Nigeria currently sources very little of its energy from wind and solar. In 2018, around 18% of its electricity came from hydropower – the largest source of low-carbon energy in Nigeria’s power mix.
- In its national climate plan outlined in 2017, Nigeria pledged that it would “work towards” installing 13,000MW of solar power. It marked this as one of the “key measures” needed to tackle the country’s carbon footprint with the aim of bringing solar power to 5million households by 2023

CLIMATE FINANCE

- The initiative identified 14 projects that could help Nigeria reach its climate pledge at the cost of \$500m. Most of the projects involve Nigeria developing more solar power.
- Analysis by Carbon Brief shows that Nigeria received \$136m in climate finance from other countries in 2016. (That year, the world’s wealthiest nations gave a total of £75bn in climate finance – and the largest recipients were India, Bangladesh and Vietnam.)
- More than half of the climate funds given to Nigeria in 2016 came from the European Union. The EU donated a \$58m grant to aid Nigeria in the development of its energy policy and a \$40m grant to help improve its preparedness for extreme weather events that year.
- Other projects financed in Nigeria include \$25m for the development of a credit system for renewable energy and energy efficiency projects, \$5m for a sustainable fuelwood management system and \$3m for scaling up hydropower.

Private Sector Participation

Unless we take action, these trends are likely to jeopardize hard-won progress. Already climate-induced conflicts are exacerbating fragile security situations, with flashpoints mainly in the middle belt of the country. Climate change therefore, poses a significant threat to Nigeria’s development ambitions of meeting the Sustainable Development Goals (SDGs) and could stunt and even reverse the progress that’s already been made.

ECONOMIC UPDATE

MACROECONOMIC INDICATORS

| | APR' 2021 | MAY' 2021 | % Δ |
|---------------------------------------|----------------|---------------|--------|
| GDP GROWTH RATE(%) | 0.11 (Q4, '20) | 0.51(Q1, '21) | 363.63 |
| MPC RATE(%) | 11.5 | 11.5 | - |
| FOREIGN RESERVES (US\$ BILLION) | 35.23 | 34.25 | 1.99 |
| GLOBAL NATURAL GAS PRICE (US\$/MMBTU) | 2.931 | 2.986 | 1.88 |
| GLOBAL OIL PRICE (US\$/BARREL) | 66.76 | 69.32 | 3.83 |
| CBN FOREX RATE(US\$/NGN) | 380.00 | 411.00 | 8.16 |
| INFLATION (%) | 18.12 | N/A | - |

Source: CBN, WWW.OILPRICE.COM, Green Advisors Research

FINANCIAL MARKET HIGHLIGHTS

| MARKET INDICATORS | APR' 2021 | MAY' 2021 | % Δ |
|-----------------------------------|-----------|-----------|-------|
| NSE ALL SHARE INDEX (POINTS) | 39,461.20 | 38,437.88 | 2.59 |
| MARKET CAPITALISATION (TRILLION) | 20.54 | 20.03 | 2.48 |
| AVERAGE TREASURY BILLS YIELDS (%) | 4.37 | 5.95 | 36.16 |
| AVERAGE TREASURY BONDS YIELDS (%) | 12.70 | 13.28 | 4.57 |
| EUROBOND YIELDS (%) | 5.81 | 5.74 | 1.20 |

Source: Nigerian Exchange Group, FMDQ, Green Advisors Research

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