



Policy Brief on Energy Transition, Divestment and Accountability

By
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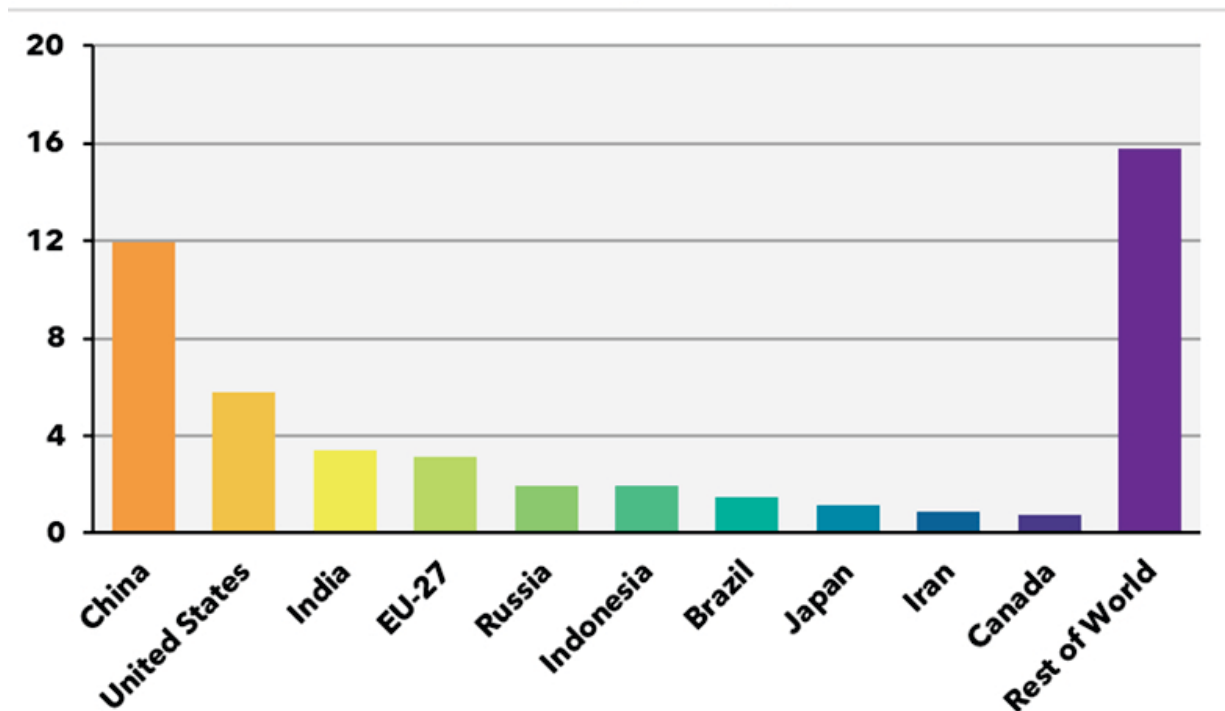
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Background and Context

The energy transition debate across the world is the expression of determination by different stakeholders towards gradual phase out of fossil fuel and aims at sustainability of the energy sources. In line with the Paris Agreement's objective of keeping the global temperature rise this century well below 2 degrees Celsius above preindustrial levels and to pursue efforts to limit the temperature increase even further to 1.5 degrees Celsius while also ensuring the growth of a sustainable economy.

Greenhouse Gas Emissions by Country in 2021 (Gt)



Nigeria with approximately 37.5 billion barrels of oil and 202 trillion cubic feet of natural gas as the nation's proven oil and gas reserves. Nationally Determined Contribution (NDC) 02 and recently submitted 03, pledging to achieve a net-zero carbon economy by 2060, as well as its Long-Term Low Emission Development Strategy (LT-LEDS), which describes potential paths and scenarios for reaching this goal. Additionally, the government passed the National Climate Change Act of 2021 and created an Energy Transition Plan (ETP).

Nigeria Just like most countries have set up some frameworks towards achieving this goal and also other instruments entered globally. This policy brief looks at Petroleum Industry Act, EITI 2023 standard, Nigeria Energy Transition Plan and NEITI Framework for Energy Transition and Divestment.

¹ <https://resourcegovernance.org/sites/default/files/2024-05/Guidebook%20on%20Nigeria%20Energy%20Transition.pdf>

² United Nations Framework Convention on Climate Change (UNFCCC), The Paris Agreement, 2015, unfccc.int/process-and-meetings/the-paris-agreement.

³ 2050 LONG TERM VISION FOR NIGERIA (LTV-2050)

<https://climatechange.gov.ng/resource/2050-long-term-vision-for-nigeria-ltv-2050/>

<https://unfccc.int/documents/386681>

Context

The following provides the key context for Nigeria Energy Transition:

- The Nigerian economy is heavily reliant on oil and gas, with oil accounting for 86% of the country's foreign exchange earnings.
- A major section of the Nigerian population and communities depend largely on ecosystems and natural resources that are susceptible to climate change and environmental pollution for their livelihood.
- Nigeria is susceptible to a dynamic and changing world.
- Oil and Gas companies face global pressure to invest less in fossil fuel exploitation and more on renewables
- Divestments and stranded assets are increasing threat facing the Niger Delta, Nigeria.
- Nigeria is one of the most vulnerable countries to climate change. According to the Notre Dame Global Adaptation Initiative (ND-GAIN), Nigeria is ranked 154th out of 185 countries on its country index, making it among the 30 most vulnerable countries.
- Nigeria has an average carbon emission of 2.79 tCO₂e/cap (well below the world average of 6.73tCO₂e/cap). However, coming behind South Africa, Egypt and Algeria, Nigeria has Africa's fourth highest GHG emission.
- Widespread underlying poverty makes it challenging for the nation to respond effectively to climate change.
- Nigeria's mono-economy is extremely susceptible to disruptions from the global goal of transitioning away from fossil fuels in energy systems in order to reach the global net-zero target by the middle of the century.
- A large percentage of Nigerian women and marginalized are directly affected are susceptible to climate shocks and in turn energy transition.
- In addition, an estimated 50,000 employees in the oil and gas industry would experience more stress at work, and the national and international energy transition is expected to result in the loss of 240,000 direct and indirect jobs.
- Nigeria has consistently expressed commitment to long-term decarbonisation, as envisioned in its Long-Term Low Emission Development Strategy (LT-LEDS) and Deep Decarbonization Projects (DDP).
- Nigeria has abundant renewable resources, including renewable energy sources that can be exploited and used to improve the country's economy, boost employment opportunities, and build resilience to climate change.
- Despite abundant renewable and non-renewable sources, about 90 million of Nigeria's 200 million population remain unconnected to the grid, making Nigeria the country with the largest un-electrified population globally.
- Energy poverty and indoor air pollution is one of the main causes of deaths among Nigerian women.
- Economic diversification is highlighted in several national climate and economic policies as a key priority for the government of Nigeria, notably to alleviate high unemployment, especially for youth in rural areas.
- Nigeria is also home to some critical minerals that are essential for energy transition.

Situational Analysis

Table 1: Situational analysis of the Extractive of Nigeria

Where are we	What are we responding to	Long-Range Outcomes	Risks
(i) ~1.5 mbpd crude output (targeting 1.2) (ii) 37–38bn barrels of crude; 200+ Tcf gas (iii) Oil theft and underinvestment	Energy transition pressure; global ESG standards Need for increased local refining Low investor confidence	Optimized oil production within environmental limits Fully monetized gas reserves	Oil theft, sabotage Regulatory uncertainty Investment diversion to renewables
(i) Incomplete pipelines (e.g. AKK) (ii) Dangote Refinery operational (iii) Ageing state-owned refineries	Domestic fuel supply crisis Gas flaring and obsolete pipeline Inadequate gas utilization Increase downstream sector and refining	Operational refineries meeting national demand Gas-powered industrial base Cross-border gas pipelines Energy and fuel sovereignty and beneficiation	Delays and corruption in project execution Pipeline vandalism Funding shortfalls Importation of refine products , Balance of payment problem, Lose of forex.
(i) Subsidy removed (2023), leading to inflation (ii) Deregulated price system, but inefficient distribution (iii) Limited LPG/CNG access	Public backlash over the pump price Need to expand clean cooking fuels Persistent fuel import reliance	Competitive and self-sustaining downstream market CNG and LPG widely adopted Cost-reflective pricing	Inflation and unrest Price gouging Fuel scarcity Sustained expensive fuel for domestic use
(i) Continued flaring, spills in Niger Delta (ii) PIA community trust fund implementation is slow	Global net-zero goals Local community agitation Need to decarbonise the value chain	Significantly reduced flaring and spills Active host communities engaged in governance	Environmental degradation Lawsuits from communities. Agitation and disagreement

Where are we	What are we responding to	Long-Range Outcomes	Risks
		ESG-compliant oil sector	with the companies and the government ESG backlash from financiers
(i) Petroleum Industry Act passed (2021) (ii) NNPC commercialization (NNPCLtd) (iii) Overlapping regulator roles harmonization	Need for full PIA implementation Attracting private sector investment Aligning oil law with global practices	Transparent, investor-friendly sector governance Strong regulatory institutions Clear revenue-sharing systems	Political interference Institutional overlap Corruption and weak enforcement
Presence of Critical minerals in Nigeria	To take advantage and diversify our economy, contribute to the global energy transition	Diversified economy, manufacturing hub for EV and contribute to energy transition	Smuggling, Small scale mining, Environmental pollution and lead poisoning
Divestment of IOC assets decommissioning and remediation	To ensure proper things are done, decommissioning, remediation and stranded assets are taken care of	Energy sovereignty, Localization and community empowerment	Stranded Assets, Environmental pollution, Pipeline collapse and insufficient decommission provision

Stakeholder Analysis

- Government & Regulators: NUPRC, NMDPRA, Ministry of Petroleum Resources.
- Civil Society & Communities: NGOs, host communities, advocacy groups.
- Private Sector & Investors: Oil companies, International oil companies and domestic oil companies, renewable energy developers, financiers.
- International Partners: EITI Secretariat, donors, climate finance institutions.

Identified Gaps

Table 2:

Area	PIA 2021	EITI 2023 Standard	Gap in Energy Transition Context	NEITI Framework
Climate Integration	Focused on oil/gas governance, minimal renewable energy provisions	Requires sustainability indicators and emission reporting	Lack of explicit climate/renewable energy mandates in PIA	Just like EITI standard but equally talks about Just transition
Fiscal Framework	Incentives mainly for petroleum sector	Encourages transparency in revenue use	Weak fiscal incentives for clean energy investment	General ETP, Oil and gas sector but not bidding as it is aspirational
Stakeholder Engagement	Limited civil society participation in implementation	Strong emphasis on multi-stakeholder dialogue	Disconnect between government, communities, and private sector	Multi stakeholder's engagement
Data Transparency	Improved petroleum revenue reporting	Mandates disclosure of environmental & social impacts	Insufficient integration of emissions and transition-related data	The use of data in making informed decision and transparency and accountability in data used
Institutional Alignment	NUPRC & NMDPRA regulate hydrocarbons	EITI promotes cross-sector accountability	Fragmented governance with little coordination on transition	Aligned with the EITI Standard and ETP of the country.



Divestments

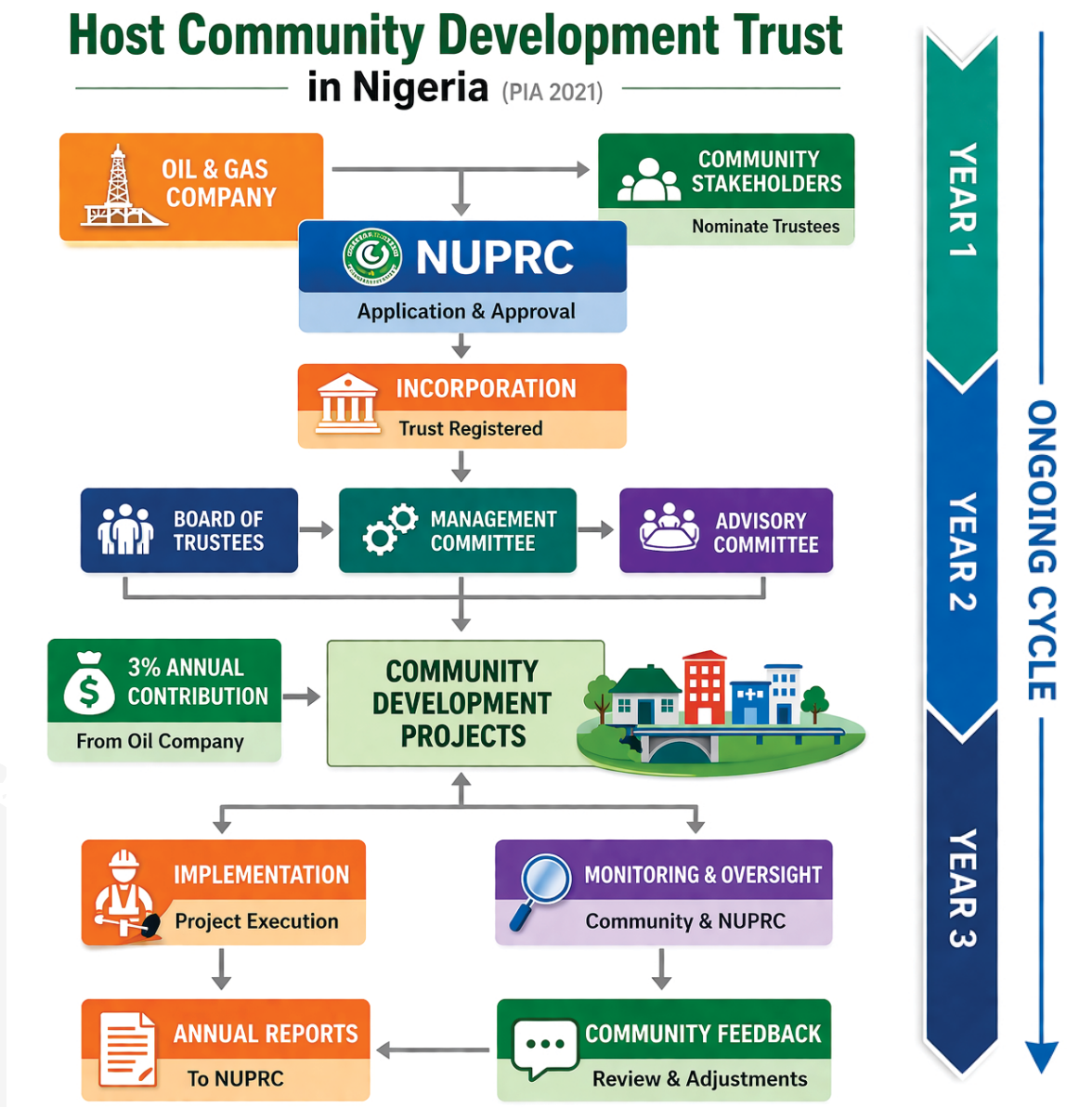
In the face of security concerns, oil theft, community unrest, polluted environment, human health hazards, and aging infrastructure, international oil companies (IOCs) like Shell, Total Energies, ExxonMobil, and Eni are actively selling off their onshore and shallow-water oil and gas assets in Nigeria's Niger Delta in favor of offshore Deepwater operations and integrated gas projects. The sale of Shell Petroleum Development Company (SPDC) onshore operation to the Renaissance consortium in 2025, which was estimated to be worth between \$1.3 and \$2.4 billion, is one of the major transactions. This effectively ended Shell's nearly century-long onshore involvement in the region. Driven by global energy transition policies and portfolio simplification initiatives, ExxonMobil (to Seplat), Total Energies, and Eni have all made similar divestitures, transferring assets to local operators. To guarantee that divestitures provide the Niger Delta region with long-term value, environmental sustainability, and socio-economic benefits, the Nigeria Upstream Petroleum Regulatory Commission (NUPRC) has underlined the necessity of stringent regulatory control, community involvement, and accountability



⁶ <file:///C:/Users/HP/Documents/GIVING-HOST-COMMUNITIES-THEIR-DUE%20PIA.pdf>

Host Communities Development Trust

A crucial component of Chapter 3 (Section 235) of Nigeria's Petroleum Industry Act (PIA) 2021 is the Host Communities Development Trust (HCDT), which requires upstream oil and gas operators (also known as "settlers") to donate 3% of their yearly operating expenses to incorporated trusts for the sustainable development of host communities, mainly in the Niger Delta. The implementation of HCDT is overseen by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), which has incorporated over 155 trusts, funded over 79 of them, and oversaw hundreds of ongoing projects focused on infrastructure, education, healthcare, and livelihoods. As of late 2025, the fund had grown to approximately N373 billion. The PIA–NUPRC–HCDT linkage seeks to enhance long-term socioeconomic advantages while operators adjust to global low-carbon needs, guarantee that divestitures and portfolio changes during the energy transition do not leave communities behind, and promote peaceful cohabitation.



Just Transition

In Nigeria, "just transition" refers to a fair, inclusive, and equitable transition from a fossil fuel-dependent economy to a low-carbon, climate-resilient future that safeguards vulnerable groups, workers, and communities (particularly in the Niger Delta) while generating new economic possibilities. The Petroleum Industry Act (PIA) 2021 links this change to community benefits through the Host Communities Development Trust (HCDDT), where operators contribute 3% of operating expenditure for local development projects in infrastructure, education, health, and livelihoods. Nigeria's Energy Transition Plan (ETP) positions natural gas as a transitional fuel, aims for net-zero emissions by 2060, and emphasizes reducing gas flaring, methane emissions, and promoting renewable energy.

Just Transition: Towards a Sustainable Future



Conclusion

Nigeria's energy transition necessitates bridging the gap between the sustainability-driven criteria of EITI and the petroleum-centric framework of PIA. Transparency, climate accountability, and economic reforms must be given top priority in stakeholder engagement if Nigeria is to meet its net-zero goal by 2060.

Recommendation

To amend the PIA (Lead: National Assembly, NUPRC, ETO to reflect Energy Transition commitments.

- a. Include a section on climate change or energy transition that requires all licenses to have decarbonization plans, provides incentives for integrating renewable energy sources, and establishes a ring-fenced Future Energy/Decarbonization Fund (financed by flaring penalties plus a 1%–2% royalty carve-out).
- b. Critical minerals and other minerals that can be utilized for energy transition should be included.
- c. Tighten Section 104: Make it mandatory to adhere to the NUPRC Decarbonization Template, impose escalating fines associated with methane/GHG targets, and provide precise exclusions.
- d. Strengthen decommissioning by mandating remediation plans before asset transfers, requiring escrow funds to cover all liabilities, including legacy contamination, and creating a link to HYPREP and the new Environmental Liability Fund.
- e. Fully implement PIA 2021 Chapter 3 on host community development, environmental remediation, and HCDT governance with enforceable timelines.
- f. Require public disclosure of IOC divestment agreements, confirming transfer of environmental liabilities, court cases, and community compensation obligations.
- g. Launch a nationwide programme to decommission and properly close abandoned oil infrastructure in the Niger Delta, following UNEP Ogoni land Report recommendations.
- h. Amend PIA Chapter 3 to address gaps in community security, HCDT transparency, operational cost disclosure, and allocation timelines.
- i. Publish company operational costs used in HCDT contribution calculations online for communities to independently verify entitlements.

5.2 NEITI role

1. Fully implement and make use of the EITI 2023 Standard (Lead: NEITI NSWG, NNPC, Companies – Ongoing, with 2026 Validation milestone)
2. . Require 100% company GHG emissions disclosure (disaggregated, in compliance with industry norms) and publish annual transition revenue projections under 1.5°C/2°C scenarios.
3. Harmonize BO/contract records; make all contracts, including those modified prior to 2021, and resource-backed loan information public.
4. Create an official NETP subcommittee for just-transition monitoring, gender parity, open nominations, and CSO protection protocols in order to reform the NSWG.
5. Extend Requirement 6.1/6.4: Report gender-disaggregated HCDT benefits, environmental costs, oversight, fines, and requirements.

Stakeholder Actions That Cut Across

1. Government/Regulators: Align all policies (PIA, NDC, LT-LEDS, Decade of Gas) under NETP and use EITI data to produce an annual progress dashboard.
2. Companies (IOCs & Indigenous): Provide verifiable transition plans and emissions data; commit to just-transition agreements with unions and communities.
3. CSOs and Communities: Use EITI data for advocacy (e.g., through the RemTrack app); demand participatory environmental and social impact assessments and Free, Prior, and Informed Consent (FPIC).
4. Development Partners/Investors: Link funding to PIA/EITI compliance; promote NEITI and community oversight capacity building.

For marginalized groups:

- i. Demand quotas for participation in decision-making bodies, skills programmers, and financing schemes.
- ii. Leverage cooperatives and associations to access clean energy markets, climate finance, and entrepreneurship opportunities.
- iii. Partner with government and civil society to design tailored programmes addressing unique barriers faced by women, rural poor, informal workers, and persons with disabilities.

Communities:

- I. Participate in consultations and co-design of transition plans to ensure their livelihoods, culture, and needs are respected.
- II. Collaborate in preserving indigenous rights and equitable distribution of benefits and burdens from the transition.
- III. Multi-stakeholder dialogue platforms are established to bring government, private sector, civil society, and community representatives into meaningful conversations on priorities and actions for Just Transition.
- IV. Establishment of Tripartite Commissions for social dialogue among government, employers, and worker organizations to ensure representation and collaboration.
- V. Emphasis on transparency, accountability, and anti-corruption measures in managing Just Transition funds and programs.
- VI. Regular monitoring, reporting, and verification frameworks centered on gender inclusiveness and social equity.
- VII. Implementation of mechanisms for continuous feedback, performance tracking, and periodic review of transition outcomes to adapt strategies accordingly.

International Oil Companies

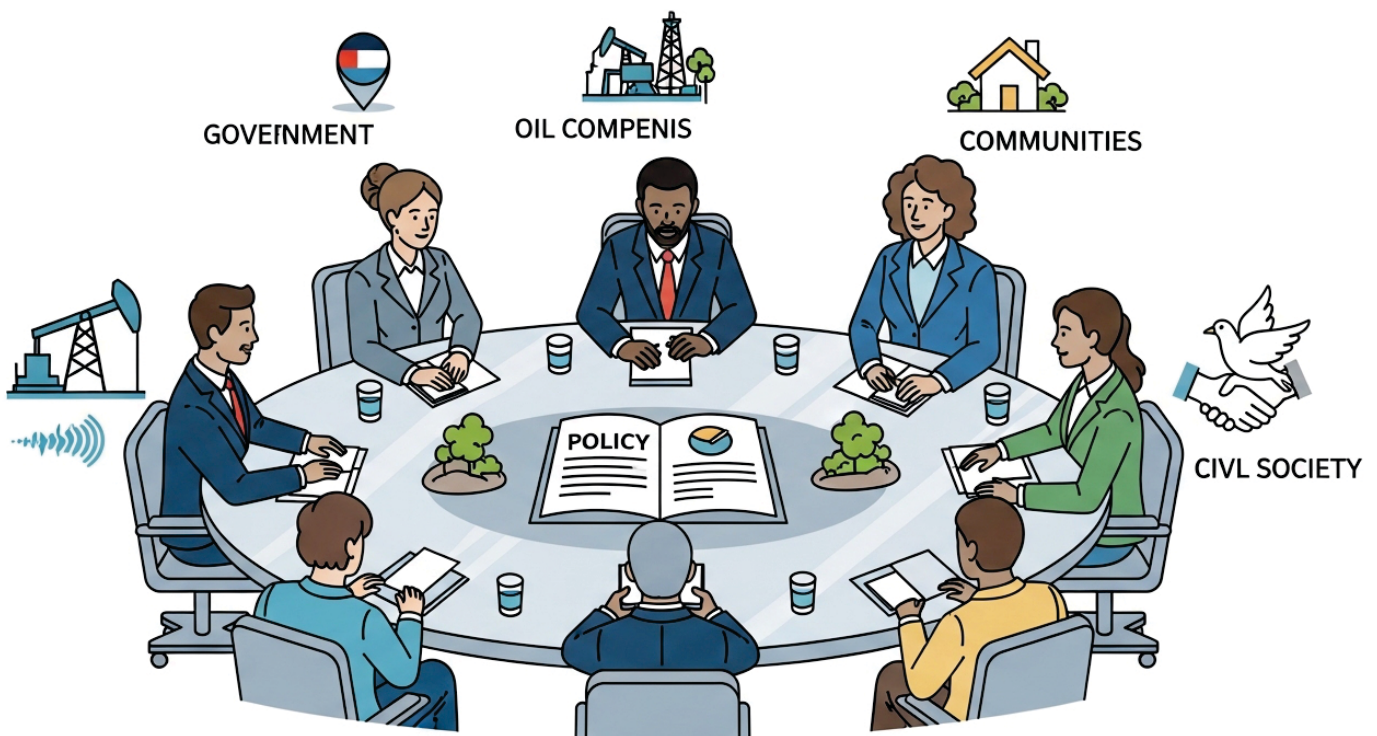
1. Resolve all outstanding environmental liabilities, compensation orders, and community obligations before any divestment approval, without leaving them behind.
2. Repatriate all operational data from divested assets to Nigeria's National Data Repository prior to exit.
3. End elite-focused compensation payments and ensure all community compensation is transparent, documented, and independently verified as reaching recipients.

Domestic oil companies / incoming operator

1. Acquiring divested assets means inheriting all related liabilities, environmental damage, court cases, and community obligations.
2. Operators must prove genuine technical, financial, and environmental management capacity before starting operations to ensure accountability to harmed communities.
3. From day one, operators must establish formal, documented community engagement structures so communities know who they are, what they do, and how to reach them.

Civil society organizations

- I. Priorities the documentation and investigation of extraction-linked human rights violations, including environmental health harms, livelihood destruction, and fraudulent compensation, as a distinct and urgent category of human rights abuse.
- II. Proactively visit and engage communities in the Niger Delta through mediation and conciliation processes, without waiting for formal complaints to be filed.
- III. Widely disseminate communities' rights under PIA Chapter 3 and the NHRC's accessible, low-cost mediation mechanisms as an alternative to costly litigation.
- IV. Ensure communities are formally notified and involved in all abandonment and decommissioning processes.
- V. Make NUPRC's monitoring and enforcement activities visible and proactive for affected communities.



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ABOUT HEDA


Human and Environmental Development Agenda (HEDA Resource Centre) was founded in November 2001 and incorporated in 2004 as a Non-Governmental Organization under Part C of the Companies and Allied Matters Act, 1990. The core mandate of HEDA is to partner global stakeholders towards entrenching – (a) Good Governance and Human Rights (b) Environmental Justice and Sustainable Development. The Centre deploys research, policy advocacy, training, as well as citizens' awareness and mobilization on critical human development issues, including agriculture, food security, climate change, human rights, public sector accountability and electoral reform processes. In partnership with local, international and multilateral institutions HEDA promotes transparency, accountability, inclusion and responsiveness in governance, whilst striving to shape the content and context of public policies and programs. HEDA works with others to advocate for fair economic and climate deals for Africa; in particular for small scale farmers and other vulnerable sectors. HEDA has observer status with the UN ECOSOC, UNFCCC as well as the Green Climate Fund. HEDA is keen on deploying new media as an advocacy and change tool and also maintains strong partnership with the broadcast and print media for informed views on policies/programs on good governance, food security and sustainable development. HEDA is a leading anti-corruption platform working with agencies and institutions within and outside Nigeria. In recognition of efforts, HEDA was given an observer status with the National Committee on the Monitoring of Trials of Financial Crimes and Corruption Cases across the country and also a member of the Monitoring and Evaluation Committee of the country's implementation of National Anti-Corruption Strate


Vision

To be a leading catalyst for development; ensuring that all persons; regardless of location and situation are treated with dignity with unhindered access to good governance in a sustainable environment.

Mission

To serve as a platform for promoting human rights, good governance and sustainable environment through research, training, advocacy and policy engagement.

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