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Analysis of the Regulatory Mechanism for Corporate Climate Governance in Nigeria

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Abstract

Nigeria as a signatory to the Paris Agreement 2015 is obliged to reduce greenhouse gas emissions and pursue climate-resilient development. To achieve these goals, it would be necessary to rely not only on state-led interventions but also on the active participation of corporate actors, particularly in high-emission sectors such as oil and gas, manufacturing, and energy. This paper analyzed the regulatory mechanisms that govern corporate climate governance in Nigeria, focused on the legal instruments that seek to align corporate practices with national and international climate commitments. The paper analyzed the effectiveness of these regulatory mechanisms such as nationally determined contributions (NDCs), carbon budgeting, environmental disclosure and reporting obligations in promoting corporate climate accountability and environmental compliance. In doing this, it adopted the doctrinal methodology, supported by qualitative analysis of statutes, policy documents, international agreements, and judicial decisions. The paper found that while Nigeria has made significant legislative strides, regulatory enforcement remains weak due to institutional overlap, lack of technical capacity, and poor corporate transparency. Furthermore, legal obligations are often undercut by discretionary enforcement and limited stakeholder engagement. The paper recommended strengthening institutional coordination, mandating corporate climate disclosures, introducing sector-specific emission standards, and enhancing civil society participation in environmental monitoring. Ultimately, the paper supported a robust and coherent regulatory approach to mainstream corporate responsibility into Nigeria's climate governance framework, to ensure that businesses not only comply with the law but actively contribute to sustainable development and the realization of Nigeria's international climate commitments.

Keywords: Climate change, climate governance, sustainability disclosure, environment, Nigeria.

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1. Introduction

Climate change presents one of the most pressing global challenges of the 21st century, posing serious threats to environmental sustainability, public health, food security, and economic

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development.¹ Its international nature demands collective international action, as reflected in instruments such as the United Nations Framework Convention on Climate Change (UNFCCC)² and the Paris Agreement 2015.³ These frameworks emphasise not only state responsibility but also the role of non-state actors, including corporations, in achieving emissions reduction and climate resilience targets.⁴ Nigeria, is a signatory to the Paris Agreement, and also vulnerable to the adverse impacts of climate change.⁵ Rising temperatures, desertification, coastal erosion, flooding, and loss of biodiversity threaten livelihoods and national development.⁶ The urgency of implementing mitigation and adaptation strategies is therefore paramount. While the Nigerian government has demonstrated commitment through policy instruments and legislation such as the Climate Change Act 2021, Petroleum Industry Act 2021, and environmental regulations, corporations remain central to the country's climate response, especially in high-emission sectors such as oil and gas, manufacturing, and energy.⁷ In this context, the expectations on corporate actors are evolving beyond voluntary sustainability initiatives toward legally enforceable obligations. The global shift toward Environmental, Social and Governance (ESG) standards, climate-related disclosures, and green investments further underscores the need for businesses to incorporate climate risks and adopt low-carbon strategies.⁸ Despite the existence of a growing body of climate and environmental legislation, corporate climate governance in Nigeria remains underdeveloped and largely ineffective.⁹ Regulatory institutions often lack the technical and institutional capacity to monitor, enforce and penalise non-compliance.¹⁰ Corporate actors, particularly in the extractive and industrial sectors, frequently operate with minimal transparency, and the absence of clear emission standards, enforcement mechanisms, and climate reporting obligations weakens accountability.¹¹ Furthermore, the legal and institutional frameworks often operate in silos, resulting in overlaps, fragmentation, and regulatory inefficiencies.¹² These gaps hinder Nigeria's ability to fulfil its international climate obligations and to integrate corporate practices into the national climate response.

This paper aims to analyze the regulatory mechanisms for corporate climate governance in Nigeria, with a focus on the extent to which it enables the alignment of corporate conduct with national and international climate obligations. The specific objectives of the paper are to analyse corporate climate-related disclosures, environmental social and governance standards, carbon

¹ PBS News, 'At Davos, UN Chief warns the world is in a 'sorry state' from climate change, ukraine war/pbs/news' (2023) <<https://www.pbs.org/newshour/world/at-davos-un-chief-warns-the-world>> accessed on 3 October, 2024.

² UNFCCC 1994, Article 2.

³ Paris Agreement 2015, Article 2 (1) (a).

⁴ *Ibid*; Article 6.

⁵ National Aeronautics and Space Administration, 'The Effects of Climate Change' (2024) <<https://science.nasa.gov/climate-change/effects/>> accessed on 3 October, 2024.

⁶ H.P. Faga & U. Uguru, 'Oil Exploration, Environmental Degradation, and Future Generations in the Niger Delta: Options for Enforcement of Intergenerational Rights and Sustainable Development Through Legal and Judicial Activism', (2019) 34 *Journal of Environmental Law and Litigation*, 185, 186.

⁷ E.O. Ekhaton and E.O. Okumagba, 'Climate Change and Multinationals in Nigeria: A Case for Climate Justice', in Kim Bouwer, Uzuazo Etemire, Tracy-Lynn Field, and Ademola Oluborode Jegede (eds.) *Climate Litigation and Justice in Africa* (Bristol, UK: Bristol University Press, 2024) 247–273.

⁸ *Sustaining Life on Earth: Environmental and Human Health Through Global Governance* (C.L. Soskolne: ed, Lexington Books Maryland USA 2007) 227.

⁹ I.A. Akhanolu et al, 'Carbon Disclosure, Board Climate Governance and Financial Performance of Listed Manufacturing Firms in Nigeria', (2023) 13(4) *International Journal of Energy Economics and Policy*, 187-193.

¹⁰ I. Adegbite, 'Climate Change, Perennial Crude Oil Theft and the Quest for Sustainable Development in Nigeria' <<https://www.ssrn.com/link/2014>> accessed on 28 August 2023.

¹¹ *Ibid*.

¹² Y. Oke, 'Legal Redress for Pollution Arising From Petroleum Exploration' *Nigerian Energy Resources Law and Practice* (Princeton Publishing, Ikeja 2019) 165.

budgeting mechanism, policies, and regulatory bodies responsible for corporate climate governance, evaluate the current regulatory mechanisms that impose sufficient and enforceable obligations on corporate actors to reduce emissions and manage climate risks, and propose legal reforms that would strengthen corporate accountability and enhance Nigeria's climate governance framework.

2. Conceptual Clarifications

2.1 Climate change

The Intergovernmental Panel on Climate Change (IPCC) defines climate change as long-term alterations in the Earth's climate system such as temperature, precipitation, and wind patterns, primarily driven by human activities like burning fossil fuels, deforestation, and industrial processes.¹³ These activities raise greenhouse gas (GHG) levels in the atmosphere, leading to global warming and changing weather patterns. While both natural and human-induced (anthropogenic) factors contribute to climate change, human activities are the dominant cause.¹⁴ Anthropogenic sources include fossil fuel combustion, deforestation, which reduces the Earth's capacity to absorb Carbon dioxide CO₂, industrial emissions, agriculture, and waste that emit methane and nitrous oxide.¹⁵ Natural contributors include volcanic eruptions, solar variations, and natural GHG fluctuations.

2.2 Climate Governance

According to UNDP¹⁶ climate governance refers to the sum of the many ways individuals and institutions, public and private, manage their common affairs in relation to climate change. It is a continuing process through which conflicting or diverse interests may be accommodated and cooperative action may be taken. Ibe and Adekoya¹⁷ described climate governance as the integration of environmental, economic and social policies by Nigerian institutions to address the climate crisis, ensure corporate accountability and implement international commitments such as those under the Paris Agreement.

2.3 Nationally Determined Contributions

Nationally Determined Contributions (NDCs) are the core mitigation and adaptation commitments submitted by States Parties under the Paris Agreement to the United Nations Framework Convention on Climate Change (UNFCCC).¹⁸ They represent each country's self-determined targets and policy measures aimed at reducing greenhouse gas (GHG) emissions and enhancing climate resilience, while reflecting national circumstances, capabilities, and development priorities. Under Article 4 of the Paris Agreement, Parties are required to prepare, communicate, and maintain successive NDCs, each of which must represent a progression beyond previous commitments and reflect the highest possible ambition.¹⁹ Although NDCs are not directly enforceable as international obligations of result, they create binding procedural duties of conduct, planning, reporting, and implementation.

¹³ IPCC, 'Intergovernmental Panel on Climate Change, Sixth Assessment Report' (IPCC 2021).

¹⁴ Faga & Uguru (n 6) 187.

¹⁵ *Ibid.*

¹⁶ UNDP, 'Democratic Governance Reader: Accountability and Transparency' (UNDP 2004).

¹⁷ SN Ibe and TO Adekoya, 'Strengthening Climate Governance in Nigeria: The Role of Law and Institutions' (2022) 24(2) *Environmental Law Review* 145.

¹⁸ United Nations Climate Change, What is the Paris Agreement? <<https://unfccc.int/process-and-meetings/the-paris-agreement>> accessed on 6 April, 2025.

¹⁹ *Ibid.*

2.4 Environment

The environment refers to the totality of natural and human-made surroundings, including land, air, water, flora, fauna and their interrelationships, within which human life and activities occur and which are capable of being affected by human conduct.²⁰ This conception is reflected in Nigerian environmental law, where the environment encompasses ecological systems, natural resources and the conditions influencing environmental quality and sustainability.²¹

2.5 Sustainability Disclosure and Reporting Obligations

The Global Reporting Initiative (GRI) defines sustainability reporting as the public disclosure of a firm's economic, environmental, and social impacts, thereby positioning it as a strategic tool for corporate responsibility and alignment with international sustainability agenda.²² On the other hand, disclosure, aims on the accessibility and transparency of such information for stakeholders, including regulators, investors, and civil society.²³ Together, these mechanisms foster corporate trust, support regulatory compliance, mitigate reputational and climate-related risks, and enhance stakeholder engagement.

3. Institutional Mechanisms for Corporate Climate Governance

3.1 Federal Ministry of Environment

Federal Ministry of Environment was established in 1999 by the then Federal Government as the highest authority on issues relating to the protection of the environment.²⁴ The primary objective of the Ministry is to protect and improve water, air, land, forest and wildlife in Nigeria as enshrined in Section 20 of the 1999 Constitution. The Ministry is responsible for ensuring environmental protection, natural resources conservation and sustainable development.²⁵ The duties of the Ministry include the issuance of the EIA guidelines in respect of industrial project for oil and gas exploration and production, petrochemicals, petroleum refining etc. The Ministry took over the job of the Federal Environmental Protection Agency (FEPA) Act. Also, the oil and gas pollution control unit of the DPR was specifically transferred to the Federal Ministry of Environment. The Ministry in a bid to end issue of gas flaring and venting in Nigeria has initiated the programme called 'Clean Energy Initiates'. This is a renewable energy agenda designed by the Ministry in response to the Nigeria's obligation to UNFCCC. A key initiative under the ministry is the Hydrocarbon Pollution Remediation Project (HYPREP), created to tackle oil contamination in areas such as the Niger Delta.²⁶ However, recent reports have pointed out challenges in its implementation, including concerns about mismanagement and inefficiencies in the cleanup process.²⁷

²⁰ B.A. Garner (ed.) *Black's Law Dictionary* (11th edn, Thomas Reuters Dallas 2019) 388.

²¹ NESREA Act 2007, s.37; Environmental Impact Assessment Act 1992, s.61.

²² Global Reporting Initiative, *GRI Standards* (2021) available at: <<https://www.globalreporting.org>> accessed on 7 May 2024.

²³ KMPG, '*The KMPG Survey of Sustainability Reporting 2022*', available at: <<https://www.home.kmpg>> accessed 7 June 2024.

²⁴ Federal Ministry of Environment, available at: <<https://environment.gov.ng>> accessed on 26 March, 2025.

²⁵ *Ibid.*

²⁶ *Ibid.*

²⁷ *Ibid.*

3.2 National Council on Climate Change (NCCC)

The Climate Change Act 2021 established the National Council on Climate Change (NCCC) as the apex policy and regulatory body.²⁸ The NCCC is tasked with formulating climate policies, setting emission reduction targets and carbon budgets, guiding MDAs on climate integration, and monitoring national climate performance.²⁹ It plays a central role in engaging the corporate sector by prescribing emission limits and promoting climate disclosure. The NCCC is mandated to develop a five-year carbon budget and oversee the creation of sectoral emission reduction targets and action plans.³⁰ This introduces a binding accountability mechanism for industries such as oil and gas, energy, manufacturing, and transport to align with national emission limits. The Act require both public and private entities to submit climate change reports detailing how their operations support national climate goals.³¹ The NCCC may regulate the format and frequency of such disclosures, with sanctions for non-compliance. This provision aims to strengthen corporate climate accountability and aligns with global ESG standards by mandating environmental transparency and risk integration into corporate governance. However, the implementation is the challenge because the agency is yet to stamp its authority due to logistics issues, lack of fund, technical expertise, personnel issues among others.

3.3 National Environmental Standards and Regulations Enforcement Agency (NESREA)

NESREA, a parastatal of the Federal Ministry of Environment,³² which is a body corporate saddled with the responsibility of environmental standards, regulations, rules, laws, policies and guidelines in Nigeria.³³ NESREA has responsibility for the protection and development of the environment, biodiversity conservation and sustainable development of Nigeria's natural resources in general and environmental technology including coordination, and liaison with, relevant stakeholders within and outside Nigeria on matters of enforcement of environmental standards, regulations, rules, laws, policies and guidelines.³⁴ The NESREA Act empowers the Agency to be responsible for enforcing all environmental laws, guidelines, policies, standards and regulations in Nigeria, as well as enforcing compliance with provisions of international agreements, protocols, conventions and treaties on the environment to which Nigeria is a signatory.³⁵ However, the Act which established NESREA expressly excluded the agency from interfering in any matter that has to do with oil and gas activities.³⁶ Therefore, NESREA does not have any business in the regulation and enforcement in the oil and gas industry which is a major polluter of the environment.

3.4 Nigerian Upstream Petroleum Regulatory Commission (NUPRC)

The PIA 2021 established NUPRC,³⁷ with the main objectives of promoting healthy, safe, efficient, and effective conduct of petroleum operations in an environmentally and sustainable way.³⁸ It takes over the upstream regulatory functions of the defunct Department of Petroleum

²⁸ *Ibid*, section 2.

²⁹ *Ibid*, section 4.

³⁰ *Ibid*, section 10.

³¹ *Ibid*, section 20.

³² NESREA Act 2007, Section 1.

³³ *Ibid*, Section 2.

³⁴ *Ibid*.

³⁵ NESREA Act, Section 7.

³⁶ *Ibid*, Section 7(h) and 30(4).

³⁷ PIA 2021, Section 4, Referred to as the 'Commission'.

³⁸ *Ibid*, Section 6 (d).

Resources (DPR).³⁹ The Minister of Petroleum Resources is empowered to grant petroleum prospecting licence and petroleum mining lease subject to the recommendation of the Commission.⁴⁰ The Act mandates NUPRC to establish Environmental Remediation Fund (ERF) and companies operating in this sector are required to contribute a determined amount into it.⁴¹ The fund contributed shall be used for the rehabilitation and management of negative impacts on the environment where the company operates.⁴² The commission shall issue guidelines to help the companies audit their contributions to the ERF.

3.5 Nigerian Midstream and Downstream Petroleum Regulatory Authority

The PIA 2021 created the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA).⁴³ The Authority encompasses a merger or the scrapping of three defunct regulatory agencies namely: Petroleum Products Pricing Regulatory Agency (PPPRA), Petroleum Equalization Fund Management Board (PEFMB) and the Midstream and Downstream Divisions of the Department of Petroleum Resources (DPR). The Authority has ushered a new dawn for establishing a progressive regulatory framework that encourages investment and full optimization of the midstream and downstream sector of the petroleum industry in Nigeria. Its functions are restricted to midstream and downstream petroleum operations in the country which includes technical, operation and commercial activities.⁴⁴ It performs similar roles as the Authority in regards to the administrative and management of the ERF but restricted to companies operating in the midstream and downstream sector of the petroleum industry.⁴⁵

3.6 National Oil Spill Detection and Response Agency (NOSDRA)

The National Oil Spill Detection and Response Agency is an agency under the Federal Ministry of Environment responsible for monitoring and responding to oil spill in Nigeria.⁴⁶ Its functions include the surveillance and compliance with all existing environmental legislations, and detection of oil spills in the petroleum sector.⁴⁷ The Agency is to control oil spill and greenhouse gases (GHGs) sources⁴⁸ by regulating wastes from oil industry and their potential effects on the environment.⁴⁹ It coordinates the implementation of the National Oil Spill Contingency Plan (NOSCP) which also incorporates the National Oil Spill Contingency System (NOSCS) for Nigeria, in compliance with the International Convention on Oil Pollution Preparedness, Response and Cooperation (OPRC 1990), to which the country is a signatory.⁵⁰ The objectives of the agency includes to establish a viable operational organization that ensures a safe, timely, effective response to major or disastrous oil pollution, identify high risk areas as well as priority areas for protection and clean up, establish the mechanism to monitor and assist among others.⁵¹

³⁹ *Ibid*, Section 4- 28.

⁴⁰ *Ibid*, Section 3 (g).

⁴¹ *Ibid*, Section 103 (1).

⁴² *Ibid*, Section 103 (2) (3).

⁴³ PIA 2021, Section 29, Referred to as the 'Authority'.

⁴⁴ *Ibid*, Section 29 (1), 30, 31 (C).

⁴⁵ *Ibid*, Section 106(1) (6).

⁴⁶ The National Oil Spill Detection and Response Agency (Establishment) Act 2006.

⁴⁷ *Ibid*, Section 1, 5, 6.

⁴⁸ O.J. Olujobi, *et al*, 'Oil Spill in Nigeria's Upstream Petroleum Sector: Beyond the Legal Frameworks' (2018) (8) *International Journal of Energy Economics and Policy* 220.

⁴⁹ *Ibid*, NOSDRA Act 2006, Section 6, 7.

⁵⁰ National Oil Spill Detection and Response Agency', <<https://nosdra.gov.ng>> accessed 5 March, 2025.

⁵¹ *Ibid*; Section 5 (a-c).

The agency lacks the authority to impose stringent penalties on violators to reflect the level of the environmental degradation being perpetuated by these violators.⁵²

4. Regulatory Mechanisms for Corporate Climate Governance in Nigeria

4.1 Nationally Determined Contributions

In Nigeria, NDCs function as an important regulatory mechanism for corporate climate governance by serving as the normative and policy foundation upon which domestic climate regulation is constructed. Nigeria's NDC outlines sector-specific mitigation targets—particularly in energy, oil and gas, transport, manufacturing, and agriculture—sectors dominated by corporate actors and responsible for the bulk of national emissions. By articulating quantified emission reduction targets and policy pathways, the NDC provides the strategic direction that shapes national legislation, regulatory standards, and administrative action affecting corporate behaviour. The Climate Change Act 2021 expressly integrates Nigeria's NDCs into the domestic legal framework, thereby transforming them from international policy commitments into instruments with regulatory relevance at the national level.⁵³ The Act mandates that the national carbon budget be set and periodically revised “in line with Nigeria's NDCs and with a view to complying with Nigeria's international obligations”.⁵⁴ This linkage elevates the NDC from a soft international pledge to a guiding benchmark for domestic emission control. As a result, corporate emissions—though not capped directly by the NDC—are regulated indirectly through national and sectoral measures designed to ensure consistency with Nigeria's NDC targets. As a mechanism of corporate climate governance, NDCs operate primarily through downstream regulatory effects as follows:

1. They inform sectoral policies, standards, and action plans that impose compliance expectations on corporations, such as energy efficiency requirements, methane reduction strategies in the oil and gas sector, and incentives for renewable energy adoption.
2. NDCs underpin measurement, reporting, and verification (MRV) systems, requiring accurate emissions data from corporate actors to track national progress. This enhances corporate transparency and accountability, particularly for high-emitting firms whose operations significantly influence Nigeria's emissions profile.
3. NDCs legitimise the use of economic instruments—such as incentives, subsidies, and potential penalties—aimed at steering corporate conduct towards low-carbon practices.

Furthermore, the iterative nature of NDCs strengthens long-term corporate climate governance. The requirement that NDCs be updated every five years creates a dynamic regulatory environment in which corporate actors must progressively align their strategies, investments, and risk management frameworks with tightening climate ambition. In this sense, NDCs function as a signaling device, shaping corporate expectations and encouraging anticipatory compliance, climate-related disclosures, and integration of climate risk into corporate governance structures.

4.2 Carbon Budgeting Mechanism

Part V of the Climate Change Act 2021 establishes carbon budgeting as core regulatory mechanisms for advancing climate governance in Nigeria, with direct and indirect implications for corporate actors, particularly those in high-emission sectors. Carbon budgeting functions as a

⁵² *Ibid*, Section 6(3) which provides for one million Naira fine for not conducting remediation.

⁵³ Climate Change Act, Section 4 (p), 19 (1) (b).

⁵⁴ *Ibid*, Section 19.

legally anchored, forward-looking instrument through which the State translates Nigeria's international climate commitments—especially under the Paris Agreement—into domestic, measurable, and enforceable obligations.⁵⁵ The Federal Ministry of Environment, in consultation with the Ministry responsible for National Planning, with the statutory mandate to set and periodically revise Nigeria's carbon budget.⁵⁶ This budget is expressly aligned with the global temperature goals of limiting warming to well below 2°C and pursuing efforts towards 1.5°C above pre-industrial levels. The requirement that the carbon budget be set by ministerial order, approved by the Federal Executive Council, and reviewed in line with Nigeria's Nationally Determined Contributions (NDCs) elevates carbon budgeting beyond policy discretion into a binding regulatory framework.⁵⁷ Although the Act does not impose emission caps directly on individual corporations, the national carbon budget establishes an overarching constraint within which sectoral and corporate emissions must be managed.

From a corporate climate governance perspective, the regulatory significance of carbon budgeting lies in its downstream effects. The Act empowers the Ministry to publish sectoral climate vulnerability and risk assessments and guidelines on measurement, reporting and verification (MRV) of national emissions.⁵⁸ These instruments provide the technical and informational foundation for attributing emissions across sectors such as oil and gas, manufacturing, transport, and energy. In practice, this creates an accountability architecture in which corporate emissions data feed into national carbon accounting, thereby subjecting corporate conduct to regulatory scrutiny and performance assessment against national climate targets.

In sum, carbon budgeting under the Climate Change Act 2021 operates as a strategic regulatory mechanism for corporate climate governance in Nigeria. It translates international climate obligations into national emission constraints, institutionalises monitoring and reporting systems that capture corporate emissions, and links compliance to incentives and sanctions. While the framework remains largely indirect and facilitative rather than prescriptive at the firm level, it establishes a legally coherent structure through which corporate behaviour is progressively aligned with Nigeria's climate mitigation and adaptation objectives.

4.3 National Climate Change Action Plan

The National Climate Change Action Plan was designed to translate into concrete action the carbon budget over five-year cycles.⁵⁹ The Action Plan serves as the principal implementation mechanism by identifying mitigation and adaptation activities required to keep national emissions within the prescribed carbon budget. Importantly, it mandates the mainstreaming of climate change responses into sectoral functions and development programmes, thereby embedding climate obligations into corporate-relevant regulatory spaces such as energy efficiency, renewable energy use, infrastructure development, and industrial operations.⁶⁰ The requirement for public consultation prior to approval enhances transparency and participatory governance, indirectly exposing corporate climate practices to public and stakeholder scrutiny.

For corporate actors, the Action Plan is particularly significant in prescribing incentives for private entities that achieve greenhouse gas (GHG) emission reductions, while also laying the

⁵⁵ Climate Change Act 2021, section 19 (1).

⁵⁶ *Ibid.*

⁵⁷ *Ibid.*

⁵⁸ *Ibid.*, Section 19 (5).

⁵⁹ *Ibid.*, Section 20 (1).

⁶⁰ *Ibid.*, Section 20 (4).

groundwork for sanctions through compliance monitoring. Section 21 reinforces this regulatory framework by imposing reporting obligations on the Director-General, including the identification of efforts made by private entities to attain the carbon budget, incentives granted, and fines issued for non-compliance. This reporting mechanism strengthens enforcement through reputational accountability and potential financial consequences, even where direct emission limits on corporations are not expressly codified.

4.4 Environmental Disclosure and Reporting Obligations

4.4.1 Climate Change Act Disclosure and Reporting obligation

Although Nigeria lacks a dedicated climate disclosure law, however, the Federal Ministry of Environment under the Climate Change Act 2021 shall publish national, regional and sectoral climate vulnerability and risk assessments to inform adaptation planning, and may issue guidelines on the measurement, reporting and verification of emissions for setting and reviewing the carbon budget.⁶¹

4.4.2 Securities and Exchange Commission (SEC) Reporting

Furthermore, companies are expected to report environmental risks in annual filings with the Securities and Exchange Commission (SEC) under general corporate governance requirements.⁶² Also, SEC Corporate Governance Guidelines require that companies recognize corruption as a sustainability threat, commit to transparency and strengthen ethical conduct.⁶³ However, these guidelines do not specifically mandate ESG disclosures among listed companies, but signaling increased regulatory interest.⁶⁴

4.4.3 Nigerian Code of Corporate Governance 2018

The Code applies to both private and public companies in Nigeria. It encourages companies to integrate environmental and social considerations into strategy, but adherence is voluntary under an “apply and explain” approach.⁶⁵ Therefore, the Code is voluntary in nature, enjoin corporations to apply the principles rather than face penalties for non-compliance.

4.5 Environmental Liability and Sanctions

Statutes such as the NESREA Act and Harmful Waste Act impose civil, criminal, and administrative penalties for environmental harm, but enforcement is often weak and inconsistent.⁶⁶ The Petroleum Industry Act 2021 introduced the requirement of submission of an environmental management plan by companies operating in the upstream and midstream petroleum industries in Nigeria,⁶⁷ the introduction of an Environmental Remediation Fund (ERF),⁶⁸ among others. The Act also provides that money received from gas flaring penalties by the commission under Section 104 shall be used for the purpose of environmental remediation and relief by the host communities of the companies on which the penalties are levied. It also

⁶¹ Climate Change Act, Section 19 (5).

⁶² SEC Corporate Governance Guidelines, Guideline 13.

⁶³ SEC Corporate Governance Guidelines, Guideline 13.

⁶⁴ J.A. Babalola, ‘Examination of the Legal Framework for Sustainability & Corporate Objectives in Nigeria’ (2020) (10) *University of Ibadan Law Journal*, 78.

⁶⁵ Nigerian Code of Corporate Governance, Paragraph 1 (3).

⁶⁶ O. Ajayi, ‘Evaluation of Existing Environmental Laws Amenable for Adaptation to Mitigate the Impact of Climate Change in Nigeria’ (2020) (10) *University of Ibadan Law Journal*, 34.

⁶⁷ Petroleum Industry Act 2021, Section 102.

⁶⁸ *Ibid*, Section 103.

holds accountable the host community for any vandalism to the oil facilities and/or oil assets in its community.⁶⁹

4.6 Voluntary Initiatives

Many firms adopt global standards like GRI and ESG reporting, while CSR efforts⁷⁰ and climate pledges are rising, though they remain self-regulated and non-mandatory.⁷¹ The Nigerian Stock Exchange (NGX) Sustainability Disclosure approved by SEC and effective from 1st January, 2019 made ESG reporting mandatory for only companies listed on the Premium Board of the NGX.⁷²

5. Lesson Learned From Other Jurisdiction

5.1 South Africa

South Africa adopts a hybrid regulatory and fiscal approach, combining statutory climate governance with binding mitigation instruments.⁷³ The Climate Change Act 2024 provides for sectoral emissions targets, carbon budgets, and mandatory climate response implementation plans for designated entities.⁷⁴ This is reinforced by the Carbon Tax Act 2019, which imposes a direct price on carbon emissions, thereby creating enforceable corporate obligations.⁷⁵ Regulatory mechanisms are therefore more coercive and compliance-driven than Nigeria's.

5.2 United Kingdom

The UK represents a rules-based and legally enforceable model, founded on the Climate Change Act 2008.⁷⁶ The Act establishes statutory carbon budgets, an independent Climate Change Committee, and legally binding duties on the government to meet emissions reduction targets.⁷⁷ Although obligations fall formally on the state, the framework indirectly but strongly regulates corporate behaviour through secondary legislation, emissions trading schemes (UK ETS) and judicial enforcement.⁷⁸ The UK courts have demonstrated willingness to enforce compliance, strengthening accountability.

⁶⁹ *Ibid*, Section 257.

⁷⁰ Commonwealth Climate & Law Initiative, 'Biodiversity Risks: Legal Implications for Companies and their Directors' (2022) <<https://commonwealthclimatelaw.org/wp-context>> accessed 19 June 2024.

⁷¹ V.O. Chukwu, 'Climate Disclosures and the Need for Corporate Accountability', available at: <<https://ssrn-4774972.pdf>> accessed on 7 January 2025.

⁷² P. Egwuatu, 'SEC Approves Sustainability Guidelines' *Vanguard Newspaper*, 18 December, 2018.

⁷³ Department of National Treasury, *Carbon Tax Policy Paper (2017)*, available at: <<https://www.treasury.gov.za/publications>> accessed 4 June 2025.

⁷⁴ Z.N. Masondo and O. Nwosimiri, 'Environmental Pollution and Climate Change: An Ethical Evaluation of the Carbon Tax Policy in South Africa', (2023) 31 *J. Hum.* 114, 117. See also H. Qu, S. Suphachalasai, S. Thube and S. Walker, *South Africa Carbon Pricing and Climate Mitigation Policy*, (Washington DC: IMF Selected Issues Paper SIP/2023/040, June 2023), available at: <https://doi.org/10.5089/9798400247620.018>; SA Dept. of National Treasury, 'Carbon Tax Discussion Paper: Phase Two of the Carbon Tax 2024', 5-11, available at: <https://www.treasury.gov.za/public%20comments/TaxationOfAlcoholicBeverages/Phase%20two%20of%20the%20carbon%20tax.pdf>; Lucy Baker, 'The Political Economy of South Africa's Carbon Tax', ICTD Working Paper 150, November 2022, 19-23, available at: <https://opendocs.ids.ac.uk/ndownloader/files/48276715>.

⁷⁵ *Ibid*.

⁷⁶ J. Peel and H.M. Osofsky, 'Climate Change Litigation: Regulatory Pathways to Cleaner Energy' (Cambridge University Press 2015).

⁷⁷ See ss. 1, 4, 24, 32, 44 and 56, UK Climate Change Act 2008, available at: https://www.legislation.gov.uk/ukpga/2008/27/pdfs/ukpga_20080027_en.pdf.

⁷⁸ Teresa Weeks, 'Examining the UK Climate Change Act 2008', The New Zealand Productivity Commission Research Note, sept. 2017, available at: <https://www.treasury.govt.nz/sites/default/files/2024-05/pc-rp-examining-the-uk-climate-change-act-2008.pdf>.

5.3 Comparative Insight

Nigeria's climate regulatory framework is centralised and framework-oriented, anchored primarily in the Climate Change Act 2021. The Act establishes institutional mechanisms such as the National Council on Climate Change (NCCC) and mandates carbon budgeting, sectoral action plans, and measurement, reporting and verification (MRV) systems.⁷⁹ Regulatory control is largely exercised through policy coordination, planning obligations and ministerial guidelines, rather than direct, enforceable emissions caps on private corporations. Consequently, corporate climate obligations remain largely indirect, implemented through sectoral regulations and administrative directives.

However, South Africa integrates command-and-control regulation with market-based mechanisms, and the UK operates a robust, legally binding carbon budgeting system with strong enforcement and oversight. The comparative weakness of Nigeria's framework lies in the absence of explicit, enforceable corporate climate obligations, unlike South Africa and the UK.

6. Challenges of the Regulatory Mechanisms on Corporate Climate Governance in Nigeria

- a) **Regulatory Gap Legal and Policy Fragmentation:** Nigeria's climate governance is governed by a patchwork of laws, there is no unified or comprehensive legal framework integrating corporate environmental responsibilities, leading to overlaps, regulatory ambiguity, and inconsistent implementation.⁸⁰
- b) **Weak Enforcement and Institutional Capacity:** Regulatory agencies such as the National Council Climate Change, the Department of Climate Change and NESREA face chronic under-funding, limited technical capacity, and bureaucratic inefficiencies.⁸¹ These limitations weaken enforcement of climate-related obligations and hinder effective monitoring of corporate compliance.
- c) **Lack of Corporate Incentives or Penalties:** The current regulatory environment offers few financial or legal incentives for corporations to adopt low-carbon practices. Similarly, the absence of robust penalty regimes for climate-related violations undermines deterrence, enabling corporate inertia or non-compliance.⁸²
- d) **Limited Judicial Intervention and Jurisprudence:** Nigerian courts lack robust climate-related jurisprudence due to standing barriers, procedural delays, and limited judicial activism, resulting in minimal judicial accountability for corporate environmental harm.⁸³
- e) **Insufficient Public Participation:** Mechanisms for stakeholder engagement, such as public consultations in environmental assessments, are often superficial or inaccessible⁸⁴

⁷⁹ *Ibid*, Section 19 (5).

⁸⁰ M.T. Olawuyi, 'Corporate Accountability for Climate Change and Natural Environment in Nigeria: Trends, Limitations and Future Directions' (2023) 15(7) *The Journal of Sustainable Development Law and Policy*, 56.

⁸¹ *Ibid*.

⁸² D.S. Olawuyi, 'The Search for Climate Justice in Nigeria: Trends, Limitations and Ways Forward', (2019) (1) *NAILS Journal of Public Law* 81.

⁸³ T. Ogboru, 'Greening the Judiciary in Nigeria: Is Establishing Environmental Courts and Tribunals AN Imperative?' (2020) (6) *NAILS Journal on Environmental Law* 286.

⁸⁴ B.S. Ramos, 'Environmental Public Interest Litigation in Nigeria: The Paradigm Shift in *COPW v NNPC*' (2021) (7) *NAILS Journal of Environmental Law* 119.

- f) Access to Justice: Communities most affected by corporate pollution frequently lack the resources or legal standing to seek redress, reinforcing environmental injustice and weakening the legitimacy of regulatory processes.⁸⁵

7. Recommendations

The following recommendations are made to improve on Nigeria's corporate climate governance landscape:

- a) Harmonization of Laws and Regulations: Integrate fragmented climate-related statutes into a coherent legal framework that clearly defines corporate obligations, enforcement mechanisms, and institutional mandates.
- b) Strengthening Institutional Capacity and Coordination: Enhance the technical, financial, and operational capacity of key agencies such as National Council on Climate Change, NESREA, NOSDRA and the Department of Climate Change, and promote inter-agency collaboration to ensure consistent enforcement.
- c) Mandatory Corporate Climate Reporting: Introduce binding requirements for corporate climate disclosures, including greenhouse gas emissions, risk assessments, and sustainability strategies, in line with global standards.
- d) Incentives for Green Innovation: Establish tax breaks, subsidies, and low-interest financing to encourage investment in renewable energy, energy efficiency, and climate-resilient technologies within the private sector.
- e) Implementation of Sanctions for Non-Compliance: Enforce strict penalties such as administrative, civil, and criminal for corporate violations of climate obligations to deter non-compliance and promote accountability.
- f) Judicial Activism and Environmental Justice: Promote judicial awareness and capacity-building to encourage proactive interpretation of environmental rights, expand access to justice, and strengthen climate-related jurisprudence in favour of affected communities.

8. Conclusion

This paper has examined the fragmented and largely under-enforced regulatory mechanisms governing corporate climate governance in Nigeria. It revealed significant gaps in legal coherence, enforcement capacity, corporate accountability, and stakeholder participation. Comparative insights from South Africa and the European Union highlight the effectiveness of integrated, enforceable, and transparent regulatory systems. The analysis affirms that effective regulation is central to achieving corporate climate accountability. To meet its international obligations and climate goals, Nigeria must urgently strengthen its regulatory and institutional mechanism, and align with global best practices to ensure that corporate actors become active agents in the fight against climate change.

⁸⁵ T.A. Francis, 'Expanding the Jurisdiction of Court on Actions Bordering on Environmental Claims A Panacea to Environmental Violation in Nigeria' (2021) (7) *NAILS Journal of Environmental Law* 34.