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Can Sovereign Green Bonds Deliver on Nigeria's Sustainable Infrastructure Targets?

1. Introduction

Nigeria and other state parties to the *Paris Agreement*[2] are required to submit their national climate action plans, known as Nationally Determined Contributions ("NDCs"), which outline how they plan to reduce greenhouse gas emissions to help meet the *Paris Agreement*'s global goal of limiting temperature rise to 1.5 ºC and adapt to the impacts of climate change. These NDCs submissions are to be done at 5-year intervals with increasingly ambitious emissions reduction targets. Nigeria submitted its third NDCs in September 2025.[3] Nigeria's third NDCs sets a target of 32% greenhouse gas emissions reduction by 2035 compared to the business-as-usual scenario. To achieve these targets Nigeria estimates it will require US$337 billion between 2026 and 2060,[4] with 90% of the sum estimated to be spent on infrastructure.

It is therefore imperative that Nigeria takes advantage of financial markets through climate specific modes of financing like green bonds. Nigeria has so far issued three sovereign green bonds, with another issuance slated for the last quarter of 2025. The three sovereign green bonds were oversubscribed, raising over ₦120billion from investors. Whilst this commercial success is notable, the ultimate concern remains

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2 The *Paris Agreement 2015* is a legally binding international treaty on climate change, adopted in 2015 by 196 parties. Its main goal is to limit global warming to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase even further to 1.5°C.

3 See, Nigeria's Third Nationally Determined Contributions, September 2025, available at <https://unfccc.int/sites/default/files/2025-09/Nigeria%20NDC%203.0%20-%20Transimission%20Version%202.pdf> last accessed 29th October 2025. See also, article 4 and 5 the *Paris Agreement*, 2015.

4 *Ibid* at the Preface.

Nigeria's achievement of her NDCs, which this article addresses from an infrastructure perspective. This is particularly important given that it is the NDCs that underpin the green bonds.

2. The Nature of Green Bonds

Similar to plain vanilla bonds, green bonds are fixed income securities, legally referred to as promissory notes, whereby the bond issuer (the promisor) promises to repay money invested by the bondholders (promisees) together with some profit (interests or the difference between the bond's face value and the discounted investment).[5] However, the primary difference between a green bond and a plain vanilla bond lies in the fact that a green bond's proceeds must be applied towards financing sustainable projects. From a legal standpoint, the difference between a green bond and a plain vanilla bond lies in documentation and contract management. Firstly, unlike plain vanilla bonds, the offer documents and trust deeds of a green bond must restrict use of the proceeds of the green bond within the bounds of financing or refinancing sustainable projects in part or in full.[6] This restriction is further guaranteed by stringent contract management requirements which are atypical for plain vanilla bonds. The contract management would entail evaluation and selection of sustainable projects according to relevant legal frameworks, reporting of allocation of proceeds of the green bond to the projects, as well as an external review of the evaluation, selection and allocation report by an appointed external verifier.[7] Owing to this stringent contract management, there is little to no avenue for misuse of proceeds of Nigeria's sovereign green bonds.

3. Nigeria's Three Sovereign Green Bond Issuances and Their Proceeds

Green bonds issued by the Federal Government of Nigeria (the "FGN") are referred to as sovereign green bonds. Whilst there is no green bond issuance by the private sector in Nigeria, the FGN has issued three sovereign green bonds, with the debut sovereign green bond issued in 2017. The FGN conceived the idea of issuing the debut sovereign

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5 Adam Hayes "Debt Issue: Definition, Process, and Costs'' (*Investopedia,* March 5, 2022) <https://www.investopedia.com/terms/d/debt-issue.asp> last accessed 30th October 2025.

6 Sections 1.1 and 4.0 (i), SEC's Rules on Issuing Green and Sustainable Bonds in the Capital Markets, 2018, available at <https://home.sec.gov.ng/for-investors/keep-track-of-circulars/new-rule-and-sundry-amendments-to-the-rules-and-regulations-of-the-commission/> last accessed 3rd November 2025.

7 Sections 2.3, 2.4 and 2.5, Federal Government of Nigeria's Sustainable Bond Framework, 2025 (the Framework 2025).

green bond after her ratification of the *Paris Agreement* on the 16th of May 2017, as part of concerted efforts to meet her NDCs.[8]

So soon after, she listed the debut green bond on both the Nigeria Stock Exchange ("NGX") and FMDQ Securities Exchange ("FMDQ") in December 2017, seeking to raise ₦10,690,000,000.00 (ten billion, six hundred and nine million Naira) from investors (i.e., bondholders). The 2017 green bond offered the bondholders 13.48% interest payments semi-annually till maturity in 2022 and bullet payment of the principal sum at maturity in 2022.[9] The 2017 green bond saw a 0.94% oversubscription of ₦ 101,000,000.00 (one hundred and one million Naira), bringing the total proceeds raised to ₦10,791,000,000.00 (ten billion, seven hundred and ninety-one million Naira).[10] This commercial success of Nigeria's and Africa's first sovereign green bond inspired issuances of sovereign green bonds in Seychelles, Côte d'Ivoire and more in Nigeria.[11]

Nigeria wasted no time, as the success of the 2017 sovereign green bond immediately sparked conversations among her leadership on another issuance. Also, investors who invested or missed out keenly waited for another issuance. It is no surprise that two years later, Nigeria issued its second sovereign green bond by listing on both the NGX and FMDQ, seeking to raise ₦15,000,000,000.00 (fifteen billion Naira), while offering the bondholders 14.50% interest payments annually till maturity in 2026 and bullet payment of the principal sum at maturity in 2026.[12] Expectedly, the 2019 sovereign green bond saw a 220% oversubscription of ₦17,930,000,000.00 (seventeen billion, nine hundred and thirty million Naira), bringing the total proceeds raised to ₦32,930,000,000.00 (thirty-two billion, nine hundred and thirty million Naira).[13]

At present, what is topical is Nigeria's third sovereign green bond issuance in July 2025, and the proposed fourth issuance slated for the last quarter of 2025. The third sovereign green bond was listed on both the NGX and FMDQ in an attempt to raise ₦50,000,000,000.00 (fifty billion Naira), offering majority of the bondholders a book-

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8 See, the 2025 Sovereign Green Bond Prospectus (2025 SGBP).

9 See, the 2025 SGBP.

10 See, Debt Management of Office of Nigeria's (DMO) Press Release dated 4th January 2018, <https://dmo.gov.ng/news-and-events/circulars-releases/2371-debut-sovereign-green-bond-overscribed/file> last accessed 30th October 2025.

11 Nachilala Nkombo, "Easing Africa's climate crisis: Can Green Bonds Help Close the Climate Finance Gap?" (*Africa Policy Research Institute,* November 11, 2024) <https://afripoli.org/easing-africas-climate-crisis-can-green-bonds-help-close-the-climate-finance-gap> last accessed 30th October 2025.

12 *Ibid.*

13 See, DMO's Press Release dated 13th June 2019 <https://dmo.gov.ng/news-and-events/circulars-releases/2819-press-release-on-fgn-green-bond-2018/file> last accessed 30th October 2025.

built 18.95% interest payments annually till maturity in 2030 and bullet payment of the principal sum at maturity in 2030.[14] The third sovereign green bond was oversubscribed by ₦41,420,000,000.00 (forty-one billion, four hundred and twenty million Naira).[15] On the other hand, the proposed fourth sovereign green bond issuance, will seek to raise unprecedented proceeds of ₦250,000,000,000.00 (two-hundred and fifty billion Naira).[16] As earlier explained, the proceeds of the above sovereign green bonds must be applied towards financing or refinancing sustainable projects. These sustainable projects are provided for by Nigerian law and government policy.

4. The Green Bond Frameworks and The Eligible Sustainable Infrastructures

In 2018, Nigeria's Security and Exchange Commission (the "SEC") laid necessary legal foundations for green bond issuances in Nigeria by issuing the SEC Rules on Issuing Green and Sustainable Bonds in the Capital Markets, 2018 (the "Rules"). The Rules, though notably insubstantial, provided for the categories of projects in which proceeds of green bonds are permitted to be invested.[17] The Rules' gaping hole was later filled by the Green Bond Framework 2020, a relatively robust policy framework issued by the FGN to provide guidance on issuance of sovereign green bonds in Nigeria.

In a recent refinement, the Green Bond Framework 2020 was iterated in the Sustainable Bond Framework 2025 (the "Framework 2025"), to accommodate all forms of sustainable bonds and projects: green, blue and social. Along with this, the Framework 2025 aligns with the International Capital Market Association's Green Bond Principles, 2021 and the Social Bonds Principles, 2023. The Framework 2025 also lists in detail green, blue and social projects eligible for investment of Nigeria's sovereign green or sustainable bonds' proceeds, marking Nigeria's most comprehensive framework yet.[18]

As per the Framework 2025, the projects so eligible consist of all green, blue and social projects, which have a clear environmental benefit, and promotes transition to a low carbon and a climate resilient growth, including climate mitigation and adaptation

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14 See, DMO's Press Release dated 19th June 2025 <https://dmo.gov.ng/news-and-events/circulars-releases/5348-press-release-sovereign-green-bond-offer-closes-with-91-42-billion/file> last accessed 6th September 2025.

15 *Ibid.*

16 Ladi Patrick-Okoli "Nigeria to float N300bn in green bonds in 2025" (*Business Day,* May 7, 2025) <https://businessday.ng/business-economy/article/nigeria-to-float-n300bn-in-green-bonds-in-2025/> last accessed 30th October 2025.

17 Sections 1.1 and 4.0 (i), SEC's Rules on Issuing Green and Sustainable Bonds in the Capital Markets, 2018, (n 6).

18 Sections 1.2, and 2.1.1, the Framework 2025.

("Eligible Projects").[19] However, some Eligible Projects are not infrastructural in the true sense, and therefore fall outside the scope of contemplations herein.[20] The Eligible Projects which qualify as infrastructure are physical assets, whether green, blue and social, which are fundamental to the growth and development of an economy ("Eligible Sustainable Infrastructure").

These Eligible Sustainable Infrastructure include green projects like renewable energy infrastructure, sustainable water and wastewater treatment plants, agroforest restoration, seawalls, breakwaters, beach restoration, Compressed Natural Gas infrastructure, electric charging stations, as well as factories and institutions that promote the five Rs: refuse, reduce, reuse, repurpose, recycle.[21]

The Eligible Sustainable Infrastructure also include blue projects like: restorative aquaculture facilities, sustainable marine tourism facilities, sustainable cold storage and processing facilities, offshore wind farms or renewable energy plants, rehabilitation of riverside landfills or open dumps, facilities that prevent plastic eroding into the sea, and sustainable ports.[22] Lastly, Eligible Sustainable Infrastructure include social projects like affordable housing, affordable basic infrastructure (e.g., water, waste, etc.), hospitals and health related facilities, schools and education related facilities.[23] Allocation of proceeds of Nigeria's sovereign green bonds can only be made to infrastructure which fall under the above class. Indeed, the proceeds of Nigeria's three sovereign green bonds have already been allocated accordingly, closing Nigeria's sustainable infrastructure deficit to an extent.

5. The Progress Made on Sustainable Infrastructure Targets

The progress on achievement of Nigeria's sustainable infrastructure targets can be gleaned from her attitude towards her obligations under the *Paris Agreement*. Even though Nigeria is yet to domesticate the *Paris Agreement* since she ratified it, she has however, replicated the goals of the *Paris Agreement* in the *Climate Change Act* 2021,[24] while still meeting her obligations under the Agreement. The obligations include committing to submit increasingly ambitious NDCs every five years, as well as

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19 Section 2.1.1, the Framework 2025.

20 Traditionally, infrastructure are physical assets and services which are fundamental to the growth and development of an economy. See, Emenike Kalu "Infrastructure Finance Mechanism and Challenges in Nigeria" (*I.J.M&P Journal,* volume 6, issue 3*,* July to September 2015, page 837) available at <https://www.redalyc.org/pdf/4495/449544331014.pdf> last accessed 30th October 2025.

21 Section 7.4.1, the Framework 2025.

22 Section 7.4.1.

23 Section 7.4.2.

24 Section 1, *Climate Change Act*, 2021 (Act No. 11 of 2021), Nigeria.

submission of Biennial Transparency Reports ("BTRs") and Adaptation Communications ("AC") on the progress of achievement of the NDCs. Nigeria has so far submitted three NDCs, with the most recent submission in September 2025. The first two submissions were notably weak. Informed by the first Global Stocktake[25] and the mandates contained in article 4(3) of the *Paris Agreement*, Nigeria set more ambitious targets in her third NDC ("NDC 3.0").[26]

Towards achievement of net-zero emissions by 2060,[27] Nigeria's NDC 3.0 in its "Mitigation Contribution" aims at reducing greenhouse gas emissions to 388.6 metric tons of CO^2 by 2035 from the 2018 emissions levels of 573.5 metric tons, amounting to 184.9 metric tons of CO^2 reduction.[28] The Mitigation Contribution focuses on the infrastructure dominated sectors identified by the Intergovernmental Panel on Climate Change (the "IPCC sectors"), namely: energy, waste, agriculture, transport, and Land Use, Land Use Change and Forestry ("LULUCF")[29] as well as Industrial Production and Product Use ("IPPU"). Specifically, the Mitigation Contribution corresponds to 68.1% emissions reduction in the LULUCF sector, 26.3% in the energy and transport sectors, 2.7% in the IPPU sector, 2.5% in the waste sector, and 0.4% in the agricultural sector.

As per NDC 3.0, emissions reduction in the energy sector in Nigeria would be achieved largely through an infrastructure overhaul. The infrastructure overhaul entails achieving a balance between renewable energy and fossil fuel energy in power generation and replacement of single cycle turbines in power generation plants with combined cycle turbines.[30] The above aims of the Mitigation Contribution are well-thought out, and in line with global climate action trends. However, Nigeria must ensure that her emissions reduction targets go beyond mere promises to actual "actions".

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25 The Global Stocktake is a periodic assessment of progress made towards mitigating global warming since the adoption of the Paris Agreement in 2015. See, McKinsey and Company (August 28, 2024), available at <https://www.mckinsey.com/featured-insights/mckinsey-explainers/what-is-the-global-stocktake> last accessed 4th November 2025.

26 See, the Forward, Nigeria's Third Nationally Determined Contributions, September 2025, (n3).

27 A balance between anthropogenic greenhouse gas emissions and removal by greenhouse gas sinks.

28 See, the Forward, Nigeria's Third Nationally Determined Contributions, (n3).

29 The LULUCF sector entails the greenhouse gases emissions and removals arising from human induced use of land, and changes in use of land and forestry. See. Sjoerd Schenau "LULUCF and SEEA CF" (*Systematic Environment Economic Accounting*, August 8, 2023) <https://seea.un.org/sites/seea.un.org/files/paper_schenau.pdf> last accessed 4th November 2025.

30 Combined cycle turbines reinject and reuse gas or seams after use, unlike single cycle turbines. See the Table 2 "Mitigation measures and actions for Energy - Fuel combustion", Nigeria's Third Nationally Determined Contributions, (n3).

Whether there has been progress on the Mitigation Contribution is yet to be known, given that there is yet to be a BTR submission since Nigeria submitted its NDC 3.0 in September 2025. Nevertheless, trends have shown that Nigeria's action towards progress on the achievement of her mitigation contributions in the first two NDCs went on a business-as-usual-scenario.[31]

The level of progress is even more discouraging as regards climate change adaptation.[32] The Notre Dame Global Adaptation Index ranks Nigeria 157th on its list of countries ready to adapt to climate change. To rise in the ranks, Nigeria has undertaken in the "Adaptation Contribution" in its NDC 3.0 to build climate resilience in the infrastructure dominated IPCC Sectors, as well as in the freshwater resources, coastal water resources and fisheries sectors. Owing to the above, the Adaption Contribution will also involve some infrastructure-related reforms, just like the Mitigation Contribution.

Considering the expense involved in infrastructure projects, there is a need to count the cost. Generally, meeting the targets set in NDC 3.0 is calculated to cost a whopping $337,000,000,000.00 (three hundred and thirty-seven billion United States Dollars).[33] When sectionalised, the cost can be broken down as follows:

i. $229,197,000,000.00 (two hundred and twenty-nine billion, one hundred and ninety-seven million United states Dollars) for the LULUCF sector;

ii. $88,631,000,000.00 (eighty-eight billion, six hundred and thirty-one million United States Dollars) for the energy and transport sectors:

iii. $9,099,000,000.00 (nine billion, ninety-nine million United States Dollars) for the IPPU sector:

iv. $8,425,000,000.00 (eight billion, four hundred and twenty-five million United States Dollars) for the waste sector;

v. and $1,348,000,000.00 (one billion, three hundred and forty-eight million United States Dollars) for the agriculture sector.

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31 Nigeria counted emissions reduction which would have occurred without climate change action. See, the Forward, Nigeria's Third Nationally Determined Contributions, (n3).

32 See, Notre Dame Global Adaptation Index <https://gain.nd.edu/our-work/country-index/rankings/> last accessed 31st October 2025.

33 See, the Preface, Nigeria's Third Nationally Determined Contributions, (n3).

Of this figures, sustainable infrastructure financing represents 90%.[34] This corresponds to a $303,300,000,000.00 (three hundred and three billion, three hundred million United States Dollars) sustainable infrastructure financing need within the next thirty-five years (35), if Nigeria is to meet the net-zero targets set for 2060. Nigeria's sustainable infrastructure financing need is miles away from the ₦120,000,000,000.00 (one hundred and twenty billion Naira) proceeds of Nigeria's three sovereign green bonds issuances and the ₦250,000,000,000.00 (two-hundred and fifty billion Naira) from the next issuance slated for the last quarter of 2025.

Informed by the above, there is no gainsaying that Nigeria must be more ambitious in her green bond issuances. This view is amplified by the fact that green bonds (both private sector and sovereign bonds) are estimated to have raised a total of $2,200,000,000,000.00 (two trillion and two hundred billion United States Dollars) from capital markets globally.[35] Of this figure, the proceeds of Nigeria's three sovereign green bond issuances and the next issuance slated for the last quarter of 2025 represent only 0.00377%. This is disappointing at the very least. Moreover, this issue persists as regards other climate specific modes of financing like green loans.[36]

6. Conclusion

With Nigeria's climate change action at a crossroads, the sovereign green proceeds represents only but a fraction of Nigeria's sustainable infrastructure financing needs. The issue is amplified by the fact that Nigeria has neither explored these green bonds, nor any other climate specific mode of financing to their true potential. On this trend, Nigeria will undoubtably fail to meet the net-zero target set for 2060, by the *Paris Agreement*. To break even, finance flows must be consistent with Nigeria's sustainable infrastructure development pathway. This can be achieved by a great increase in the proceeds of future sovereign green bond issuances, listing of such sovereign green bonds in the international capital markets, as well as green bond issuances by the private sector in line with global green bond issuance trends. Also, other modes of financing like project financing and green loans must be greatly explored.

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34 See, Rob Jones "How Infrastructure Defines Our Climate" (*United Nations*, October 10, 2016) <https:/ /www.unops.org/news-and-stories/insights /how-infrastructure-defines-our-climate> last accessed 30th October 2025.

35 Nachilala Nkombo (n11).

36 Sule Magaji, Yahaya Tanko, and Ibrahim Musa "Effect of Green Loan and Green Mortgage on Climate Change Mitigation in Nigeria" (*International Journal of Current Science Research and Review,* volume 8, issue 6, June 2025, page 3124) available at <https://ijcsrr.org/single-view/?id=23184&pid=22781> accessed 30th October 2025.

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