



Inquiry into the Political Economy of the Global Clean Energy Transition Policies and Nigeria's  
Federal and State Governments' Fiscal Policies

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**Why this Study? – The Background**

1. The current problem of global climate change is serious one in both developed and developing economies.
2. United Nations convened a summit that took the issue of climate change as its primary agenda and reached a resolution – otherwise known as Kyoto Protocol to the United Nations Framework Convention on Climate Change.
3. Actual level of commitment to the implementation of the protocol varies significantly from the required level of commitment.
4. Countries that depend more on fossil fuel for energy and government revenue are less likely to be committed to the implementation of the protocol.

5. Nigeria is one of the countries that depends more fossil fuel for energy and government revenue.
6. It may not be out of place to imagine that Nigeria's commitment to the implementation of Kyoto Protocol may not have been optimal.



7. Deciding to implement the protocol alongside other countries of the globe must come with serious implications on Nigeria's fiscal policies.
8. Deciding not to implement the protocol while other countries are fast transiting also comes with severe implication on Nigeria's fiscal policies.
9. It is not clear which of the two options of fiscal policy implications Nigeria has been favourably considering.

#### **Why this Study? – Objectives**

1. To find out how prepared Nigeria is to handle the fiscal shocks that will be associated with clean energy transition policies of the global community.
2. To find out the efforts Nigeria has made towards implementing the global clean energy transition aimed at reducing climate change.
3. To determine the factors that can explain the level of commitment of the country towards implementing the protocol.
4. To find out the fiscal policy implication on Nigeria should it decide not to transit to clean energy while other countries transit.

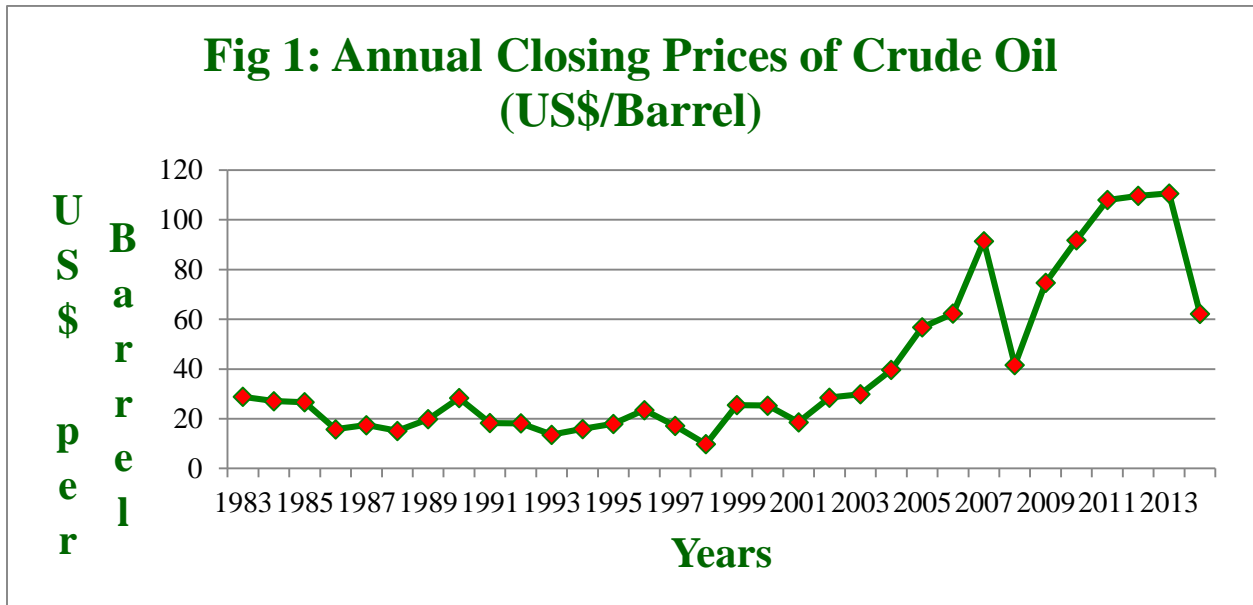
#### **Methods**

1. Mainly adopts qualitative method of enquiry:
  - a. Uses charts
  - b. Bars
  - c. Tables
  - d. graphs

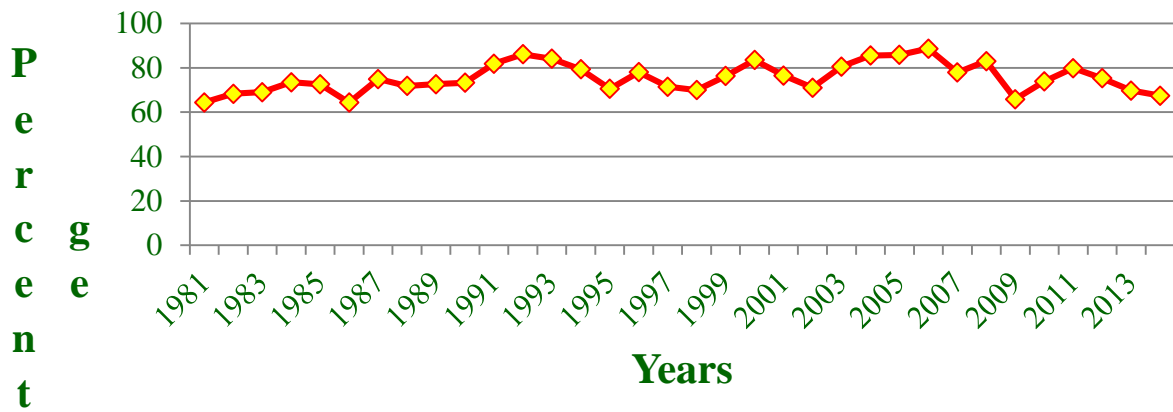
- 2. Scarcely adopts quantitative method of analysis:
  - a. A little of Linear regression



**Preliminary Findings – Fiscal Policy Shocks**



**Fig 2: Oil Revenue as Percentage of Total Federally Collected Revenue (%)**

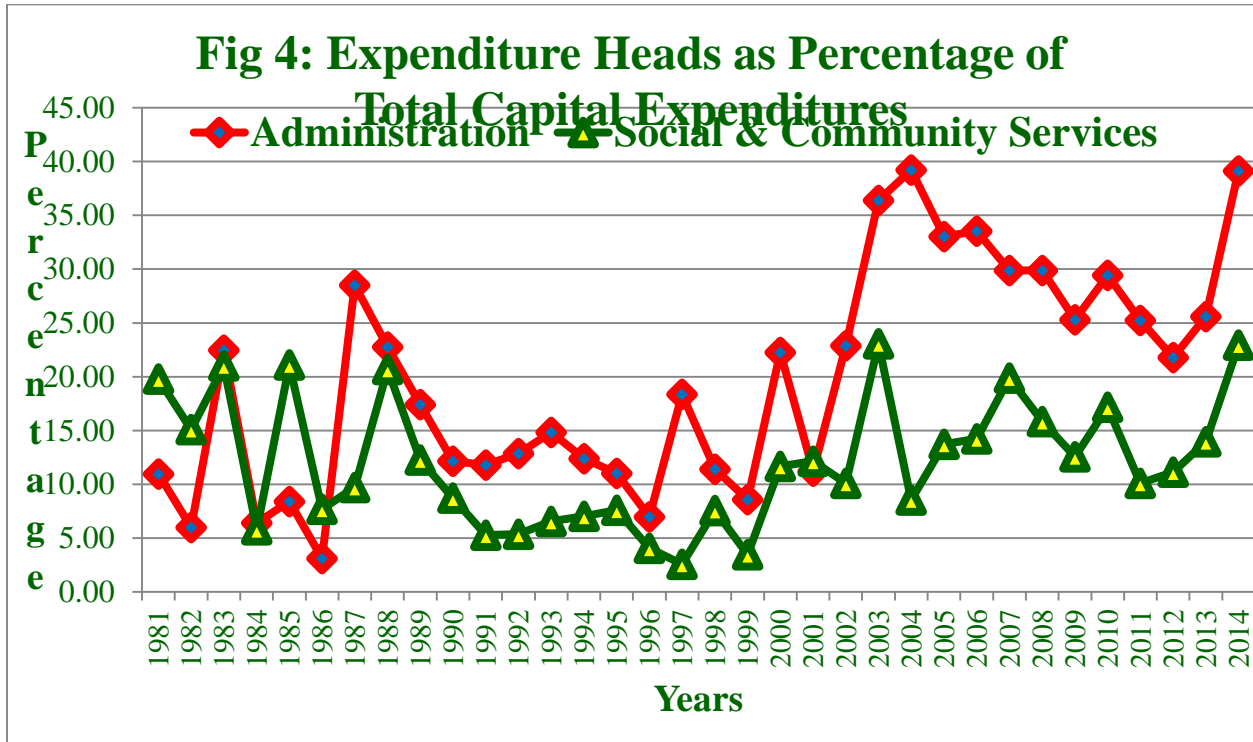


#### **Preliminary Findings – Efforts towards Fiscal Policy Shocks**

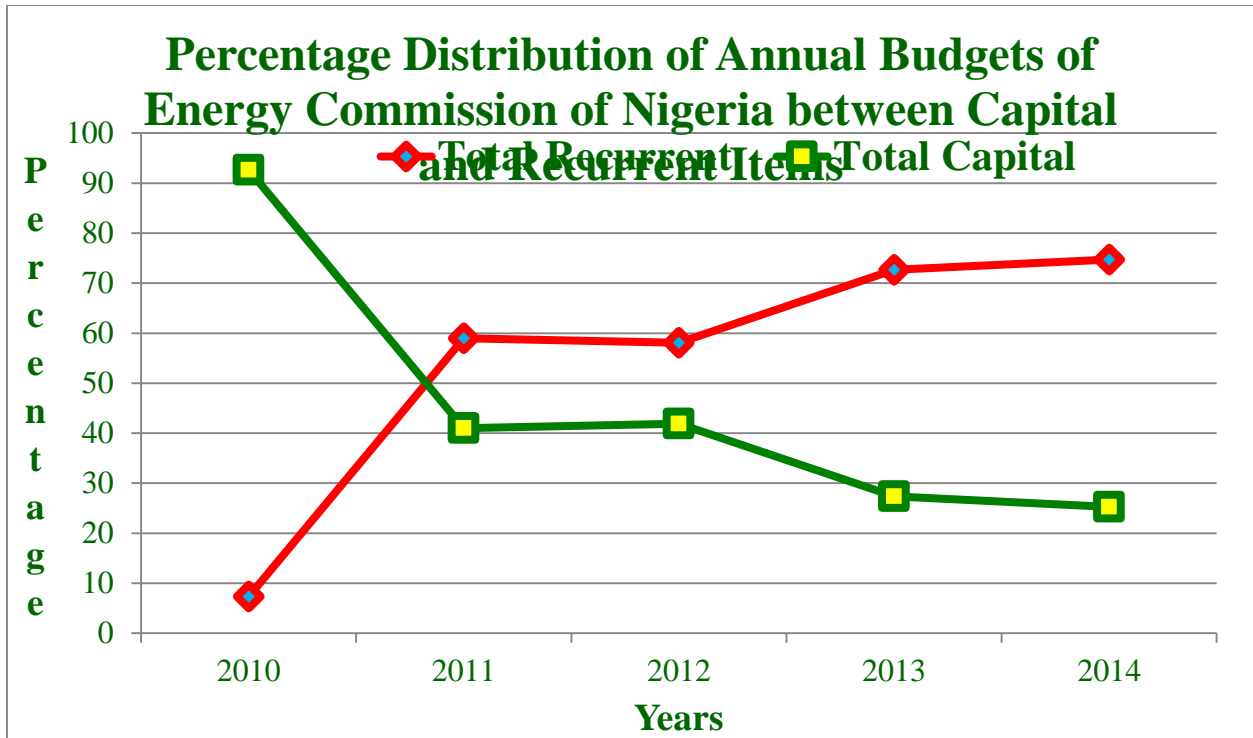
1. Federal Government of Nigeria sets Oil Price benchmark below the minimum projected oil price for the year during her annual budgeting.
2. Establishment of Excess Crude Account for saving surplus in Oil Revenue as against the Oil Price benchmark.
3. Authorisation to draw from the Excess Crude Account in an event of severe decline in actual oil price as compared to the projected oil price upon which the budget is based.
4. However, experience shows that the account has not been judiciously managed.



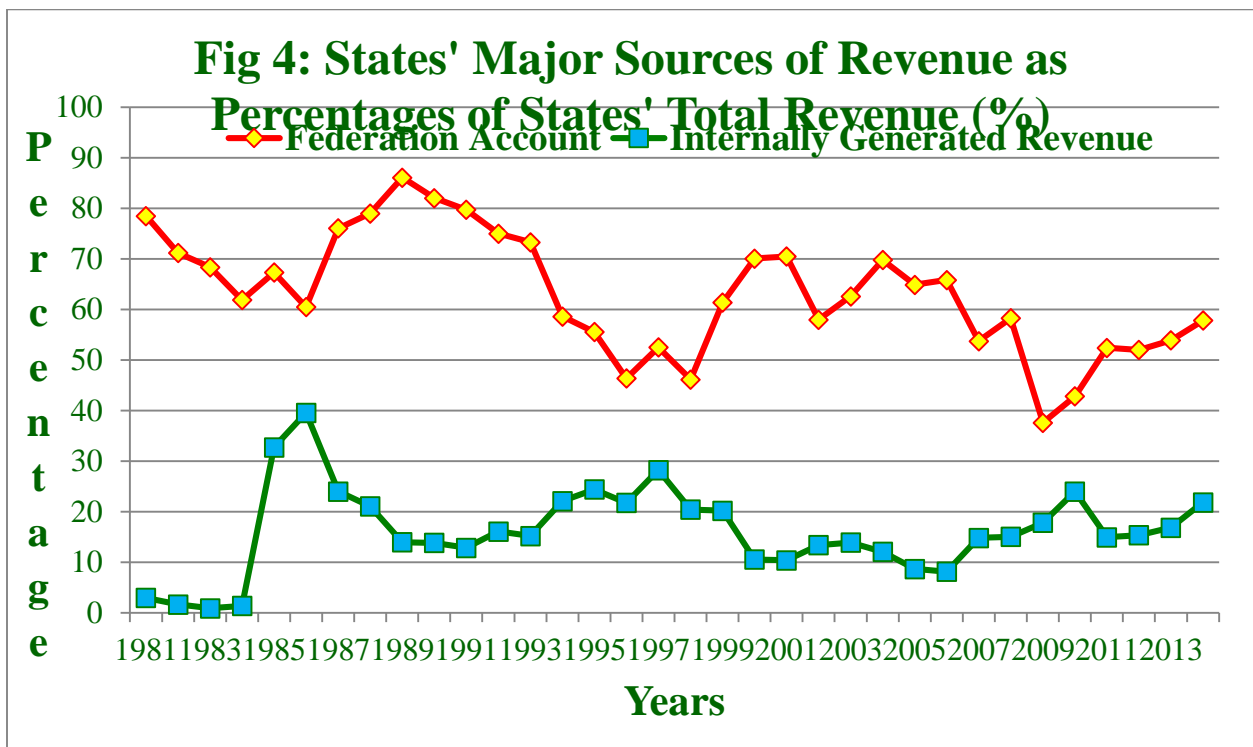
## Observed Commitment of Federal Government of Nigeria towards Clean Energy Transition



1. The Federal Government of Nigeria has established several commissions and centres for Energy research (e.g. Energy Commission of Nigeria – ECN) with the mandate of coming up with alternative sources of energy
2. The commissions and centres are empowered to fund and carry out researches on alternative sources of energy.
3. However, there is no evidence that the Commissions and centres are empowered financially to carry out their statutory obligations.
4. Empowerment beyond the law is near zero (if not zero).
5. Available evidence shows that most of the institutions are established to pay salaries not to do any serious work.

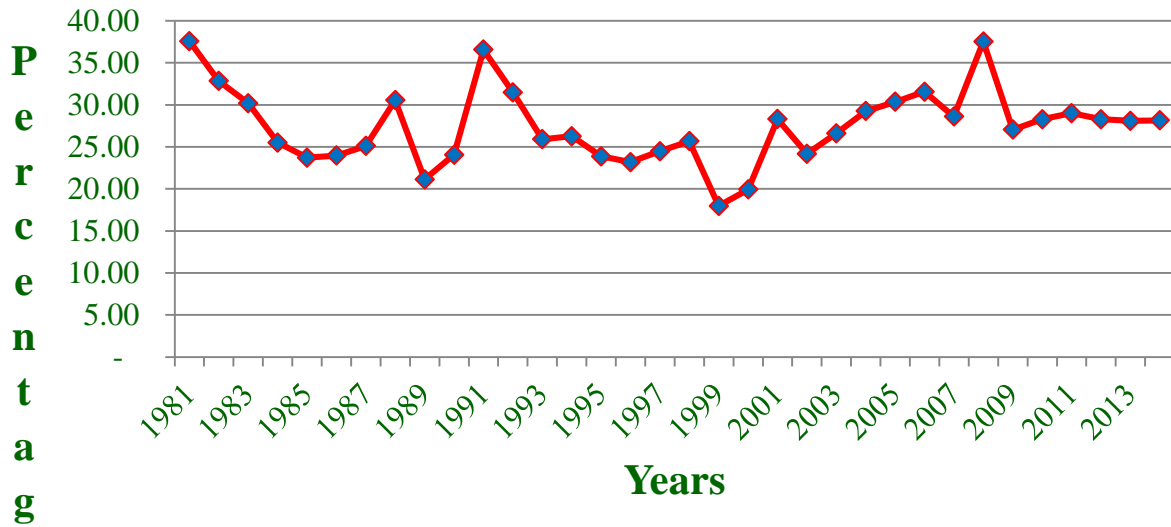


**Possible Reasons for the Observed Commitment of Nigeria's Governments towards Clean Energy Transition**





**Fig 5: States' Allocation from Federation Account as Percentage of Federation Account (%)**



1. Recall that the Federation account is mainly funded with oil revenue (65 – 88%).
2. Sub-national governments' dependence on the Federation Account shows an all-time high of 87% of their total revenues in 1989 and all-time low of 39% of their total revenues in 2009.
3. Studies show that revenues from natural resources are hardly managed well to reduce overdependence on such natural resources in the future.
4. Sub-national governments in Nigeria follow the same trend of resource curse by not investing in relevant energy sources and emphasising alternative sources of revenue should oil revenue fail in the nearest future.



### **Fiscal Policy Implications on Nigerian Governments for Delayed Efforts towards Transiting to Clean Energy**

1. Significant drop in Government Revenue to between 12 – 35% of current level (i.e. removing 65 – 88% derived from oil).
2. Meagre revenue will also be used in acquiring clean energy from other countries, thereby hampering BOP status.
3. State governments that depend on federation account will suffer severely in situation of sustained drop in global oil price (or even total transition away from fossil fuel).

### **Preliminary Recommendations from Preliminary Findings on Nigerian Governments' Efforts towards Clean Energy Transition**

1. Establishment of institutions is not the only step towards clean energy transition.
2. More than just the establishment, funding is very crucial.
3. Centres and commissions established for clean energy research should be assessed regularly to find out their relevance through their output.
4. There are too many commissions with similar or interwoven responsibilities. There is need to harmonise these institutions or thin down the number based on their responsibilities.
5. State governments ought to depend less on federation account and make their own efforts towards clean energy transition programmes.