Clean Technology Hub
Energy Innovation Centre

Mapping Nigeria's Climate Finance Disconnect

A SYSTEMIC APPROACH

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1. INTRODUCTION

Nigeria faces escalating climate challenges that have led to significant economic losses estimated at $100 billion annually. This has increased hunger, poverty, migration, and insecurity in the country. While transforming climate change from a significant threat into an opportunity requires deliberate planning supported by bold action, this often requires innovation and conscious investments to scale climate solutions for impact. To achieve this, the Nationally Determined Contribution (NDC3.0) estimates that Nigeria requires US$337 billion in investment between 2026 and 2035 to fully implement its revised strategy, which aims to reduce greenhouse gas emissions by 32% by 2035. Consequently, significant capital investment is required. However, private capital flows remain severely limited due to the shortage of investment-ready project pipelines and a mismatch between the available capital financing and climate ventures investment needs, which are often early-stage and small-sized. This vast financing gap exists alongside severe climate vulnerabilities, from devastating floods and prolonged droughts to sea-level rise, which threaten to reverse hard-won development gains and undermine the quest for sustainable growth.

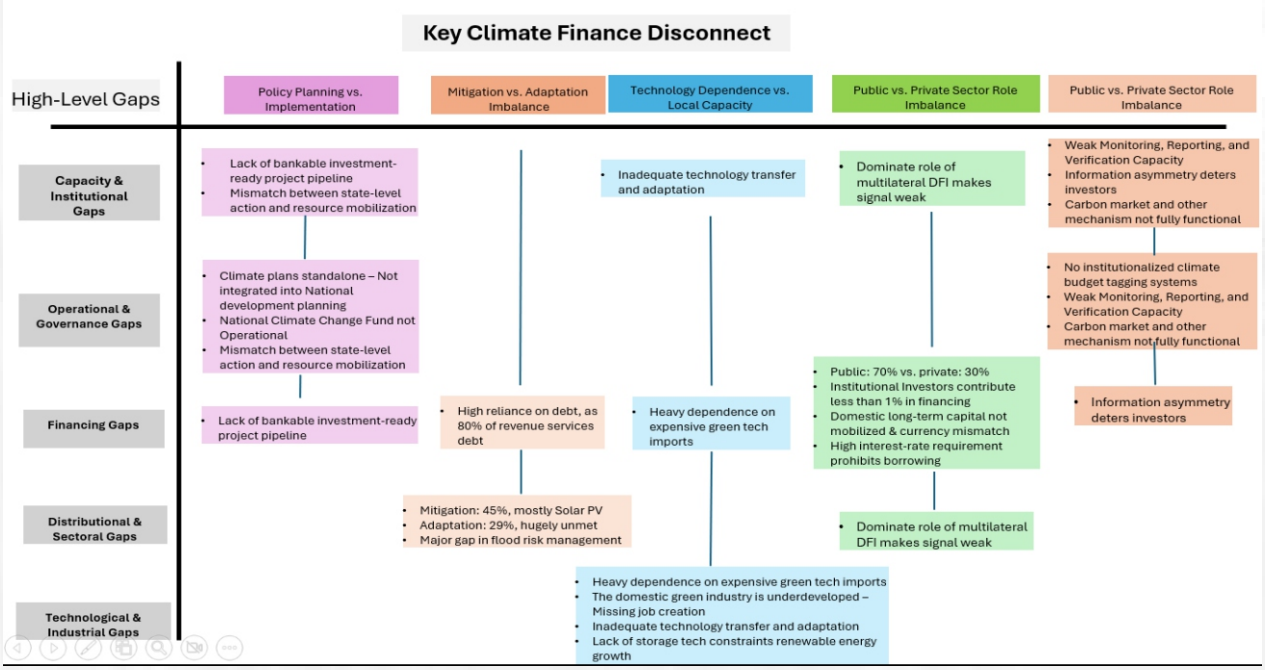
The climate finance ecosystem is characterized by a heavy reliance on international public debt, a nascent but growing private sector participation led by corporate investments in solar energy, and significant untapped potential from domestic institutional investors. Critical sectors like climate-resilient infrastructure, water management, and methane abatement remain starved of capital. Beyond the numbers, the ecosystem grapples with foundational challenges: a high cost of capital, data gaps, and a policy environment still skewed towards fossil fuels.

Understanding this ecosystem is not merely an academic exercise; it is essential for unlocking the investments required to secure Nigeria's future. The choices made today in mobilizing and deploying climate finance will determine whether the nation can achieve its development ambitions while building resilience for generations to come. The following analysis provides a high-level view of the current disconnect, persistent hurdles, and pivotal opportunities within this vital financial landscape.

2. HIGH-LEVEL SYSTEMIC GAPS

The diagram below illustrates the multidimensional disconnect within Nigeria's climate finance ecosystem, where identified challenges are classified into five high-level systemic gaps (including capacity & institutional gaps, operational & governance gaps, financial gaps, distributional & Sectoral gaps, and technical & industrial gaps). These gaps are not isolated; they intersect across key areas of policy, finance, technology, and governance, creating a reinforcing cycle of underperformance and unmet climate and development needs.

Fig 1. Key Climate Finance Disconnect



Source: Author's Illustration

3. Capacity & Institutional Gaps

This category captures deficits in skills, knowledge, and institutional readiness. Central here is the inadequate technology transfer and adaptation, which hinders the local adoption and customization of green technologies. Additionally, the lack of bankable investment-ready project pipelines reflects a fundamental institutional shortfall in preparing viable, scalable climate projects that can attract financing. Weak Monitoring, Reporting, and Verification (MRV) Capacity underscores a systemic failure in tracking performance and ensuring accountability, further deterring investor confidence.

4. Operational & Governance Gaps

These gaps pertain to the implementation and management of climate initiatives. A primary disconnect is that climate plans remain standalone and are not integrated into national development planning, leading to policy silos and misaligned priorities. The National Climate Change Fund is not operational, representing a critical failure in institutionalizing a dedicated financing mechanism. Furthermore, the dominant role of Multilateral Development Finance Institutions (DFIs) weakens market signals, suggesting that donor-driven priorities may overshadow locally-led, market-responsive investments. The absence of institutionalized climate budget tagging systems exemplifies a governance failure in transparency and fiscal prioritization of climate action.

5. Financing Gaps

This dimension highlights structural and affordability barriers in capital mobilization and deployment. Nigeria faces a heavy reliance on debt, with 80% of revenue servicing existing debt, severely limiting fiscal space for climate investment. The public vs. private sector role is imbalanced (70% public vs. 30% private) with institutional investors contributing less than 1% (CPI 2025). This is compounded by domestic long-term capital not being mobilized, alongside currency mismatch and high interest-rate requirements that prohibit borrowing. The lack of bankable projects reappears here as both a cause and effect of financing shortages.

6. Distributional & Sectoral Gaps

These gaps reveal misallocations in how finance flows across climate objectives and geographic regions. There is a pronounced imbalance between mitigation and adaptation, with mitigation receiving 45% (mostly solar PV) while adaptation receives only 29%, far below what is needed (CPI 2025). A major gap in flood risk management highlights a critical adaptation priority being underfunded. The dominance of multilateral DFIs also skews distribution, potentially directing funds toward internationally favored sectors rather than locally identified vulnerabilities.

7. Technological & Industrial Gaps

This area captures Nigeria's dependency on external green technology and its underdeveloped domestic industrial base. There is heavy dependence on expensive green tech imports, while the domestic green industry remains underdeveloped, missing opportunities for job creation and economic diversification. Inadequate technology transfer and adaptation constrain local innovation, and the lack of storage technology directly hinders the scalability and reliability of renewable energy systems.

8. INTERSECTING CHALLENGES & REINFORCING LOOPS

The diagram clearly shows that many disconnects span multiple gap categories, creating reinforcing loops. For example:

I. The lack of bankable projects appears under both Capacity & Institutional Gaps and Financing Gaps, illustrating how weak project preparation capacity leads to a scarcity of finance-ready opportunities, which in turn deters investors.
II. While weak MRV Capacity and Information asymmetry deter investors, they are linked across Capacity, Operational, and Financing Gaps, showing how poor data systems increase perceived risk, raise the cost of capital, and stifle investment.

III. The dominant role of multilateral DFIs influences Operational, Distributional, and Financing Gaps, indicating that over-reliance on international public finance can distort market development, crowd out domestic actors, and skew sectoral priorities.

9. CONCLUSION: TOWARD AN INTEGRATED RESPONSE

This disconnect mapping underscores that Nigeria's climate finance challenges are systemic and interconnected. Isolated interventions in one area, such as launching new funds without addressing project preparation capacity, or importing technology without building local industry, will yield limited results. A coherent strategy must simultaneously strengthen institutions, improve governance and data systems, diversify and de-risk financial instruments, ensure balanced sectoral investment, and foster local technological and industrial capability. Only through such an integrated approach can Nigeria bridge its climate finance gap and transition toward a resilient, low-carbon economy.

10. OUR RESPONSE – CLEAN TECHNOLOGY HUB

In response to the identified climate finance disconnect in Nigeria, Clean Technology Hub is addressing the challenge through three interconnected pathways:

I. Investment Facilitation for Climate Ventures

We actively connect climate ventures to investment opportunities within Nigeria's financial services sector. This includes sourcing projects across the climate ecosystem, conducting rigorous due diligence and screening, and linking investment-ready ventures to institutional capital through structured investment deal rooms (both virtual and physical).

ii. Stakeholder Convening on Policy and Financing

Leveraging our convening power, we bring together project developers, policymakers, regulators, and financial institutions to co-create targeted solutions. These engagements focus on developing enabling policies, structuring bankable projects, and designing tailored financial products aimed at bridging systemic gaps within the climate finance landscape.

iii. Climate Innovation Bridge Facility

The Climate Innovation Bridge Facility is a proposed $10 million technical assistance and catalytic financing vehicle designed to provide project preparation support and bridge financing to early-stage climate ventures in Nigeria. The Facility is structured to enhance commercial bankability by strengthening project governance, financial structuring, and investment readiness, thereby positioning ventures to attract follow-on institutional capital.