



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) METRICS AND NIGERIA'S ENERGY TRANSITION: TOWARDS LEGAL INTEGRATION IN THE OIL AND GAS SECTOR

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The growing influence of global Environmental, Social, and Governance (ESG) frameworks and judicial interventions in shaping binding corporate obligations has raised questions about ESG compliance in Nigeria's oil and gas sector. As environmental concerns intensify, investors and regulators are placing greater emphasis on ESG metrics to influence operational practices. In the energy sector, ESG considerations increasingly shape investment trends, regulatory reforms, and corporate sustainability strategies. As Africa's largest oil producer, Nigeria's integration of ESG standards is vital for achieving a balanced energy transition that promotes environmental sustainability, economic growth, and social equity. This paper explores how global ESG metrics influence Nigeria's shift toward sustainable energy, with a focus on legal frameworks guiding ESG adoption in the oil and gas industry. It employs a doctrinal methodology, combining comparative analysis of global ESG practices with the legal, policy, and regulatory landscape in Nigeria. The paper finds that ESG implementation in Nigeria is limited by weak enforcement mechanisms and gaps in the legal and institutional framework. It identifies key challenges and opportunities in ESG integration and proffers actionable recommendations. These include legal reforms such as amending the Climate Change Act 2021 and the Petroleum Industry Act 2021, establishing specialized courts to adjudicate ESG-related disputes, and balancing energy security with ESG compliance to support efficient, low-carbon fossil fuel production without compromising energy supply.

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1. INTRODUCTION

In Nigeria, the paradox of abundant energy resources and persistent energy poverty underscores the urgency of a just and sustainable energy transition. While the country holds Africa's largest proven reserves of oil and gas, over 86 million Nigerians still lack access to reliable electricity.¹ This stark imbalance has made sustainability not just a global imperative, but a national necessity demanding a recalibration of legal and policy frameworks to ensure the equitable use of natural resources without compromising intergenerational equity.² This concept has gained prominence in response to the escalating global climate crisis,³ As Africa's largest oil producer, Nigeria in 2023 produced an estimated 129 million metric tons of CO₂, making it the fourth highest emitter in Africa.⁴ This underscores the urgency of climate action within the country.

The oil and gas industries constitute a fundamental pillar of the global economy, serving as primary providers of energy and raw materials essential to various sectors.⁵ However, the environmental consequences of

¹ IEA and others, *Tracking SDG7: The Energy Progress Report* (2023) <https://trackingsdg7.esmap.org/data/files/download-documents/sdg7-report2023-full_report.pdf> accessed 6 March 2025.

² World Commission on Environment and Development, *Our Common Future* (Oxford University Press 1987).

³ F Santos, P Ferreira and J Pedersen, 'Climate Change and Sustainability' (2023) in M. d. G. Garcia, A. Cortês (eds), *Blue Planet Law: The Ecology of our Economic and Technological World* (Springer 2023)

⁴ Population Matters, 'Population And The Environment In Nigeria: Too Big To Go Green' (6 February 2024) *population matters.org* <<https://populationmatters.org/news/2024/02/population-and-the-environment-in-nigeria-too-big-to-go-green/#:~:text=Nigeria%20produced%20129%20metric%20tons%20of%20CO2,methane%20-%20are%20released%20into%20the%20atmosphere>> accessed 12 March 2025.

⁵ H Hamzah and M Marimuthu, 'An Overview: Oil and Gas Capital Structure' (2020) 9(4) *International Journal of Academic Research in Accounting Finance and Management Sciences*.

these operations have generated substantial concerns about their long-term sustainability.⁶ Policymakers grapple with the challenge of balancing decarbonization commitments with the persistent demand for oil and gas.⁷ The rising awareness of environmental challenges has heightened the focus on environmental policies as key instruments in regulating oil and gas industry activities, seeking to minimize their ecological footprint and encourage sustainable practices.⁸

Environmental, Social, and Governance (ESG) metrics have become a fundamental framework for evaluating corporate responsibility, risk management, and long-term sustainability across various industries.⁹ They are integral to the global energy transition, which seeks to transform energy production and consumption toward more sustainable, low-carbon models.¹⁰ As the international community accelerates efforts to combat climate change, ESG criteria provide a structured framework for embedding sustainability considerations into corporate strategies, regulatory policies, and investment decisions.

⁶ F Testa, R Iovino and F Iraldo, 'The Circular Economy and Consumer Behaviour: The Mediating Role of Information Seeking in Buying Circular Packaging', (2020) 29(8) *Business Strategy and the Environment* 3435–3448.

⁷ M Kamali Saraji and D Streimikiene, 'Challenges to the Low Carbon Energy Transition: A Systematic Literature Review and Research Agenda' (2023) 49 *Energy Strategy Reviews* 1–3.

⁸ M Lee and H Park, 'The Impact of the Environmental Policy Stringency on Korean Exports of Environmental Goods' (2018) 28(1) *Journal of Environmental Policy and Administration* 1–22.

⁹ A Martiny and others, 'Determinants of Environmental Social and Governance (ESG) Performance: A Systematic Literature Review' (2024) 456 *Journal of Cleaner Production* 1–5. Available at: <<https://www.sciencedirect.com/science/article/pii/S0959652624016615>> accessed 6 March 2025.

¹⁰ Conference of the Parties, *Adoption of the Paris Agreement*, UN Doc FCCC/CP/2015/L.9/Rev/1 (12 December 2015), arts 2, 4; Federal Ministry of Environment, *Nigeria's Updated Nationally Determined Contribution (NDC)*, (July 2021). Available at: <NDC INTERIM REPORT SUBMISSION - NIGERIA.pdf> accessed 24 May 2025.

The environmental pillar of ESG emphasizes reducing carbon emissions, improving energy efficiency, and mitigating environmental degradation. The social dimension encompasses labour rights, community engagement, and equitable energy access, ensuring that transitions to sustainable energy do not exacerbate social inequalities. Meanwhile, governance focuses on corporate accountability, regulatory compliance, and transparency in decision-making.¹¹

Opinions on the impact and overall usefulness of ESG on corporate performance have become increasingly divided. While some regard ESG as a powerful driver of corporate and investor decision-making, others dismiss it as inconsequential,¹² or worse, as a form of greenwashing that misleads investors and stakeholders, weakens corporate accountability, or diverts attention from alternative frameworks and solutions to societal challenges.¹³

Regardless, in recent years, both local and international investors have shown a growing interest in ESG-focused investments.¹⁴ Studies suggest that inadequate ESG reporting may indicate firm-specific risks, whereas companies with strong ESG performance tend to attract greater investor confidence.¹⁵ Businesses that fail to disclose their ESG initiatives risk

¹¹ S Hirdayu and M Radzi, 'An Overview of Environmental, Social and Governance (ESG) and Company Performance' (Paper presented at the International Conference in Technology, Humanities and Management, 2023) 1113–1115.

¹² G Serafeim, *ESG: Hyperboles and Reality*, Harvard Business School Research Paper Series Working Paper 22-031, 2.

¹³ AA King and KP Pucker, 'ESG and Alpha: Sales or Substance?' *Institutional Investor* (25 February 2022) <<https://www.institutionalinvestor.com/article/2bstmmn7nssoo5njqf5kw/opinion/esg-and-alpha-sales-or-substance>> accessed 10 March 2025.

¹⁴ T Nam Vu and others, 'ESG Investment Performance and Global Attention to Sustainability' (2025) 75 *North American Journal of Economics and Finance*, 3.

¹⁵ W Masliza, W Mohammad and S Wasiuzzaman, 'Environmental, Social and Governance (ESG) Disclosure, Competitive Advantage and Performance of Firms in Malaysia' (2021) 2 *Cleaner Environmental Systems*, 1–2.

making uninformed investment choices that could harm both the environment and their workforce. Incorporating ESG considerations into investment strategies allows investors to assess a company's overall performance beyond financial returns.

As nations work toward fulfilling international climate commitments including the Paris Agreement,¹⁶ ESG frameworks have become essential in aligning national energy strategies with the Sustainable Development Goals (SDGs).¹⁷ Evidently, as Africa's largest oil producer, Nigeria faces the dual challenge of transitioning to a low-carbon energy future while ensuring economic stability. This energy transition is shaped by the National Energy Transition Plan (NETP) which sets a strategic roadmap to achieve net-zero emissions by 2060¹⁸ by increasing the adoption of renewable sources such as solar, wind, and hydropower.¹⁹

Despite Nigeria's commitment to energy transition, the oil and gas sector remains central to the country's economy, accounting for over 90% of its foreign exchange earnings and 80% of its government revenues.²⁰ The integration of ESG standards within this sector is critical to ensuring a balanced transition that safeguards environmental sustainability, economic growth, and social equity. ESG principles can drive sustainable

¹⁶ *Paris Agreement* (n 11).

¹⁷ Particularly SDG goals 7 & 13 on affordable and clean energy and climate action.

¹⁸ JS Olayande, 'Energy Transition for Achieving Net-Zero Emission by 2060' (Paper presented at the Energy Commission of Nigeria, National Energy Summit 2022, Abuja, 5–6 July 2022) https://www.energy.gov.ng/papers/NES%202022%20Energy%20Transition%20for%20Achieving%20Net-Zero%20Emission%20by%202060_Comments%20from%20ECN.pdf accessed 4 March 2025.

¹⁹ *ibid.*

²⁰ N Ekeghe, 'Replacing Oil as Mainstay of Nigerian Economy' *ThisDay* (February 1 2022) <<https://www.thisdaylive.com/2022/08/31/replacing-oil-as-mainstay-of-nigerian-economy/>> accessed 7 March 2025.

investment, enhance regulatory compliance, and mitigate the negative externalities associated with fossil fuel extraction.²¹

Even with regulatory measures like the Petroleum Industry Act (PIA)²² and the National Oil Spill Detection and Response Agency (NOSDRA),²³ environmental concerns such as oil spills, gas flaring, and deforestation persist in local communities.²⁴ Social and governance challenges ranging from human rights violations and labour disputes²⁵ to corruption,²⁶ social unrest in oil-producing regions²⁷ and regulatory inconsistencies further highlight the need for a robust ESG framework. Failure to adopt robust ESG standards could result in reduced access to international capital, legal liabilities, and reputational damage for Nigerian oil firms.²⁸ However, integrating ESG principles presents a significant opportunity for the oil

²¹ OECD, 'ESG Investing and Climate Transition: Market Practices, Issues and Policy Considerations' (OECD Paris 2021) 4–7 <https://www.oecd.org/content/dam/oecd/en/publications/reports/2021/04/esg-investing-and-climate-transition_185db50c/a2fc6c39-en.pdf> accessed 7 March 2025.

²² Petroleum Industry Act 2021, No. 142, Vol. 108; US Okoro and C Arinze-Umobi, 'The Petroleum Industry Act 2021 and Quest For Stricter Environmental Regulation in Nigeria's Energy Sector' (2022) 3(2) Law and Social Justice Review (LASJURE), 59–67.

²³ National Oil Spill Detection and Response Agency (Establishment) Act 2006, No 15 (as amended 2006).

²⁴ PP Ugboma, 'Environmental Degradation in Oil Producing Areas of Niger Delta Region, Nigeria: the Need for Sustainable Development' (2015) 4(2) International Journal of Science and Technology, 75–85.

²⁵ Human Rights Watch, 'The Price of Oil: Corporate Responsibility and Human Rights Violations in Nigeria's Oil Producing Communities' (February 1999) <<https://www.hrw.org/report/1999/02/23/price-oil/corporate-responsibility-and-human-rights-violations-nigerias-oil>> accessed 25 March 2025).

²⁶ S Ariweriokuma, *The Political Economy of Oil and Gas in Africa: The Case of Nigeria* (Routledge 2008), 31–33.

²⁷ C Katsouris and A Sayne, *Nigeria's Criminal Crude: International Options to Combat the Export of Stolen Oil* (London Chatham House, 2013) 25.

²⁸ G Capelle-Blancard and A Petit, 'Every Little Helps? ESG News and Stock Market Reaction' (2019) 157 Journal of Business Ethics 543–565.

and gas sector to boost its global competitiveness, attract sustainable investment, and play a crucial role in Nigeria's energy transition.

This paper examines the legal frameworks guiding ESG adoption within the oil and gas industry. It explores the broader significance of ESG principles in the global energy transition and assesses the extent to which ESG practices support national decarbonization objectives. It also investigates the ESG performance of Nigeria's oil and gas industry highlighting key compliance challenges, associated risks, existing legal and regulatory frameworks governing ESG integration and potential areas for reform. Lastly, it provides recommendations to improve ESG compliance, strengthen regulatory mechanisms, and promote a fair and sustainable energy transition.

In addition, this paper examines ESG adoption in Nigeria's oil and gas sector, with a focus on legal, policy, and regulatory dimensions. Drawing on global best practices, it proposes strategies to support the country's energy transition and promote sustainable resource management. Aligning the sector with ESG standards is essential for ensuring long-term resilience and advancing a sustainable energy future.

For proper interrogation of its objectives, the article is structured into five parts. It begins with an overview of ESG in both global and Nigerian contexts, followed by an examination of the legal, regulatory, and institutional framework for ESG compliance and energy transition. It then explores the key challenges facing ESG integration in the oil and gas sector, before analyzing the opportunities and legal pathways for advancing sustainable practices. The paper concludes with recommendations for strengthening ESG governance through law and policy.

2.0. ESG IN THE GLOBAL AND NIGERIAN CONTEXT

The transition from fossil fuels to renewable energy has evolved beyond a technological and economic issue into a matter of profound legal significance. At the core of this shift is the integration of Environmental,

Social, and Governance (ESG) principles into corporate and regulatory frameworks. International voluntary standards, such as the UN Principles for Responsible Investment (UNPRI) (2006)²⁹ and the Task Force on Climate-related Financial Disclosures (TCFD) (2017),³⁰ have increasingly been codified into binding obligations, shaping investment decisions and corporate practices across jurisdictions.

Additionally, emerging initiatives like the International Sustainability Standards Board (ISSB) (2021)³¹ and established frameworks such as the Global Reporting Initiative (GRI) (1997)³² and the Sustainability Accounting Standards Board (SASB) (2011),³³ have set rigorous benchmarks for ESG disclosure that underpin both private and public regulatory regimes.

In Nigeria, an economy historically reliant on oil and gas,³⁴ coupled with recent legislative reforms, reflect a shifting regulatory landscape where sustainability imperatives intersect with legacy extractive laws. The

²⁹ R Sievänen and others, 'From Struggle in Responsible Investment to Potential to Improve Global Environmental Governance through UN PRI' (2013) 13(12) International Environmental Agreements: Politics, Law and Economics, 197-217.

³⁰ Task Force on Climate-related Financial Disclosures (TCFD), *Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures* (October 2021) <<https://www.fsb.org/uploads/P141021-4.pdf>> accessed 29 March 2025.

³¹ C De Villiers and others, 'The International Sustainability Standards Board's (ISSB) Past, Present, and Future: Critical Reflections and A Research Agenda' (2024) 36(2) Pacific Accounting Review 255-273.

³² C De Villiers, M La Torre and M Molinari, 'The Global Reporting Initiative's (GRI) Past, Present and Future: Critical Reflections and A Research Agenda on Sustainability Reporting (Standard-Setting)' (2022) 34(5) Pacific Accounting Review 728-747.

³³ Sustainability Accounting Standards Board (SASB), *SASB Conceptual Framework* (February 2017). < http://sasb.ifrs.org/wp-content/uploads/2019/05/SASB-Conceptual-Framework.pdf?source=post_page> accessed 29 March 2025.

³⁴ EA Mondesir and EY Junior, 'The Impact of the Oil Industry on the Economic Development of Nigeria', (2024) 13(9) The International Journal of Engineering and Science, 297-305.

Petroleum Industry Act (PIA) of 2021³⁵ modernizes the nation's fossil fuel governance by enhancing fiscal transparency and operational efficiency, yet it has been critiqued for its limited focus on renewable energy and comprehensive ESG provisions.³⁶ Conversely, the Climate Change Act of 2021 establishes binding national emissions reduction targets and reinforces Nigeria's commitments under the Paris Agreement,³⁷ particularly when read alongside the Environmental Impact Assessment (EIA) Act.³⁸

The next discuss of this paper will examine the interplay between global ESG frameworks and Nigeria's domestic legal regime, analyzing how international sustainability standards increasingly shape binding domestic obligations. It will also explore the evolution of voluntary global ESG standards such as the UNPRI, TCFD, ISSB, GRI, and SASB, into enforceable legal norms that influence investor expectations and corporate compliance. Furthermore, it assesses how Nigeria's recent legislative reforms, notably the PIA (2021) and Climate Change Act (2021), reflect an effort to align its regulatory architecture with international ESG imperatives, positioning the country as a key player in the global energy transition.

2.1. Global ESG Frameworks

The growing integration of sustainability considerations into corporate governance, investment decisions, and regulatory policies underscores the

³⁵ Petroleum Industry Act, No. 142, August 2021.

³⁶ MN Umenweke and WA Chukwuma, 'An Examination of The Petroleum Industry Act 2021 and the Quest for a New Nigeria' (2021) 2(2) *Law and Social Justice Review* 65-68.

³⁷ IA Noah, 'Nigeria's Climate Change Act, Conditional and Unconditional Nationally Determined Contributions, and the Principle of Common but Differentiated Responsibilities' (2024) *Environmental Law Review* 1-19.

³⁸ Environmental Impact Assessment Decree No 86 of 1992.

need for standardized ESG reporting.³⁹ ESG disclosures encompass environmental factors such as greenhouse gas emissions, energy efficiency, and biodiversity; social factors including workplace safety, diversity, and human rights; and governance elements such as corporate ethics and regulatory compliance.⁴⁰

A globally harmonized ESG reporting framework is crucial to ensuring transparency, consistency, and comparability in sustainability disclosures.⁴¹ High-quality standards must be based on principles of legitimacy, independence, transparency, public accountability, and due process to enhance corporate accountability and investor confidence.⁴²

A global approach to ESG reporting is necessary for three key reasons. First, addressing climate change and achieving the United Nations Sustainable Development Goals (SDGs) requires coordinated international action supported by uniform ESG disclosure standards.⁴³ Second, businesses operate within global value chains, face transnational sustainability risks, and rely on international capital markets, making standardized reporting essential.⁴⁴ Third, a unified framework provides

³⁹ MB Dasinapa, 'The Integration of Sustainability and ESG Accounting Into Corporate Reporting Practices' (2024) 2(1) *Advances In Applied Accounting Research* 13-25.

⁴⁰ V Chouhan and others, 'Exploring the Need for Environmental, Social, and Governance Disclosure Strategy from the Shareholders' Perspective' (2024) 5(3) *Corporate & Business Strategy Review* 82-83.

⁴¹ H Afolabi, R Ram and G Rimmel, 'Harmonization of Sustainability Reporting Regulation: Analysis of a Contested Arena' (2022) 14(9) *Sustainability* 1-14.

⁴² Global Initiative for Fiscal Transparency (GIFT), 'The High-Level Principles On Fiscal Transparency, Participation and Accountability' (January 2018) <GIFT-EHLP-9Feb18.pdf> accessed 30 March 2025.

⁴³ B Lukács and R Rickards, 'How the Categorisation Of SDG Targets Into ESG Pillars Can Inform The Corporate SDG Report' (2023) 107 *Chemical Engineering Transactions* 193-197.

⁴⁴ I Lianos and A Raslan, *Global Value Chains, Competition Law and Sustainability: Insights From The Cotton Global Value Chain*, Centre for Law, Economics and Society (CLES) Research Paper Series 4/2024. <https://www.ucl.ac.uk/cles/sites/cles/files/cles-4-2024_final.pdf> accessed 30 March 2025.

investors, regulators, and corporations with a common language for assessing ESG performance, reducing information asymmetry, and improving comparability.⁴⁵

The following sections examine specific global ESG frameworks in detail.

2.1.1. Voluntary Standards as Precursors to Binding Regulation

The UN Principles for Responsible Investment (UNPRI), launched in 2006, provides a normative framework encouraging institutional investors to integrate ESG factors into their decision-making processes.⁴⁶ Although non-binding, the UNPRI has played a pivotal role in shaping a “soft law” environment that influences domestic ESG disclosure regimes.⁴⁷ By establishing baseline expectations for transparency and accountability, the UNPRI has contributed to regulatory reforms across various jurisdictions.

Similarly, the Task Force on Climate-related Financial Disclosures (TCFD), which issued its final recommendations in 2017, has set robust guidelines for disclosing climate-related financial risks.⁴⁸ Legal scholars argue that the TCFD framework is increasingly being codified into

⁴⁵ W Chen, Y Xie and K He, ‘Environmental, Social, and Governance Performance and Corporate Innovation Novelty’ (2024) 8 *International Journal of Innovation Studies* 110-130.

⁴⁶ HSBC Global Asset Management, *The UN Principles for Responsible Investment (UNPRI)* (May 2010) <https://www.banktrack.org/download/the_un_principles_for_responsible_investment_un_pri/_hsbc_commitment_to_unpri_may_2010.pdf> accessed 1 April 2025.

⁴⁷ TR Grey, ‘Investing For the Environment? The Limits of the UN Principles of Responsible Investment’ (2009) *Social Science Research Network* 1-16.

⁴⁸ Bloomberg, *Recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)* (Final Report, June 2017) <<https://assets.bbhub.io/company/sites/60/2021/10/FINAL-2017-TCFD-Report.pdf>> (accessed 1 April 2025).

statutory mandates,⁴⁹ reducing informational asymmetries and stabilizing capital markets amid climate risks. For example, the United Kingdom has made TCFD-aligned disclosures mandatory for premium-listed companies under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.⁵⁰ These mandates ensure that companies systematically report on Scope 1, 2, and emerging Scope 3 emissions, enhancing transparency in financial markets.⁵¹

The transition from voluntary to mandatory ESG reporting is further reflected in the International Sustainability Standards Board (ISSB), established in 2021 under the IFRS Foundation. By harmonizing disclosure practices across jurisdictions, the ISSB aims to enhance legal certainty for multinational corporations.⁵² Additionally, comprehensive frameworks such as the Global Reporting Initiative (GRI) (1997)⁵³ and the Sustainability Accounting Standards Board (SASB) (2011) provides sector-specific ESG metrics that are now widely referenced in national regulatory reforms and corporate sustainability law.⁵⁴ For example, South Africa's King IV Code on Corporate Governance explicitly encourages ESG disclosure using internationally recognised frameworks such as GRI.⁵⁵

⁴⁹ M Condon and others, 'Mandating Disclosure of Climate-Related Financial Risk' (2022) 23 New York University Journal of Legislation and Public Policy 749-800.

⁵⁰ Companies (Strategic Report), (Climate-related Financial Disclosure) Regulations 2022 (UK), SI 2022/31.

⁵¹ *ibid.*

⁵² A. Peterson, S. Herbert and N. Daniels, 'The Likely Adoption of the IFRS Foundation's Proposed Sustainability Reporting Standards' (2022) 13(2) The Business Management Review, 23-31.

⁵³ G Capelle-Blancard and A Petit (n. 29).

⁵⁴ T Yesil, 'Analysis of Sustainability Accounting Standards: A Review' (2024) 12(1) Entrepreneurship and Sustainability Issues, 303-310.

⁵⁵ Institute of Directors Southern Africa, *King IV Report on Corporate Governance for South Africa* (2016), Principle 5.4.

These evolving standards highlight the growing influence of voluntary ESG frameworks in shaping binding legal obligations, progressively defining investor expectations and corporate compliance on a global scale.

2.1.2. Landmark Case Law and ESG Litigation

As the regulatory landscape evolves, judicial intervention is becoming an increasingly powerful tool in holding corporations accountable for ESG compliance. A seminal case in global ESG litigation, *Milieudefensie v. Royal Dutch Shell*,⁵⁶ exemplifies the growing judicial willingness to impose climate-related duties on corporations. In this case, environmental organizations successfully argued that Shell's failure to curb emissions breached its duty of care under human rights law. Although the Dutch appellate court later modified the original 45% emissions reduction target, the ruling remains a landmark precedent for corporate accountability in climate change litigation.⁵⁷

The importance of *Milieudefensie v. Royal Dutch Shell* extends beyond its immediate outcome, it represents a paradigm shift in corporate governance and ESG jurisprudence. Traditionally, climate-related obligations have been viewed as policy matters, falling primarily within the remit of States and international institutions. However, this case establishes that private corporations, particularly carbon-intensive multinationals, can be held legally accountable for failing to align with global climate goals. It operationalizes the "duty of care" concept in the context of climate risk, thereby setting a judicial precedent that may influence courts in other jurisdictions to recognize environmental stewardship as a legal responsibility. Moreover, the court's reliance on international soft law instruments, such as the Paris Agreement and UN Guiding Principles on Business and Human Rights, signals the increasing legal weight of

⁵⁶ *Milieudefensie v Royal Dutch Shell* [2021] ECLI:NL:RBDHA:2021:5339 (District Court of The Hague).

⁵⁷ Human Rights Law Centre, 'Landmark Decision Ordering Shell to Cut CO2 Emissions From Its Global Operations By 45% Overturned By Hague Court of Appeal' HRLC (12 March 2025). <<https://www.hrlc.org.au/case-summaries/2025-03-20-milieudefensie-v-shell/>> accessed 1 April 2025.

voluntary ESG frameworks when interpreted through domestic legal systems. As such, this case has catalyzed a growing trend of climate litigation worldwide, empowering civil society actors to use the courts to enforce corporate ESG commitments and pushing firms to incorporate climate risk more deeply into their corporate strategy and disclosures.

In Nigeria, ESG-aligned litigation is also gaining judicial recognition. In *Gbemre v. Shell*,⁵⁸ the Federal High Court held that gas flaring violated constitutionally protected rights to life and dignity, thereby affirming the environmental pillar of ESG within a rights-based framework. Similarly, in *Centre for Oil Pollution Watch v. NNPC*,⁵⁹ the Supreme Court liberalized standing requirements for NGOs, thereby enabling broader public interest litigation on environmental degradation—a development that aligns with ESG accountability mechanisms.

Judicial recognition of the social dimension of ESG is evident in *Vedanta Resources Plc v. Lungowe*,⁶⁰ where the UK Supreme Court affirmed that a parent company could owe a duty of care to foreign claimants affected by the operations of its subsidiaries. Regionally, the ECOWAS Court’s decision in *SERAP v. Nigeria*⁶¹ reinforced the enforceability of socio-economic rights, affirming their centrality to the social component of ESG.

With regard to governance, the Australian case of *Australian Securities and Investments Commission v. Rio Tinto*⁶² illustrates how failure to disclose ESG-related financial risks can constitute a breach of securities law. While ESG-related governance litigation remains nascent in Nigeria, frameworks such as the Nigerian Code of Corporate Governance (2018) and the

⁵⁸ Suit No. FHC/CS/B/153/2005 (Unreported).

⁵⁹ [2019] 5 NWLR (PT 1666) 518.

⁶⁰ [2019] UKSC 20.

⁶¹ ECW/CCJ/APP/0808 (ECOWAS, Oct. 27, 2009).

⁶² (No 2) [2022] FCA 184.

Nigerian Exchange’s ESG Disclosure Guidelines provide an emerging regulatory scaffold that is likely to inform future judicial developments.

Across other African jurisdictions, courts have increasingly taken cognizance of ESG-related claims. In *Save Lamu v. National Environmental Management Authority (NEMA)*,⁶³ the Kenyan National Environmental Tribunal annulled the approval of a coal power project due to insufficient public participation, highlighting the centrality of procedural rights in environmental governance. These cases reflect the rising tide of ESG related litigation globally.

In conclusion, ESG metrics are transitioning from aspirational standards to enforceable legal norms. Courts across multiple jurisdictions, including Nigeria, are playing a pivotal role in operationalizing ESG principles through statutory interpretation and constitutional adjudication. As Nigeria continues to align its legal frameworks with international ESG standards—including those of the UNPRI, TCFD, ISSB, GRI, and SASB—the likelihood of ESG-based litigation will rise, particularly as these once-voluntary standards become embedded in national law. This trend underscores the judiciary’s crucial role in securing a just and sustainable energy transition grounded in accountability, inclusivity, and transparency.

2.2. Nigeria’s Legal and Institutional Framework for ESG and Energy Transition

Historically, Nigeria’s energy legal architecture has been anchored in extractive industry imperatives, prioritizing hydrocarbon revenues at the expense of environmental sustainability.⁶⁴ However, recent statutory reforms and policy instruments reflect a nascent but growing integration

⁶³ [2019] KEELC 4739 (KLR).

⁶⁴ OJ Olujobi and others, ‘Legal Responses To Energy Security And Sustainability In Nigeria’s Power Sector Amidst Fossil Fuel Disruptions and Low Carbon Energy Transition’ (2023) 9 *Heliyon* 1–20.

of Environmental, Social, and Governance (ESG) metrics into the country's legal framework for energy transition.

The National Renewable Energy and Energy Efficiency Policy (NREEEP)⁶⁵ provides a strategic framework for promoting renewable energy and energy efficiency in Nigeria. It emphasizes the adoption of cleaner energy sources to reduce greenhouse gas emissions and enhance energy security.⁶⁶ The policy outlines objectives such as increasing the share of renewable energy in the national energy mix and improving energy efficiency across various sectors. By setting clear targets and implementation strategies, the NREEEP aligns with ESG principles, particularly the environmental and social components, by advocating for sustainable energy practices and equitable access to energy resources.

Also, the Energy Commission Act⁶⁷ establishes the Energy Commission of Nigeria (ECN) as the apex body responsible for strategic planning and coordination of national policies in the energy sector. The Act mandates the ECN to conduct research and development activities, advise the government on energy matters, and promote energy efficiency and conservation.⁶⁸ Through these functions, the ECN plays a crucial role in integrating ESG considerations into national energy planning, ensuring that environmental sustainability and social equity are central to energy development strategies.

Another pivotal framework in the energy sector is the Electricity Act 2023. It represents a significant legislative advancement in Nigeria's energy sector. It provides a comprehensive legal framework for the generation, transmission, distribution, and supply of electricity. The Act emphasizes

⁶⁵ Approved by the Federal Executive Council (FEC) For the Electricity Sector April 20, 2015. <<https://cleantechnologyhub.com/wp-content/uploads/2022/07/NATIONAL-RENEWABLE-ENERGY-AND-ENERGY-EFFICIENCY-POLICY-NREEEP.pdf>> accessed 23 May 2025.

⁶⁶ *ibid.*

⁶⁷ Act No. 62 of 1979, as amended by Act No. 32 of 1988 and Act No. 19 of 1989, section 1.

⁶⁸ *ibid.*, section 5.

the promotion of renewable energy sources and the implementation of energy efficiency measures. It makes a concerted effort to amplify the utilisation of renewable energy sources by incorporating specific provisions that compel the engagement, growth, and financial backing of renewable energy initiatives. In fact, the Act dedicated the whole of Part XVIII of the law on promotion of renewable energy and energy efficiency. Notably, sections 72(2)(d), 80, 113(1), and 164 of the Act impose obligations on the power generation companies (GenCos) and the distribution companies (DisCos) within the Nigerian Electricity Supply Industry (NESI) to generate electricity from renewable sources, procure renewable-energy-generated power, or secure relevant instruments representing renewable energy generation.. Key provisions include the establishment of the National Integrated Electric Policy and Strategy Implementation Plan (NIEPSIP), which outlines strategies for optimizing the utilization of renewable energy sources such as solar, wind, hydro, and biomass.⁶⁹ The Act also empowers the Nigerian Electricity Regulatory Commission (NERC) to regulate and promote renewable energy utilization,⁷⁰ thereby embedding ESG considerations into the regulatory oversight of the electricity sector.

In the oil sector, the Petroleum Industry Act (PIA) 2021,⁷¹ which replaces the Petroleum Act of 1969,⁷² modernizes fossil fuel regulation by introducing transparency, fiscal accountability, and operational efficiency reforms.⁷³ However, as legal scholars observe, the Act remains heavily extractive-focused, lacking explicit provisions for renewable energy

⁶⁹ Part II of the Act.

⁷⁰ Section 34(1)(i) of the Act.

⁷¹ C. De Villiers and others (n. 32).

⁷² Chapter 350, LFN 1990.

⁷³ SA Adebisi and KN Ezebuio, 'Analysis of the Petroleum Industry Act and Its Impact on the Nigerian Oil and Gas Sector' (2023) 6(3) *Gusau International Journal of Management and Social Sciences*, 293–312.

integration or robust ESG mandates.⁷⁴ This gap underscores the need for a more holistic regulatory approach that balances economic priorities with sustainability imperatives.

Complementing the PIA, the Climate Change Act 2021 aligns Nigeria's legal framework with Paris Agreement commitments, establishing statutory emissions reduction targets and reinforcing compliance with the Environmental Impact Assessment (EIA) Act 1992.⁷⁵ The EIA Act requires a comprehensive environmental assessment for high-impact projects, a measure widely endorsed by legal scholarship.⁷⁶ However, institutional weaknesses and resource constraints continue to hinder effective enforcement.

In parallel, Nigeria's Securities and Exchange Commission (SEC) ESG Guidelines mandate public companies to disclose ESG practices, aligning corporate governance with global standards such as the Task Force on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI).⁷⁷ Rooted in Section 305(3) of the Companies and Allied Matters Act (CAMA) 2020, these guidelines promote corporate accountability, improving access to international capital markets.⁷⁸

⁷⁴ F Eleanya, 'Experts Applaud PIA but Want National Plan on Renewable Energy' *Business Day* (8 October 2021) <https://businessday.ng/energy/oilandgas/article/experts-applaud-pia-but-want-national-plan-on-renewable-energy/> accessed 1 April 2025.

⁷⁵ Sustainability Accounting Standards Board (SASB) (n. 34).

⁷⁶ section 2.

⁷⁷ SEC Nigeria, *Guidelines On Sustainable Financial Principles For The Nigerian Capital Market*, April 2021. Available At: <https://sec.gov.ng/wp-content/uploads/2021/12/SEC-Guidelines-on-Sustainable-Financial-Principles-for-the-Capital-Market_Final.pdf> accessed 1 April 2025.

⁷⁸ C Kema and O Lawal, 'Operating In a Changing World: A Note on ESG Related Compliance Obligations for Nigerian Companies' Dentons (2021). Available At: <https://www.dentonsacaslaw.com/-/media/pdfs/insights/2021/june/operating-in-a-changing-world_a-note-on-esg-related-compliance-obligations-for-nigerian-companies.pdf> (accessed 1 April 2025).

However, despite the prescriptive language of the Guidelines, enforceability remains a challenge. The SEC has not, to date, published any sanctions for non-compliance. This reflects a broader implementation gap, where mandated rules exist on paper but lack the institutional oversight and enforcement mechanisms necessary to ensure full compliance. Consequently, while the guidelines signal regulatory intent, their impact is limited without complementary measures such as periodic audits, public ESG scorecards, or penalties for deficient reporting.

2.3. Regulatory, Institutional, and Judicial Enforcement of ESG Compliance

While policy development and disclosure frameworks lay the foundation for ESG integration, their effectiveness ultimately hinges on credible enforcement. Without regulatory oversight, institutional support, and judicial redress, ESG commitments risk remaining aspirational. The following section explores how Nigeria's legal and institutional architecture enforces ESG standards in practice.

2.3.1. Emerging Low-Carbon Regulatory Initiatives

Recent policy shifts indicate Nigeria's growing commitment to integrating low-carbon objectives into its energy regulatory framework. A 2024 Reuters report confirms that, effective January 2025, all oil license applicants must provide evidence of low-carbon emissions reduction strategies as required by the Upstream Petroleum Decarbonization Template (UPDT).⁷⁹ This measure represents a paradigm shift in Nigeria's

⁷⁹ C Eboh, 'Nigeria Oil Licence Applicants Must Prove Low Carbon Emissions, Nigerian Regulator Says' Reuters (31 December 2024). Available At: <<https://www.reuters.com/world/africa/nigeria-oil-licence-applicants-must-prove-low-carbon-emissions-nigerian-2024-12-31/>> accessed 1 April 2025; Nigerian Upstream Petroleum Regulatory Commission (NUPRC), *Policy Release on Decarbonisation and Energy Sustainability in Nigerian Upstream Oil and Gas Operations: Issuance of Upstream Petroleum Decarbonisation Template (UPDT)* 2024. Available At: <<https://www.nuprc.gov.ng/wp-content/uploads/2024/12/POLICY-RELEASE->

licensing framework, embedding sustainability considerations directly into the regulatory process and reinforcing the country's 2060 net-zero commitment.

By mandating quantification of emissions and renewable energy investments, the UPDT enhances investor confidence and aligns Nigeria's extractive policies with global climate mitigation efforts. However, its success hinges on effective enforcement, which has historically been a persistent challenge in Nigeria's environmental governance.

2.3.2. Financial and Institutional Gatekeepers of ESG Compliance

Financial institutions play a pivotal role in ESG compliance and corporate governance. The Nigerian Stock Exchange (NSE) has integrated ESG disclosure requirements into listing standards, ensuring market transparency and fostering investor trust.⁸⁰ Likewise, the Central Bank of Nigeria (CBN) has embedded climate risk assessments into financial regulation, incentivizing green finance initiatives that align with global ESG frameworks.⁸¹

Despite these advancements, regulatory inconsistencies and enforcement bottlenecks undermine the effectiveness of these measures. The absence of a unified ESG compliance framework results in fragmented

Introduction-of-Regulatory-Decarbonisation-Template-for-Upstream-Oil-Gas-Operations-in-Nigeria-1.pdf> accessed 1 April 2025.

⁸⁰ Proshare, 'NSE Announces Its Sustainability Disclosure Guidelines; Gets SEC Approval' (19 December 2018) Available At: <<https://www.proshare.co/articles/nse-announces-its-sustainability-disclosure-guidelines-gets-sec-approval?menu=Market&classification=Read&category=Capital%20Market>> accessed 1 April 2025.

⁸¹ A. Bobadoye, 'Climate Change and the Role of The Central Bank of Nigeria' (2024) GET Policy Brief Series No XV.

<<https://getjournal.org/wp-content/uploads/2024/05/Policy-Brief-No-XV.pdf>> (accessed 2 April 2025).

implementation, limiting Nigeria's ability to establish a cohesive sustainability-driven financial sector.

Nigeria's ESG legal framework is at a crossroads, balancing long-standing reliance on fossil fuels with increasing pressure to align with international sustainability imperatives. While regulatory bodies have taken significant steps in integrating ESG principles, gaps remain in enforcement, regulatory coherence, and corporate accountability.

One of the most significant reasons for low sustainability disclosure in Nigeria is the absence of stringent regulatory requirements and enforcement mechanisms. Although financial regulators such as the Securities and Exchange Commission (SEC) and the NSE have introduced guidelines encouraging sustainability reporting, these are often voluntary rather than mandatory. Without mandatory enforcement, companies have little incentive to disclose their sustainability practices, especially when the focus of their operations is more profit-driven.

To facilitate a just and effective energy transition, Nigeria must adopt a comprehensive approach that prioritises legal clarity, regulatory capacity, and policy coherence. Strengthening ESG enforcement mechanisms, through enhanced institutional independence and adequate funding, will be essential to ensuring compliance with environmental and climate obligations. Additionally, harmonising existing ESG-related regulations into a cohesive legal framework can reduce fragmentation and provide greater legal certainty for investors and corporations. Legal reforms must also go beyond procedural compliance by embedding renewable energy mandates and sustainability goals directly into corporate governance and investment decision-making.

Ultimately, the success of Nigeria's ESG legal framework hinges on its ability to evolve from voluntary standards into binding statutory obligations. Without robust oversight and enforceable mandates, the country risks being left behind in the global shift toward sustainable energy governance. The growing trend of judicial intervention in ESG matters, as illustrated by *Milieudefensie v. Royal Dutch Shell*, underscores the critical role that courts can play in shaping corporate behaviour and

enforcing climate accountability. As Nigeria navigates its energy future, integrating global ESG norms into domestic legal reforms is not only strategic; it is imperative.

3.0 CHALLENGES IN INTEGRATING ESG INTO NIGERIA’S OIL AND GAS SECTOR

The integration of ESG metrics into Nigeria's oil and gas sector presents numerous challenges that require careful consideration. While the global energy landscape increasingly demands sustainability and responsible practices, Nigeria's petroleum industry faces unique obstacles in adopting comprehensive ESG frameworks that balance environmental protection, social responsibility, and economic development.⁸² Nigeria's ESG performance is still evolving, with corporations, investors, and regulatory bodies becoming more aware of the importance of sustainable practices. However, the country faces unique challenges that influence the adoption and implementation of ESG principles. The following is an overview of the current challenges to ESG performance in Nigeria.⁸³

3.1 Lack of a Comprehensive ESG Regulatory Framework

The absence of a comprehensive ESG regulatory framework specifically tailored to Nigeria's oil and gas sector presents a fundamental challenge. The regulatory landscape for ESG in Nigeria lacks a comprehensive and dedicated framework. Unlike what is obtainable in developed countries, Nigeria faces a regulatory gap characterised by fragmented and dispersed rules across various laws. This fragmentation creates ambiguity, making it challenging for investors and companies to confidently navigate the ESG terrain.⁸⁴

⁸² GEP, '4 ESG Challenges for Oil & Gas Companies (And How to Overcome Them)' (GEP, 16 November 2024) <https://www.gep.com/blog/strategy/esg-challenges-oil-and-gas-companies> accessed 3 April 2025.

⁸³ O Nnadi and OA Yahaya, 'Determinants of Environmental, Social, and Governance Performance in Nigeria' (2024) 9(15) *Accounting, Finance, and Economics Review* 112-153.

⁸⁴ O Agu, C Oti and K Onasoga, 'ESG at a Glance: Nuances and Opportunities in Nigeria for the Energy, Finance and Infrastructural Sectors' Stren and Blan (2024). Available At:

This regulatory fragmentation creates uncertainty among operators regarding compliance requirements and enforcement mechanisms. Without clear guidelines, companies struggle to implement meaningful ESG strategies that align with national development goals while meeting international standards. The Nigerian government's initiatives toward creating unified ESG frameworks remain in nascent stages, leaving companies to navigate a complex patchwork of requirements.

Despite this challenge, it is important to note that Nigeria is making strides towards ESG integration through various legislations. The Paris Agreement 2015, to which Nigeria is a signatory, serves as a cornerstone international agreement for tackling climate change globally. Nigeria's commitment to this agreement has influenced domestic policies like the Climate Change Act of 2021, fostering international cooperation on climate change mitigation and adaptation strategies while promoting transparency and accountability through the submission of Nationally Determined Contributions (NDCs). The Petroleum Industry Act (PIA) 2022⁸⁵ also incorporates various environmental sustainability principles, requiring petroleum licensees to submit environmental management plans for projects that require environmental impact assessment. In addition, the Act mandates the establishment of Host Community Development Trusts by companies carrying out upstream operations, aiming to foster sustainable development and environmental protection in host communities, with non-compliance being grounds for licence revocation.⁸⁶

3.2 Conflicts between ESG compliance and Oil Sector Profitability

The perceived conflict between ESG compliance and oil sector profitability constitutes another significant challenge. Many industry

<https://strenandblan.com/wp-content/uploads/2024/04/ESG-AT-A-GLANCE.pdf>
(accessed 3 April 2025).

⁸⁵ C. De Villiers and others (n. 32).

⁸⁶ C De Villiers and others (n. 32); IA Adedokun, 'Petroleum Host Communities' Right in the Management of Petroleum Resources: A Comparative Analysis' (2020) 1 Uniport Journal of International and Comparative Law, 215-240.

stakeholders view ESG requirements as additional financial burdens that threaten operational viability, particularly in a volatile global oil market.⁸⁷ The capital-intensive nature of transitioning to cleaner technologies and sustainable practices often clashes with shareholder expectations for immediate returns. This tension is particularly pronounced among smaller indigenous operators with limited financial resources compared to international oil companies.⁸⁸ Furthermore, the absence of robust financial incentives for ESG compliance, such as tax breaks or preferential licensing terms, fails to offset perceived economic disadvantages. The continued dominance of profit-centric metrics in performance evaluation within Nigeria's oil industry undermines the integration of sustainability considerations into corporate strategy.

3.3 Transparency and Reporting Challenges in ESG Disclosures

Transparency and reporting challenges in ESG disclosures further complicate integration efforts. Unlike financial reporting, which follows standardised protocols, ESG reporting in Nigeria's oil sector lacks uniform metrics and verification mechanisms. Companies employ varied methodologies for measuring environmental impacts, community engagement, and governance practices, making meaningful comparisons difficult.⁸⁹ The limited availability of localised expertise in ESG auditing and verification, exacerbates this problem, raising questions about the reliability of disclosed information. Additionally, community stakeholders often lack access to technical ESG reports or possess limited capacity to analyse complex sustainability data, undermining the accountability function of disclosures.⁹⁰ The emerging practice of

⁸⁷ TA Abdulsalam and AD Gbadebo, 'Does ESG Investment Impact the Financial Sustainability of Nigerian Energy Companies: A Panel Regression Approach?' 2024 5(1) Gusau Journal of Accounting and Finance 279-311.

⁸⁸ *ibid.*

⁸⁹ G Chong, 'ESG Reporting—Challenges and Opportunities for Financial-Services Firms' (2024). Available At: <<https://impact.economist.com/sustainability/resilience-and-adaptation/esg-reporting-challenges-and-opportunities-for-financial-services-firms>> accessed 3 April 2025).

⁹⁰ NH Aziz and SM Alshdaifat, 'ESG Reporting: Impacts, Benefits and Challenges' (2024) *Research Gate*

"greenwashing" – where companies exaggerate environmental initiatives without substantive action – further erodes trust in corporate sustainability claims within Nigeria's petroleum sector.⁹¹

3.4 Resistance from Industry Stakeholders

Resistance from industry stakeholders represents perhaps the biggest challenge to ESG integration.⁹² Established players within Nigeria's oil and gas sector have developed operational models and corporate cultures predicated on traditional extraction-focused paradigms that prioritise production volumes over sustainability metrics. This cultural resistance manifests in organisational structures that lack dedicated sustainability departments or sufficient authority for ESG personnel to influence core business decisions. Furthermore, industry associations have historically lobbied against stringent environmental regulations, citing concerns about international competitiveness and investment climate. The political influence wielded by the petroleum sector occasionally translates into regulatory capture, where oversight agencies become sympathetic to industry positions rather than enforcing rigorous sustainability standards. Progressive companies within Nigeria's petroleum sector have begun demonstrating that thoughtful ESG integration can create long-term value while addressing sustainability concerns. The development of coherent regulatory frameworks, coupled with appropriate incentives and capacity building, could accelerate this transition. However, meaningful progress requires concerted efforts from government agencies, industry participants, civil society organisations, and international partners to overcome the complex barriers that currently impede ESG integration in Nigeria's oil and gas sector.

https://www.researchgate.net/publication/381587529_ESG_Reporting_Impacts_Benefits_and_Challenges accessed 3 April 2025.

⁹¹ *Supra* (n. 67).

⁹² A Abdullahi and A Abubakar, 'Challenges and Barriers to Sustainability Reporting in the Nigerian Context' (2023) 1(3) FUDMA Journal of Accounting and Finance Research [FUJAFR] 177-190.

4.0. OPPORTUNITIES AND LEGAL PATHWAYS FOR ESG INTEGRATION

Integrating ESG principles into Nigeria's oil and gas sector, presents a world of opportunities for both oil and gas companies and the country as a whole. The opportunities and legal pathways for ESG integration will be discussed below.

4.1 Strengthening ESG Regulations through Legal Reforms

The evolution of Nigeria's legal framework presents significant opportunities for embedding ESG considerations within the petroleum industry's operational paradigm. Current legislative instruments, while providing foundational environmental protections, require substantial modernisation to align with international sustainability standards.⁹³ The Petroleum Industry Act PIA of 2022 represents a watershed moment in Nigeria's regulatory landscape, establishing provisions for environmental management, community development, and corporate governance. However, these provisions require robust implementation mechanisms and substantive elaboration through subsidiary legislation to achieve transformative impact.⁹⁴

Legal reforms strengthening ESG regulations could strategically focus on developing comprehensive environmental liability frameworks that clarify corporate responsibilities for ecological restoration and remediation.⁹⁵ The establishment of specialized environmental courts or tribunals represents another promising legal pathway for enhancing ESG compliance.⁹⁶ In

⁹³ O Abisola, A Wonuola and others, 'ESG 2023', (2023). <https://www.olaniwunajayi.net/blog/wp-content/uploads/2023/12/016_NIGERIA.pdf> (accessed 3 April, 2025).

⁹⁴ *ibid.*

⁹⁵ *ibid.*

⁹⁶ O Aniefiok and CJ Okongwu, 'Specialised Environmental Courts and Tribunals as Legal Instruments for Sustainable Environment Justice', (2021) 3(2) International Review of Law and Jurisprudence, 93-101.

India, the *National Green Tribunal* (established under the NGT Act, 2010) has adjudicated hundreds of cases involving environmental degradation, hazardous waste management, and climate-related harms, setting precedent for corporate accountability and state duty.⁹⁷ Similarly, Kenya's Environment and Land Court, functions as a superior court with jurisdiction over disputes relating to environmental planning, land use, and climate justice.⁹⁸ These examples underscore the role such judicial institutions can play in improving ESG enforcement.

Nigeria's conventional court system often lacks the technical expertise and specialized knowledge necessary for adjudicating complex environmental disputes in the petroleum sector. Dedicated judicial bodies equipped with both legal and scientific competencies could expedite environmental cases, develop specialized jurisprudence, and provide more effective remedies for environmental harms. Reviewing Nigeria's climate change legislation presents another opportunity for strengthening ESG regulations. The Climate Change Act of 2021 establishes carbon budgeting mechanisms and requirements for corporate climate disclosures, but lacks petroleum-specific provisions addressing the sector's unique emission profiles and mitigation challenges.

4.2 Incentivizing Responsible Investment and Sustainable Financing in the Oil and Gas Sector

Financial mechanisms represent powerful instruments for catalyzing ESG integration within Nigeria's petroleum industry. The creation of differentiated fiscal regimes that reward environmental performance could transform sustainability from a compliance burden into a competitive

⁹⁷ A.B. Bonar, 'Role of National Green Tribunal for Protection of Environment in India: An Analytical Study'(2023) VI(III) GAP GYAN Global Journal of Social Sciences, 41-44. <[https://www.gapgyan.org/res/articles/\(41-44\)%20ROLE%20OF%20NATIONAL%20GREEN%20TRIBUNAL%20FOR%20PROTECTION%20OF%20ENVIRONMENT%20IN%20INDIA%20AN%20ANALYTICAL%20STUDY.pdf](https://www.gapgyan.org/res/articles/(41-44)%20ROLE%20OF%20NATIONAL%20GREEN%20TRIBUNAL%20FOR%20PROTECTION%20OF%20ENVIRONMENT%20IN%20INDIA%20AN%20ANALYTICAL%20STUDY.pdf)> accessed 24 May 2025).

⁹⁸ The Environment and Land Court Act no.19 of 2011.

advantage.⁹⁹ Nigeria's emerging green bond market offers promising opportunities for financing the petroleum industry's sustainability transition. The country's sovereign green bonds have demonstrated investor appetite for sustainability-linked financial instruments.¹⁰⁰ Extending this momentum to the petroleum sector through sector-specific sustainable finance mechanisms could unlock capital for emissions reduction technologies, environmental remediation initiatives, and community development projects.¹⁰¹ Tax incentives specifically designed for ESG investments represent another promising financial pathway. Similarly, tax credits for verified emissions reductions could stimulate innovation in methane capture and utilization technologies, addressing a significant source of the sector's climate impact while potentially generating additional revenue streams.¹⁰²

International development finance institutions offer complementary opportunities for catalyzing sustainable investment. Organizations like the African Development Bank (AfDB) and the International Finance Corporation (IFC) have established dedicated funding windows for energy transition initiatives across the continent. Domestically, Nigeria has also leveraged green finance instruments through its Sovereign Green Bond (SGB) issuances, which help to finance environmentally sustainable projects and reflect the country's growing alignment with ESG objectives. Creating structured partnerships between these institutions, Nigerian regulatory agencies, and industry participants could facilitate knowledge

⁹⁹ OM Adebisi, SA Lawrence and others, 'Unlocking the Potential: Sustainability Finance as the Catalyst for ESG Innovations in Nigeria' https://www.researchgate.net/publication/388350664_Unlocking_the_potential_Sustainability_finance_as_the_catalyst_for_ESG_innovations_in_Nigeria accessed 3 April 2025.

¹⁰⁰ *The Nigerian Green Bond Market Development Programme Impact Report (2018-2021)* <https://www.fsdafira.org/wp-content/uploads/2022/04/Green-Bond-Impact-report-2018-2021.pdf> accessed 3 April 2025.

¹⁰¹ *ibid.*

¹⁰² JF Sapar and ER Hadi, 'Effectiveness of Tax Incentives in Increasing Investment in Green Technology and Green Energy' *Research Gate* https://www.researchgate.net/publication/388871568_Effectiveness_of_Tax_Incentives_in_Increasing_Investment_in_Green_Technology_and_Green_Energy accessed 3 April 2025.

transfer while providing blended finance solutions that mitigate investment risks and accelerate the low-carbon transition.

4.3 The Role of Corporate Governance and Voluntary ESG Adoption

Corporate governance reforms represent a critical pathway for institutionalizing ESG principles within Nigeria's petroleum companies.¹⁰³ While regulatory frameworks establish minimum compliance thresholds, governance structures determine how sustainability considerations influence strategic decision-making and resource allocation. Reforming corporate governance codes to require ESG expertise on boards, establish sustainability oversight mechanisms, and link executive compensation to environmental and social performance metrics could drive meaningful organizational change.¹⁰⁴

Voluntary ESG adoption mechanisms offer complementary pathways that can surpass regulatory minimums and industry leadership. The Nigeria Extractive Industries Transparency Initiative (NEITI) provides a foundation for enhanced disclosure practices, but opportunities exist for more comprehensive voluntary frameworks tailored to the petroleum sector's unique challenges. Developing industry-specific sustainability standards with independent verification mechanisms would address current shortcomings in ESG reporting quality and comparability. Corporate culture transformations represent perhaps the most fundamental—though challenging—pathway for embedding ESG considerations. Industry associations like the Independent Petroleum Producers Group (IPPG) and the Oil Producers Trade Section (OPTS) can facilitate this evolution by developing shared learning platforms,

¹⁰³ OJ Kehinde, AS Ibidunni and others, 'Corporate Governance Implementation in Nigeria's Oil and Gas Sector: Investigating the Influence of Regulatory Compliance on Environmental Sustainability' *Research Gate* https://www.researchgate.net/publication/376001917_CORPORATE_GOVERNANCE_IMPLEMENTATION_IN_NIGERIA'S_OIL_AND_GAS_SECTOR_INVESTIGATING_THE_INFLUENCE_OF_REGULATORY_COMPLIANCE_ON_ENVIRONMENTAL_SUSTAINABILITY accessed 3 April 2025.

¹⁰⁴ OK Akinsola, 'The Role of Corporate Governance in Strengthening Compliance Frameworks' *SSRN* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=5126938 accessed 3 April 2025.

establishing peer benchmarking systems, and recognizing exemplary ESG practices through credible award programs.

Integrating local content development with ESG objectives offers a particularly promising governance pathway that aligns multiple policy priorities. Governance frameworks that incentivize partnerships between international operators and local service providers for developing indigenous environmental technologies could simultaneously advance national development goals while strengthening ESG performance.

5.0 CONCLUSION AND RECOMMENDATIONS

Environmental, Social, and Governance (ESG) metrics are no longer peripheral considerations but have become central to the discourse on corporate accountability, investment strategies, and sustainable development, especially in high-impact sectors like Nigeria's oil and gas industry. As the country navigates the global imperative of energy transition, it must reconcile its heavy dependence on fossil fuels with emerging environmental responsibilities and global climate obligations.

This paper has evaluated international and domestic frameworks for ESG standards. It revealed the critical role of ESG principles in reshaping Nigeria's oil and gas sector by highlighting the intersection of legal, policy, and regulatory frameworks with sustainability objectives. It found that, while efforts such as the Petroleum Industry Act (PIA) 2021, the Climate Change Act 2021, and the SEC's ESG Guidelines signal progress, their effectiveness is constrained by fragmented enforcement, lack of binding obligations, institutional inertia, and inadequate capacity.

To effectively integrate robust ESG metrics into Nigeria's petroleum industry, first there must be comprehensive policy and legal reforms to ensure standardization and legal clarity. This includes amending key legislation such as the Climate Change Act 2021 and the Petroleum Industry Act 2021 to mandate independent environmental audits and public ESG disclosures by operators. Second, ESG reporting and enforcement mechanisms must be strengthened. This can involve establishing specialized environmental courts or tribunals staffed with experts in environmental law, petroleum operations, and ESG standards

to adjudicate complex disputes efficiently. For example, these bodies could fast-track cases involving oil spills, flaring violations, or non-compliance with host community obligations, thereby enhancing accountability and deterrence.

Lastly, energy security must be balanced with ESG compliance to avoid disrupting energy supply. This can be achieved through gas capture, decarbonization and carbon capture programs in the oil and gas sector as well as diversified energy investments in non-renewable energy sources, thus enabling efficient fossil fuel production with a lower carbon footprint aligned with ESG climate goals. Through legal reforms, institutional strengthening, enhanced corporate governance and corporate legal accountability, Nigeria can transform ESG from a compliance burden into a strategic advantage.

In conclusion, global energy transition due to climate change is a call to action for Nigeria to implement effective ESG frameworks in the oil and gas sector. It is a strategic imperative for safeguarding environmental integrity, fostering social equity, and securing economic resilience. Through robust legal reforms, stronger institutions, and proactive stakeholder engagement, Nigeria will not only position itself as a leader in responsible energy governance on the African continent but also ultimately achieve its net-zero goal by 2060.