

**Speech by Sean Melbourne, Head of Climate Change & Energy, West Africa,
British High Commission Abuja, to the FMDQ Nigerian Capital Markets
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All protocols observed...

It is a great honour to address this conference today. The last time FMDQ hosted the British Government, it was our former Prime Minister. While I may lack the star quality, at least my presence is not quite so demanding on our hosts. I have been invited to say a few words on the theme '*A green path to economic development in Nigeria*'. Perhaps I should first underline why that is crucially important.

Climate Change and the degradation of the world's natural capital assets are the defining issues of our time. The world is getting warmer, sea levels are rising, pollution is costing lives and biodiversity is collapsing. The recent Intergovernmental Panel on Climate Change Special Report on 1.5 degrees Celsius is a timely reminder of the urgency of action.

Several reports have stated that Nigeria is particularly vulnerable to climate change: Since 2012, more than 2.3mn Nigerians have been displaced as a result of heavy flooding and nearly 500 have died. At the same time, climate change is increasing the frequency of droughts, particularly in the north, as well as changing rainfall patterns, both of which have exacerbated heat and water stresses. This great city, Lagos, is threatened by rising sea levels.

Moreover, much of the economy is reliant on climate-dependent resources. The Agriculture, forestry and fishing sectors employ up to 70% of the workforce. Nigeria is **already experiencing conflicts** between herdsman and farmers, especially in the Middle Belt Region. As population and land pressure grow, climate change could exacerbate these conflicts.

In the next decade urgent, ambitious and concerted action is required across all countries and sectors to tackle these challenges and enable the long-term transition to a net-zero, resilient and environmentally sustainable global economy. That is why the UK has recently committed to achieving net zero emissions by 2050, and will also host COP26 in 2020.

The transition to Net Zero will require unprecedented changes in how we invest, measure risk and assign value to assets. It is estimated that at least \$6 trillion per annum of new or reallocated infrastructure investment will be required up to 2030 to meet the Paris Agreement, and the wider Sustainable Development Goals. Furthermore, greening the global financial system is crucial to ensure that the risks from climate change, *and the opportunities of transition*, are systematically embedded and priced into mainstream decision making.

This is a major challenge. But it is also the greatest industrial opportunity of our time. The transition to a sustainable and resilient economy will be one of the most capital intensive transitions in our history. A report from Ricardo Energy & Environment prepared for the UK Committee on Climate Change, estimated that the potential global market size for low carbon financial services could reach £280bn per year as soon as 2030, and £460bn by 2050.

The global shift to a low carbon economy will **transform** many sectors, including power, transport, construction, many industries and agriculture. And as the biggest economy in Africa and by far its most populous, the low carbon market opportunities in Nigeria are significant. Nigeria's economy is expected to undergo massive change over the next two decades.

There's a **crucial opportunity to act now to achieve low carbon resilient growth** and avoid carbon lock-in; According to the IFC, Nigeria's estimated climate-smart investment potential is over **\$104bn** through to 2030 in selected sectors;

The most obvious opportunity is perhaps in the renewables sphere but there are many others too. **Access to energy** is key to promoting inclusive economic development, poverty alleviation, social equity, and advances in health and education. Off-grid renewables offer the most cost effective solution to bring energy to people who are not yet connected to the grid. As such these technologies can contribute significantly to building climate resilience in poor rural and urban areas.

There's tremendous potential e.g. to scale-up **solar power** within the country. **DFID's Solar Nigeria Programme** started in 2014 when people doubted the viability of solar in Nigeria. 5 years on the programme will end as not only have at least 3mn people gained access to solar power directly funded by DFID but it has clearly demonstrated the viability and feasibility of solar in Nigeria.

Solar is now viable both for the public sector - States such as Lagos are using it for their hospitals and schools – but also for commercial and industrial operations and household use. The programme has also leveraged £11m of commercial investment so far, allowing firms such as PAS Solar and Lumos to thrive.

We believe this success has inspired other donors to step in: the EU is providing €38mn for public sector solar projects, \$350mn will come in from the World Bank, and another \$200mn will be provided by the African Development Bank.

DFID has also supported Konexa, an energy company of the future, which is building a commercial and industrial scale hybrid energy captive power agri-processing zone in Kaduna State using solar, hydro and gas. It uses the newly permitted franchising model and can charge cost-reflective tariffs that make sense because there is reliability and the cost is less than diesel.

Nigeria is endowed with renewables potential other than solar, including **biomass and small-scale hydro**. There's also **wind** and **geo-thermal** potential in some parts of the country. And then there's waste. A UK company, West Africa ENRG, operating here in Lagos, has exciting plans to turn their successful recycling business into a waste to energy business.

Nor should we neglect the role greater **energy efficiency** can play in reducing the cost of energy to commercial entities and consumers whilst reducing greenhouse gas emissions

Nigeria's financial sector is ahead of the curve in many respects: Nigeria was the first African country to issue **sovereign green bonds**, back in December 2017, and several Nigerian companies have since launched corporate green bonds. The UK sponsored an adviser for this project, and he is here in this room today.

Thirty four national and international banks, including 26 Deposit Money Banks, have signed the **Nigerian Sustainable Banking Principles** and are committed to applying these principles. Banks are also following dedicated guidance notes and sector guidelines, which are based on international standards and good practice. According to the IFC, the country has induced a comprehensive change in behaviours and mind-sets towards sustainable finance.

But relative to its populace and the size of its economy, **Nigeria is not making the most of international climate finance**. If it was, perhaps we would see the truly transformative approach Nigeria and quite frankly the world needs if sustainable development and climate goals are to be reached.

Ladies and gentlemen, at the recent UN Climate Action Summit, the UK committed to **double** its International Climate Finance to at least £11.6bn over the next five years through to 2025.

'Making markets Work' is a key focus of UK international climate finance. We want to reduce costs and risk perceptions of low carbon investments by providing concessional or market-rate finance to help projects reach financial close and demonstrate profitability.

Recognising that Paris Agreement targets cannot be met by governments and public money alone, our goal is to enable 'clean and green' private investments at the scale and pace required to address climate change and pollution.

That is why we are putting the full weight of the UK's finance institutions – CDC, UK Export Finance, our Private Infrastructure Development Group and other new mechanisms – behind the effort to leverage investment into Africa. We are also developing new green financial products to enable African companies to access capital markets in the City of London. We are also working with the Nigerian Government, our hosts FMDQ and the London Stock Exchange to support new forms of investment, such as local currency bonds that are issued and traded internationally.

From the development of new environmental forms of energy to the finance required to fulfil its production and application, the innovative capacity of markets has done much to drive the proliferation and prominence of sustainable energy. But we need to do more, and **financial services have a critical role in successfully combatting climate change.**

Following the Paris Climate Summit the City of London Corporation and the UK Government established a 'Green Finance Initiative'. The Initiative has provided market leadership in green finance, enabling advocacy for regulatory and policy proposals that enhance the global green finance sector.

The Initiative highlighted that the UK is well-placed to coordinate green investment, particularly with London being one of the world's principal financial centres. Through the world's first Green Investment Bank, the UK wrote the book on financing green. The City's innovative drive is clearly demonstrated by the fact that 38 green companies have raised \$10 billion combined on the London Stock Exchange to date.

In July, the UK also launched the Green Finance Institute. The Institute is a one stop shop for world leading climate science and capital, dedicated to the further embedding of green finance. The institute aims to mobilise green finance missions to accelerate sector specific transitions to a low carbon future.

More work also needs to be done to adapt and protect against the increasing natural disasters and shocks that come with climate change. UK technical assistance is helping to ensure that agriculture is more climate smart – working with more resilient seeds and crops and smarter irrigation systems. For those that lend to the agriculture sector, building climate assessments into their due diligence will become critical.

Not all shocks are preventable and the financial sector also plays a key role in loss mitigation. The UK is a leader in disaster risk insurance and has established a Disaster Risk insurance centre in London. There's also a DFID programme which uses cutting edge parametric methodologies to protect the portfolios of banks and microfinance institutions against disaster risks.

Ladies and gentlemen, we are keen to work with the Nigerian Government, and to **strengthen our partnerships** with business and civil society here, to develop the right enabling environment for low-carbon project proposals at scale to succeed, and to enable more Nigerians to tap into green finance.

Finance which will allow Nigerians to create and grow their businesses in a sustainable way, and to boost productivity and jobs. That is why the UK, through FSD Africa, is proud to support the **Nigerian Green Bonds Development Programme** and I commend this '*State of the Market Report*', which I am about to launch, to you.

To conclude, climate change is a global challenge that affects us all. Protecting our environment for the next generation is vital for our common economic prosperity.

For the market economy to maintain its legitimacy it needs to deliver fair outcomes and meet social needs. The mighty asset management industry that provides the underlying liquidity to support the market economy must prove its worth and deliver real change in the face of the global climate emergency. The financial services industry will be in the vanguard of the battle to come. I hope the ideas and analysis assembled at this conference today will set us on the right road to meeting the key challenge of our time.

With commitment and determination, working together, we are capable of providing clean energy at scale, driving the sustainable use of natural resources, protecting the rainforests, and restoring degraded ecosystems. Working in close partnership, we can build more resilient cities and help the most vulnerable to adapt to the impacts of climate change.

Thank you