

Evaluating Corporate Reporting Obligations under Nigeria's 2021 Climate Change Act: Corporate Compliance Challenges and Strategic Measures

Monisade Oluwagbemigun

University of Illinois Springfield

Email: juliaoluwagbemigun@ymail.com

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Abstract: *The 2015 Paris Agreement mandates member states to reduce the global temperature increase to below 2°C. In 2021, Nigeria committed to this mandate and enacted its first climate-focused statute, the 2021 Climate Change Act. The Act requires businesses to appoint Climate Change Officers and submit annual reports consistent with the National Carbon Budget Plan. The Act seeks to institutionalize climate actions and incorporate environmental sustainability into business practices. However, debates exist whether this current regulatory framework on climate change is sufficient to ensure businesses effectively comply with their reporting obligations under the Act. Therefore, this paper analyzes the Climate Change Act and existing scholarship on corporate compliance and climate accountability to determine whether there are regulatory gaps, institutional, and technical factors that may hinder reporting compliance under Nigeria's Climate Change Act. The paper argues that corporate reporting compliance with the Act may be ineffective due to statutory ambiguity, inadequate technical capacity, limited corporate awareness, sector-specific complexities, poor corporate governance culture, and restricted access to climate incentives and finance. The study further argues for clearer statutory language, technical capacity building, robust corporate awareness, sector-specific reporting mechanisms, and incentive-based regulation to encourage effective corporate compliance that supports Nigeria's 2060 net-zero target. The paper builds on existing literature on corporate environmental governance in developing economies. The paper further provides a conceptual analysis of the Act's compliance framework and its implications for corporate climate governance in Nigeria. The paper's analysis contributes to existing debates on corporate climate governance and emphasizes the need for more practicable compliance mechanisms to support Nigeria's 2060 net-zero emissions target.*

Keywords: corporate reporting obligations, Nigeria's 2021 climate change act: corporate compliance, challenges, strategic measures

INTRODUCTION

Corporate climate accountability has emerged as one of the topics of scholarly debates on Climate change. A central question in these debates is whether voluntary, mandatory, or incentive-based sustainability

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reporting obligations can adequately promote climate accountability among businesses (Christensen et al., 2021). Scholars have also argued that voluntary reporting frameworks allow businesses to disclose only favorable information. They further argue that voluntary reporting frameworks result in obscurity and undermine climate accountability (Armour et al., 2021). These debates emphasize the need for not only legally binding disclosures but also enforceable disclosure frameworks in achieving corporate climate accountability.

Within these global debates, the Nigerian 2021 Climate Change Act represents a progressive move to promote corporate climate accountability at the national level. The Act was enacted in fulfillment of Nigeria's commitment to limit global temperature rise to below 2°C. By mandating companies to appoint Climate Change officers and report annual sustainability compliance, the Act positions businesses generally as key players in Nigeria's quest for low-carbon emissions. Through this regulatory framework, the government takes a positive step towards meeting its international obligations under the 2015 Paris Agreement (Ayobami, 2023).

Although the 2021 Climate Change Act reflects a progressive framework for climate change, its effectiveness depends on whether Nigerian companies can meet their reporting obligations. The Act's fiscal and institutional provisions are not robust enough to encourage reporting compliance. Also, many organizations lack technical expertise and systems for climate data collection, carbon accounting, and verification. Other external systemic challenges, such as poor awareness among private and public organizations, may slow down corporate compliance with the Act.

Therefore, this paper analyzes the 2021 Climate Change Act and secondary legal scholarship to determine whether there are institutional, technical, and systemic factors that may hinder reporting compliance under Nigeria's Climate Change Act. The paper argues that although the Act provides a necessary legal foundation for climate corporate accountability, implementation will require clearer statutory language, technical capacity-building, robust awareness, and financial support mechanisms. The paper proceeds in three sections. Section 1 discusses corporate reporting duties under the Climate Change Act. Section 2 discusses compliance barriers, and Section 3 highlights the reform strategies for effective corporate compliance.

LITERATURE REVIEW

Debates on corporate sustainability disclosure continue to center on the effectiveness of voluntary versus mandatory reporting. Mandatory reporting proponents argue that although mandatory disclosure frameworks may impose additional compliance costs, they significantly improve the comparability, reliability, and enforcement of sustainability data (Christensen et al., 2021). In contrast, voluntary frameworks tend to produce fragmented and selective reporting, as companies choose which information to disclose. Similarly, other scholars argue that voluntary systems like the Task Force on Climate-related Financial Disclosures (TCFD) often result in inconsistent data and limited accountability (Armour et al., 2021).

In the Nigerian context, regulatory institutions such as the National Environmental Standards and Regulations Enforcement Agency Act 2007 (NESREA Act) have previously struggled with enforcement

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and coordination challenges. Although the NESREA Act provides a structure for environmental regulation, overlapping mandates between agencies often lead to inconsistent implementation. The Climate Change Act 2021, therefore, inherits both the promise and fragility of Nigeria's environmental governance system. This Act seeks to advance corporate accountability but does so within an administrative environment historically characterized by regulatory loopholes, structural and systemic challenges.

METHODOLOGY

This paper adopts an analytical method and relies on statutory interpretation and secondary legal scholarship to evaluate Nigeria's Climate Change Act 2021. The analysis involves examining relevant provisions of the Act, particularly those on corporate reporting, penalties, and institutional coordination. It further compares them with related environmental legislation such as the NESREA Act (2007). The study employs conceptual legal analysis to identify institutional, technical, and systemic barriers that may affect compliance. It further interprets how the structure and language of the Act influence corporate reporting behavior and accountability outcomes.

FINDINGS

The analysis identifies several barriers that may hinder corporate compliance under Nigeria's Climate Change Act 2021. Ambiguities in the Act, particularly Section 24(2) on penalties and the overlapping mandates of the NCCC and NESREA, create uncertainty about enforcement responsibilities (Brown, 2020; NESREA Act, 2007). The reporting threshold limiting obligations to companies with fifty or more employees further narrows accountability. Limited technical and data capacity also constrains accurate emissions reporting, as many firms lack the expertise and infrastructure for carbon accounting (Ezeokafor & Amahalu, 2019; Ezeoha & Nwaeze, 2024). Financial and economic pressures discourage firms from investing in compliance systems, especially given the absence of clear fiscal incentives (Ezeoha et al., 2023). In addition, weak corporate governance culture and low public awareness contribute to poor report credibility (Isukul & Chizea, 2015; Ilesanmi, 2025). Collectively, these challenges reveal that while the Act provides a legal foundation for corporate climate accountability, institutional, technical, and cultural limitations may significantly constrain its implementation and impact.

Section 1: Corporate Reporting Duties under the Nigeria Climate Change Act 2021

The Climate Change Act 2021 requires both public and private entities to contribute to national emissions-reduction goals. Section 20 specifically requires every federal ministry responsible for the environment, budget, and national planning to incorporate climate-change actions into annual budgets and plans. This statutory provision reflects a commendable governance approach that cuts across diverse sectors and integrates climate action in national policies. However, it also raises questions about possible institutional challenges. Simply put, this section creates a risk of policy fragmentation and uneven implementation across several federal ministries.

The Act further extends climate change obligations to private entities. Section 24 requires private entities with fifty or more employees to designate a Climate Change Officer or an Environmental Sustainability Officer and to submit yearly climate-responsibility reports to the National Council on Climate Change

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(NCCC) (Climate Change Act, 2021). The act requires that the reports demonstrate how business efforts align with the carbon emission reduction and climate adaptation Plan. This statutory provision reflects a progressive step towards ensuring corporate climate accountability and Nigeria's net-zero emissions targets. However, this provision contains systemic challenges that this paper discusses in the next section.

Furthermore, the Act's penalties provisions promote corporate transparency and government oversight. It further highlights the Act's mandatory reporting obligations. This is evident in Section 24(2), which includes administrative penalties for failure to report compliance. The section does not prescribe a specific penalty but leaves it to the NCCC's discretion. This provision reflects the legislative intent to ensure corporate accountability beyond mere voluntary compliance. It also introduces regulatory ambiguity, which would be discussed more elaborately in the next section.

In addition, the Climate Change Act's reporting requirement aligns closely with international best practices in sustainability and climate governance. Similar obligations exist in the European Union's Corporate Sustainability Reporting Directive (CSRD). The CSRD mandates large and listed companies to disclose environmental, social, and governance (ESG) information using standardized metrics (European Commission, 2024). The CSRD expands previous non-financial reporting rules by requiring third-party assurance of climate data and greater alignment with the Task Force on Climate-related Financial Disclosures. These developments reflect a global shift toward mandatory and verifiable sustainability disclosures that allow regulators, investors, and the public to assess corporate contributions to national and international climate goals. Similarly, Nigeria's Act seeks to institutionalize transparency and accountability through annual climate-responsibility reports submitted to the National Council on Climate Change.

Section 2: Compliance Barriers Facing Nigerian Companies.

Although the Climate Change Act's reporting obligation provides a strong legal foundation for corporate climate transparency, Nigeria's regulatory environment may hinder corporate compliance. Previous studies on environmental regulations and corporate compliance reveal that organizations often experience persisting compliance challenges, including enforcement weaknesses and institutional overlaps (Brown, 2020). Corporate governance literature also emphasizes that the quality of corporate compliance depends largely on institutional capacity and transparency (Isukul & Chizea, 2015). Therefore, this section discusses the challenges that limit corporate entities' ability to comply with their mandatory obligations under the Climate Change Act.

A. Regulatory and Institutional Ambiguity

One of the main challenges of corporate compliance with the Climate Change Act is the regulatory and institutional ambiguities. First, the Act's reporting provisions are vague and may impact corporate compliance with their reporting obligation. Specifically, section 24(2) imposes administrative penalties on private entities that default in submitting annual compliance reports. Yet, this section failed to clearly define sanctions, and this introduces regulatory ambiguity. Leaving penalty enforcement to the NCCC's discretion could result in weak adherence to the reporting requirements. Organizations may be unsure about what

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penalties they might face. The ambiguity in the penalties could also lead to inconsistencies in implementation.

Second, the Act has a limited scope and may lead to uneven accountability. Section 24(1) provides that the corporate reporting obligations only apply to companies with fifty or more employees. This implies that medium and small-sized enterprises (SMEs), which also contribute significantly to carbon, are exempted from the scope of national emissions data. It further highlights that Nigeria's carbon-budget planning may not be comprehensive. Furthermore, it raises questions and loopholes about the Act's overall effectiveness.

Furthermore, the NCCC's responsibilities may overlap with other government institutions, and this may weaken the institutional clarity required for effective climate compliance and governance. The Act authorizes the Secretariat to monitor, verify, and collect data from both public and private entities. The Act failed to establish clear boundaries with other regulatory bodies with similar authority, such as NESREA (NESREA Act, 2007). This could cause an overlap in roles and weaken institutional oversight. It could also create confusion for companies about which agency to report to or what format to use. Scholars argue that Nigeria's environmental governance generally suffers from overlapping agency mandates and limited inter-institutional coordination (Brown, 2020). Similar confusion occurred under previous petroleum-sector regulations, where compliance tools were abundant but poorly enforced because of institutional overlap (Brown, 2020). Unless the Council defines clear reporting hierarchies, overlapping institutional roles could weaken Nigeria's corporate climate reporting framework.

B. Limited Technical and Data Capacity

Many companies lack the technical expertise to quantify greenhouse-gas emissions or assess climate risk. Climate accounting requires baseline data, specialized software, and trained personnel, which some enterprises possess. Studies show that even large Nigerian corporations struggle with sustainability reporting because of weak internal audit systems and data-collection infrastructure (Ezeokafor & Amahalu, 2019). Furthermore, technical expertise and access to digital monitoring systems are limited (Ezeoha & Nwaeze, 2024). Additionally, companies often rely on qualitative statements rather than quantifiable data (Alawiye-Adams & Akomolafe, 2017). Regulatory agencies require skilled analysts to evaluate climate disclosures effectively (Chukwudi, 2023). Hence, the absence of technical expertise constrains compliance among large industrial firms. Consequently, firms may submit qualitative narratives rather than verifiable figures, which limits the credibility of their reports.

C. Internal Governance Cultural Barriers

Corporate governance challenges in Nigeria are closely tied to broader cultural attitudes toward regulation and accountability. An organization's approach to environmental obligations depends on its internal corporate governance culture (Isukul & Chizea, 2015). Many organizations have not yet incorporated reporting transparency into their corporate culture. They consider reporting obligations as a procedural formality. Scholars argue that limited awareness, pressure from stakeholders, and a reactive rather than preventive compliance mindset reinforce their weak environmental compliance behavior (Shaba, 2024). Consequently, companies often disclose only what saves their reputation instead of presenting a full picture

of their environmental performance. This culture of selective compliance and low transparency weakens the effectiveness of the Climate Change Act and slows progress toward credible corporate accountability

D. Financial and Economic Constraints

Implementing compliance systems involves costs, hiring consultants, training staff, and acquiring monitoring equipment. For firms operating in Nigeria's volatile economy, with high energy costs and limited credit, these investments may be a burden. Previous research on sustainability performance reveals that financial constraints discourage firms from voluntarily disclosing their environmental performance despite the impact on their reputation (Ezeokafor & Amahalu, 2019). Without robust financial capacity, compliance becomes an additional economic liability rather than a strategic investment.

To further complicate the financial constraints, the Climate Change Act does not provide clear fiscal incentives for climate compliance. Although the Act acknowledges the role of economic instruments in achieving low-carbon development, its provisions on fiscal incentives remain vague and poorly articulated. Sections 33 to 35 authorize the Federal Government to create market-based mechanisms such as green bonds and carbon pricing to support mitigation efforts (Climate Change Act, 2021). However, these provisions do not specify any clear tax reliefs, credit facilities, or other fiscal benefits tied to corporate compliance reporting. This legislative gap limits the incentive for firms to invest in monitoring emissions, third-party audits, and upgrading technology. Firms are hesitant to commit capital toward sustainability programs without clear financial benefits or predictable regulatory returns (Ezeoha et al., 2023). In an economy already constrained by inflation, energy costs, and limited credit access, the absence of defined fiscal incentives transforms compliance into a cost rather than a value proposition. This results in a compliance reporting framework that mandates transparency but fails to reward proactive participation.

E. Sector-Specific Complexities

Industries differ in emissions intensity and regulatory exposure. The petroleum and manufacturing sectors face stricter scrutiny but also greater operational difficulties. Research reveals that environmental enforcement in Nigeria's petroleum sector has historically been reactive rather than preventive, resulting in weak deterrence (Brown, 2020). Applying similar enforcement patterns to climate reporting could replicate past failures. Each sector ought to have specific standards that reflect its data capabilities and risk profiles.

F. Communication and Public Awareness Gaps

The Climate Change Act fails to provide for investing in public awareness and communication between the government and corporate organizations. Although the Act's provision on climate education seems well-intentioned but appears insufficient to drive meaningful public awareness and communication between the government and businesses. The Act focuses more on regulating curriculum at institutional levels but fails to incorporate public awareness and communication between the government and businesses. This reflects a huge gap in public awareness. Public engagement and environmental communication play a decisive role in ensuring accountability. Scholars emphasize that the absence of consistent climate-change communication from both government and corporations has weakened societal oversight and citizen

participation (Ilesanmi 2025). When stakeholders lack accessible information, compliance becomes an internal administrative task rather than a public accountability mechanism.

Section 3: Practical Reform Strategies

A. Establishing Clear Regulatory Guidance

To translate the Climate Change Act into measurable corporate behavior, the National Council on Climate Change should issue comprehensive implementing guidelines. These should include sector-specific reporting templates, standardized emission metrics, and clear verification protocols. When firms understand what and how to report, compliance improves and enforcement becomes credible. Vague legal obligations historically weakened the Nigerian petroleum sector oversight (Brown, 2020). By contrast, precise procedural guidance can create predictability, foster fairness, and reduce compliance costs. Also, Nigeria can model its templates on the EU CSRD and TCFD frameworks to ensure compatibility with international disclosure norms.

B. Building Technical and Institutional Capacity

Effective climate reporting depends on both corporate and institutional technical competence. Many companies still lack the skills and tools to collect, analyze, and present verifiable emissions data, while regulators face similar capacity gaps in reviewing and validating submissions. To address these challenges, the government should collaborate with the Industrial Training Fund, professional associations, and universities to provide continuous training for Climate Change Officers, auditors, and company staff. Capacity-building programs should focus on climate accounting, digital monitoring systems, and data management. Regulatory agencies also need adequate resources, skilled personnel, and shared data platforms to ensure that information from different sectors is analyzed consistently. Strengthening both corporate and institutional capacity will transform reporting from a qualitative exercise into a reliable, data-driven process that supports transparent and credible climate governance.

C. Promoting Corporate Governance Reforms and Transparency Culture

Good corporate governance reinforces credible disclosure. Scholars recommend that Boards should integrate climate oversight into audit and risk-management functions (Shaba, 2024). To further strengthen this strategy, Boards should specifically link executive performance to sustainability indicators. Also, firms should promote transparent leadership and stakeholder engagement in climate actions. Corporate-governance research reveals that firms with transparent leadership and stakeholder engagement exhibit stronger environmental compliance (Isukul & Chizea, 2015). Thus, reforms must move beyond statutory obligation toward embedding climate responsibility within corporate culture. Disclosure should not be treated as a box-ticking exercise but as part of strategic decision-making that enhances reputation and investor confidence.

D. Introducing Financial and Market Incentives

Effective compliance requires aligning climate responsibility with financial value. The government can introduce tax credits for investments in renewable energy, energy-efficiency technologies, and verified emission-reduction projects. The government can also introduce rewards for compliance. This would encourage firms to innovate rather than avoid compliance. As scholars have emphasized, economic constraints limit sustainability reporting (Ezeokafor and Amahalu, 2019). Providing fiscal support can offset these corporate compliance barriers. Furthermore, access to green bonds and climate-finance facilities can motivate companies to exceed minimum standards. Nigeria's participation in international carbon-credit markets can also provide alternative funding streams for businesses.

E. Sector Specific Tailored Compliance Strategies

To address sector-specific complexities, enforcement strategies should be tailored to sector-specific emissions and operational capacity. The National Council on Climate Change should develop reporting templates that reflect the realities of major industries such as oil and gas, manufacturing, and agriculture. Working with existing regulators to coordinate oversight will prevent duplication and ensure that reporting standards remain practical.

G. Public and Private Awareness Building

Raising awareness about the Climate Change Act and its reporting duties is essential for effective compliance. Many companies still lack a clear understanding of their obligations and the benefits of transparent reporting. The National Council on Climate Change should work with trade associations, the media, and the Industrial Training Fund to organize awareness programs that explain the Act's requirements in simple language. These programs should be available to all companies. Awareness campaigns and programs should include distributing short guides to business owners and company representatives. These little efforts, such as short guides and public campaigns, can build confidence, improve compliance, and promote a stronger culture of environmental responsibility across all sectors.

V. Conclusion

Nigeria's Climate Change Act 2021 lays the groundwork for an integrated approach to environmental governance and sustainable development. Its corporate-reporting obligations signify progress toward aligning private-sector activity with national and global climate goals. However, this paper reveals persistent barriers that could undermine effective corporate compliance with the act. To overcome these barriers, the government must issue detailed reporting guidelines, build institutional and corporate capacity, introduce incentive-based compliance mechanisms, and improve awareness. If implemented effectively, these reforms can convert statutory obligations into genuine climate accountability and help Nigeria progress toward its 2060 net-zero target.

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