THE AFRICAN CENTRE FOR LEADERSHIP, STRATEGY & DEVELOPMENT

(Centre LSD)

POLICY BRIEF

Energy Transition and the Nigeria's Solid Mineral Sector

CENTRE LSD POLICY BRIEF SERIES NO. 22

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Executive Summary

The global energy transition presents significant challenges and opportunities for Nigeria's mining sector. As the world shifts away from fossil fuels, Nigeria's solid mineral sector must adapt to remain relevant. Despite its potential, the sector is underdeveloped and faces numerous challenges, including inadequate infrastructure, limited local capacity, and corruption. However, the energy transition also presents opportunities for Nigeria's mining sector, particularly in the development of critical minerals such as lithium, cobalt, and nickel. To leverage these opportunities, Nigeria must develop a comprehensive strategy that addresses the challenges facing the sector and promotes sustainable mining practices. Key policy objectives include developing critical mineral value chains, investing in renewable energy, improving infrastructure, building local capacity, and promoting sustainable mining practices. By addressing the challenges facing the sector and leveraging the opportunities presented by the energy transition, Nigeria's mining sector can contribute significantly to the country's economic growth and development.

Background

The global energy landscape is undergoing a significant transformation, driven by the urgent need to reduce greenhouse gas emissions and mitigate climate change (IEA, 2020). The wave of energy transition sweeping through the globe presents both challenges and opportunities for Nigeria's mining sector. Historically, Nigeria's mining sector has been a significant contributor to the country's economy, with the sector once being a major exporter of tin, columbite, and coal (Nigeria Ministry of Solid Minerals Development, 2020).

However, the discovery of crude oil led to the sector's decline, and for decades, Nigeria's economy has been dominated by crude oil exports. Nigeria's mining sector is richly endowed with various minerals, including iron ore, coal, limestone, gold, and tin (Nigeria Ministry of Solid Minerals Development, 2020). The sector has the potential to contribute significantly to Nigeria's economic growth and development. However, it is not able to do so because the sector is underdeveloped, and it is faced with numerous challenges that hinder its growth and development. The energy transition poses significant challenges for Nigeria's mining sector. As the world shifts away from fossil fuels, Nigeria's solid mineral sector must adapt to remain relevant (ILO, 2020). The sector's current contribution to the country's GDP is less than 1% (NBS, 2020), and it is dominated by artisanal and small-scale mining, with limited large-scale mining activities.

Furthermore, the sector is characterized by inadequate infrastructure, including roads, railways, and ports, which hinders the transportation of minerals and equipment (Nigeria Ministry of Transportation, 2020). Corruption and revenue loss are also significant issues in the sector (NEITI, 2020). Despite these challenges, the energy transition also presents opportunities for Nigeria's mining sector (IEA, 2020). The increasing demand for critical minerals such as lithium, cobalt, and nickel, which are essential for renewable energy technologies, presents a significant opportunity for Nigeria to develop its mining sector. The government has launched several initiatives aimed at revitalizing the mining sector. These include the development of a new national mining strategy, the enactment of the Nigerian Minerals and Mining Act, and the launch of a N30 billion intervention fund to promote exploration and research.

However, despite these efforts, the sector's growth has been slow, and its contribution to the country's GDP remains low. To address this, there is a need for a more comprehensive approach that considers the

challenges and opportunities presented by the energy transition.

Importance of the problem

Addressing the challenges facing Nigeria's solid mineral sector is crucial for several reasons:

a) Economic Growth: The solid mineral sector has the potential to contribute significantly to Nigeria's economic growth and development. Developing the sector could create jobs, stimulate economic activity, and increase government revenue.
b) Poverty Reduction: The solid mineral sector is a significant source of employment and income for millions of Nigerians. Developing the sector could help reduce poverty and improve living standards.
c) Environmental Sustainability: The energy transition requires a shift towards renewable energy sources, which are critical for mitigating climate change. Nigeria's solid mineral sector must adapt to this new reality and develop sustainable mining practices.
d) Global Competitiveness: The global energy transition is driving changes in the global mining industry. Nigeria's solid mineral sector must adapt to these changes to remain competitive and relevant.

1. Policy Objectives

The policy objectives of this brief are to:

- Develop a comprehensive strategy for addressing the challenges facing Nigeria's solid mineral sector.
- Promote sustainable mining practices and reduce the environmental impact of mining activities.
- Increase investment in the solid mineral sector and promote economic growth and development.

2. Emerging Issues

I. Critical Mineral Deficits: Nigeria's solid mineral sector faces deficits in critical minerals such as lithium, cobalt, and nickel, which are essential for renewable energy technologies (IEA, 2020).

II. Lack of Investment in Renewable Energy: Nigeria's solid mineral sector lacks investment in renewable energy sources, such as solar and wind power, which are necessary to reduce dependence on fossil fuels (Nigeria Ministry of Power, 2020).

III. Energy Transition and Job Creation: The energy transition poses significant challenges for job creation in Nigeria's solid mineral sector, as the sector may require new skills and expertise (ILO, 2020).

3. Challenges

a. Inadequate Infrastructure: Nigeria's solid mineral sector suffers from inadequate infrastructure, including roads, railways, and ports, which hinders the transportation of minerals and equipment (Nigeria Ministry of Transportation, 2020).

b. Limited Local Capacity: Nigeria's solid mineral sector lacks local capacity in mining, processing, and manufacturing, which limits the country's ability to beneficiate its minerals (Nigeria Ministry of Solid Minerals Development, 2020).

c. Corruption and Revenue Loss: Corruption and revenue loss are significant issues in Nigeria's solid mineral sector, with estimates suggesting that Nigeria loses billions of naira annually due to corrupt practices (NEITI, 2020).

4. Conclusion:

Energy transition poses significant challenges and opportunities for Nigeria's solid mineral sector. Addressing these challenges requires a comprehensive approach that involves developing critical mineral value chains, investing in renewable energy, improving infrastructure,

building local capacity, and promoting sustainable mining practices.

5. Recommendation

Amongst the key recommendations for Nigeria include the following.

I. Develop Critical Mineral Value Chains: Develop value chains for critical minerals such as lithium, cobalt, and nickel, which are essential for renewable energy technologies.
II. Invest in Renewable Energy: Invest in renewable energy sources, such as solar and wind power, to reduce dependence on fossil fuels and mitigate climate change.
III. Improve Infrastructure: Improve infrastructure, including roads, railways, and ports, to facilitate the transportation of minerals and equipment.
IV. Build Local Capacity: Build local capacity in mining, processing, and manufacturing to ensure that Nigeria can beneficiate its minerals and create jobs.
V. Promote Sustainable Mining Practices: Promote sustainable mining practices, including environmental and social impact assessments, to ensure that mining activities are environmentally and socially responsible.

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Headquarters:
3B, Niger Avenue, Villa Nova Estate,
after Cedar Crest Hospital,
Apo Dutse, Abuja.

Niger Delta Office:
Odeyovwi Villa, Emonu-Orogun,
Ughelli North LGA, Delta State.

Northern Regional Office:
N0. 220-221 Police Shop, Waziri street,
Opposite Murtala Mohammed College,
Jimeta, Yola, Adamawa State.

08122556434
@centrelsd @centrelsd
centrelsd.org