Naira-Based Concessionary Loans for Renewable Energy in Nigeria: Unlocking Inclusive Growth and Energy Access

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Notably, Nigeria stands at a defining crossroads in its energy journey, abundantly endowed with renewable energy resources from solar, hydropower, and biomass, yet struggling with chronic energy poverty. According to the World Bank (2025), more than 86 million Nigerians remain without electricity, the largest number globally for three consecutive years, while over 175 million people also lack access to clean cooking.

At the community level, the human cost of this deficit is painfully clear. Children in rural areas study by candlelight or kerosene lamps, clinics struggle to refrigerate life-saving vaccines, and small businesses are burdened by the high costs of noisy, polluting diesel generators. These gaps cripple productivity, worsen health outcomes, and deepen poverty.

Nigeria enjoys over six hours of daily sunshine, with solar radiation between 5.25 and 7.0 kWh/m²/day. Scalable technologies such as solar mini-grids and pay-as-you-go systems are readily available. However, financing remains the greatest obstacle: commercial loans exceed 20 percent interest, while renewable energy developers often need five to ten years to break even.

Breaking this cycle requires Naira-denominated concessional loans at single-digit interest rates to make borrowing affordable, reduce foreign exchange risks, and ensure equitable access. In recent years, the Rural Electrification Agency has connected more than one million solar home systems, giving five million Nigerians clean light across six geopolitical zones. Still, more than 90 million remain in darkness, waiting for the same opportunity.

These barriers fall hardest on low income families, young innovators and local entrepreneurs. For example, consider Fatima, a solar lighting entrepreneur in Kaduna who supplies lanterns and small solar systems to families still relying on kerosene lamps. Her customer base is eager and expanding, yet banks demand 25 percent interest, an impossible rate for any small enterprise that wants to scale. With access to single-digit loans, Fatima could triple her reach, facilitate the energy transition within her community, employ more local youth, and bring clean, affordable power to hundreds of homes.

Similarly, many households remain trapped, spending up to a third of their income on kerosene, charcoal, or firewood, fuels that cost more over time and endanger lives. According to the Clean Cooking Alliance (2025), indoor smoke kills more than 64,000 Nigerians each year, most of them women and children, a toll that affordable single-digit financing for solar kits and clean cookstoves could help prevent by saving money, protecting health, and cutting emissions.

At the same time, young innovators designing solar kits, biogas systems, and smart meters face steep barriers across Nigeria's campuses and hubs, with most ideas stuck at the prototype stage because credit to scale is out of reach. Consequently, concessional loans tailored for youth-led enterprises could move innovations from workshops into the marketplace, unlocking a wave of local solutions to transform Nigeria's energy future.

Encouragingly, progress is possible. In July 2024, the Development Bank of Nigeria became the first domestic institution accredited as a Direct Access Entity to the Green Climate Fund, unlocking $250

million for clean energy projects with zero interest, long grace periods, and maturities of up to 40 years. Likewise, the Bank of Industry and the Sovereign Investment Authority are building an ecosystem that could make concessional loans standard practice in Nigeria's renewable energy sector.

Rwanda and Bihar offer powerful lessons for Nigeria's energy transition. In 2009, only six percent of Rwandans had electricity; today, access has risen to 75 percent as concessional finance, strong government commitment, and private partnerships expanded off-grid solar to one in five households, replacing kerosene lamps with clean, reliable light. Similarly, in Bihar, one of India's poorest states, women-led cooperatives supported by the SELCO Foundation and SEWA combined concessional loans with hands-on technical training. Together, these efforts expanded renewable energy access, boosted household incomes, and demonstrated to once-skeptical banks that clean energy can be both profitable and low risk, quietly transforming financial systems from within.

Building on these lessons, single-digit loans backed by credit guarantees from the Central Bank, DBN, and international partners must be complemented by lending frameworks that deliberately include women, youth, and rural households so that capital flows to those who need it most. At the household level, concessional loans must be designed around daily realities. Pay-as-you-go (PAYG) models tied to seasonal incomes, women-focused microcredit, and small loans for cookstoves or solar lanterns can transform subsistence spending into lasting resilience, ensuring clean energy is affordable not only for governments and investors but also for families bearing the heaviest burden of energy poverty.

To sustain this approach, Nigeria must unlock domestic capital by leveraging the Sovereign Investment Authority's Infrastructure Fund for off-grid projects, channeling pension and insurance funds into renewable portfolios with stable returns, and expanding green bonds to strengthen investor confidence.

While concessional loans are key to unlocking energy access, they are not sufficient on their own. Banks require targeted capacity building in renewable energy project evaluation, risk assessment, and loan structuring. Strengthening these competencies will enable financial institutions to better understand renewable business models, support developers technically, and ensure funds reach women, youth, and low-income households rather than being captured by elites.

Ultimately, Nigeria's energy transition must be powered by inclusive, Naira-based concessional loans; financing designed for people as much as for projects. These loans are more than instruments of credit; they are keys to unlocking the sector's potential, making capital affordable for households, entrepreneurs, and innovators. This vision will only succeed through collaboration among the Central Bank, DBN, BOI, NSIA, commercial banks, and development partners, aligning around risk-sharing frameworks built on trust and accountability.

By 2030, concessional finance could deliver 30 GW of solar power, raise renewables above 30 percent of the national energy mix, and advance Nigeria's Renewable Energy Master Plan. More importantly, it could ensure that no child studies under kerosene lamps that endanger their health, no clinic loses life-saving vaccines for lack of power, and no community is left behind in the quest for clean, reliable energy. With the right financial architecture, Nigeria will not merely light homes, but will power hope, productivity, and prosperity across Africa's largest economy, illuminating a future where energy access becomes the foundation of inclusive growth.