FUDMA JOURNAL OF ACCOUNTING AND FINANCE RESEARCH, 4(1).
EISSN: 2992-4693 PISSN: 2992-2704

An assessment of taxation and ESG disclosure in Nigeria: A review of literature and research agenda

John Chika ONWUCHEKWA[1*] & Justina A. OKOROR[2]
[1]*Department of Accounting, Federal University, Otuoke, Bayelsa State, Nigeria*
[2]*Accounting, Finance and Taxation Programme, Department of Business Administration, Faculty of Management and Social Sciences, Prime University, Abuja*
Corresponding author: onwuchekwajc@fuotuoke.edu.ng
https://doi.org/10.33003/fujafr-2026.v4i1.270.431-442

Abstract
Purpose: This study conceptually looked at the link between taxation and ESG disclosures in Nigeria, as it places strong emphasis on applying logic and interpreting current knowledge.
Methodology: In order to ensure that the conceptual discourse is based on accepted knowledge, the study also relied on secondary sources, including peer-reviewed journal articles, books, scholarly publications, government and institutional reports, and reputable online databases that examined the interrelationship of taxation and ESG disclosures in Nigeria.
Results and Conclusion: The study found that Nigeria has stepped up her efforts to enact laws and regulations pertaining to environmentally related taxes having been a signatory to several United Nations (UN) SDGs and other UN's Protocols on the Environment and Climate Change initiatives. However, upon these feat made, the study observed that Nigeria still continues to face challenges such as lack of a comprehensive carbon tax strategy, tax enforcement and compliance monitoring.
Implication of Findings: In view of the findings made, the study recommended that Nigeria should adopt a comprehensive carbon and environmental tax system that levies a legally required tax on companies for each cubic meter of CO2 emissions instead of only their earnings. The environmental taxes now referred to as Hydrocarbon Tax in the new tax reform act should be designed to capture other industries apart from the upstream petroleum operations in relation to crude oil and enforce compliance from companies in environmental degradation.

Keywords: Keywords: Environmental; Governance; Social; Taxation

1. Introduction

Past decades have experienced threats to social institutions, global epidemic, and more warnings about climate change and sustainability of the eco system. This is not unconnected to the activities of man in his quest to seek for a better living. The action of man has changed the natural ecology as a result of human activity leading to industrialization, civilization, changing weather patterns and temperatures. Initially, these activities were viewed as a positive step in the direction of modernity. However, it also had its detrimental impact on the welfare of the people and animals on the planet, which has grown more enduring and demanding as the world experiences threats to social institutions, global epidemic, and more warnings about climate change and sustainability of the eco system. This also, undermines Brundtland's (1987) definition of sustainable development, defined as development that satisfies current needs without jeopardizing the capacity of future generations to satisfy their own. It means that a development that meets the current need of the people and jeopardizes the future generation welfare is not a sustainable development. Development has resulted to burning fossil fuels which creates emissions of gases that coat the earth and damage the ozone layer, consequently raising the planet's natural temperature. The main greenhouse gases produced by burning coal for building heat, clearing land, chopping low-lying forests, and using gasoline fuel for cars and heavy machinery are carbon dioxide and methane. In Nigeria, this bundled substance that lies on the ground surface is most frequently called "black suit." Methane emissions in the agriculture sector are mostly caused by oil and gas operations. The energy sector, transportation, buildings, and land use, are the main sources of gas emissions which are inimical to life on planet earth. These, along with many others, have heightened everyone's curiosity about how to better control, explain this good evil and address the existential concerns.

Chen (2024) notes that due to these existential concerns, consumers and investors are increasingly looking for investment products and businesses that include environmental, social, and governance (ESG) considerations into their business models. This gives reason to the word of Cousteau (1963) that "Man has had to battle nature to exist throughout the majority of human history, but in this century he is starting to understand that he needs to preserve it in order to survive". As a result, the ESG market has grown rapidly in recent years as the integration of environmental, social, and governance (ESG) considerations into corporate reporting has become a central plank of sustainable business practices as it gives stakeholders information about how companies handle opportunities and non-financial risks related to ethical governance and sustainability (Kotsantonis & Pinney, 2022).

Therefore, as the world focus shifts to ESG and responsible corporate behaviour, companies are being evaluated not only on their financial performance but also on how they contribute to ESG and by extension the sustainable development goals (SDGs), through transparent reporting and ethical tax practices (Adegbie & Akinyomi, 2023). Taxation, which was formerly considered as a revenue-generating tool, now plays an important role in promoting corporate accountability and sustainable development by influencing how firms engage in ESG reporting (Ofoegbu & Megbele, 2022). The focus of taxation and ESG (Environmental, Social, and Governance) disclosure is on value creation, social responsibility, and corporate transparency. Consequently, revealing equitable and reasonable taxes fosters stakeholder confidence and demonstrates an organization's tangible economic contribution to Nigeria. The Nigerian government employs tax laws to promote green investments and corporate social responsibility (CSR) since it is frequently simpler for businesses to defend green-related tax deductions or deferrals when they provide environmental performance data. The community and economical impact of a firm is often reflected in its ESG disclosures as one of the main ways that businesses can support local social obligations and public infrastructure is by paying corporate taxes. Additionally, tax transparency reporting demonstrates how a business handles its tax risks, transfer pricing, and general tax tactics as aggressive tax avoidance or evasion may be prohibited by strict governance norms. Therefore, taxation not only influence a company financial burden, but also serve as a tool for transparency, compliance, and socially responsible behaviour (Chen, Ding, & Kim, 2021). This study therefore, seeks to explore the link between taxation to environmental, social and governance (ESG) disclosures in Nigeria

2. Conceptual Discussion

Nigeria journey to ESG

The Sustainable Development Goals (SDGs) 2030 agenda for Sustainable Development, which includes 17 SDGs, was adopted by Nigeria and other 194 United Nation members in September 2015. In January 1st, 2016, it went into effect. By encouraging environmental sustainability and ecosystem preservation, it is expected that environmental deterioration would be significantly reduced by 2030.

The seventeen items in the above sustainability development goals are grouped into environmental, social and governance (ESG). As explained by Brundtland (1987), environmental sustainability connotes the maintenance and preservation of natural capital so that both the present and future generations can benefit from natural resources without short-changing either group. The creeds of environmental sustainability are reflected in the 2030 SDGs 6, 7, 11, 13, 14, and 15, furthermore 1, 2, 3, 4, 5, and 16 prioritise societal issues, while SDGs 5, 8 and 10 are on governance. Nigeria is among the many developing nations facing the challenge of achieving the 2030 SDGs as 2030 draws near. The issue of environmental taxes has been promoted as a crucial strategy to achieving the environmental sustainability aspects of the SDGs. It includes reducing greenhouse gas (GHG) and carbon dioxide (CO_2) emissions, which are the primary causes of climate change.

Table 1: Summary of the 2030 Sustainable Development Goals (SDGs)

SGD Goals	Objectives	Description
1.	No poverty	By 2023, eradicate extreme poverty for all people everywhere.
2.	Zero hunger	End hunger, achieve food security and improve nutrition.
3.	Health and Well-being	Ensure health live and promote well-being for all at all ages.
4.	Quality education	Ensure equitable and quality primary and secondary education
5.	Gender Equality	To achieve gender equality and empower all women and girls
6.	Clean water	Availability and sustainable management of water and sanitation.
7.	Clean energy	Ensure access to affordable, reliable, sustainable economic growth.
8.	Decent work and Economic Growth	Promote sustained, inclusive and sustainable economic growth.
9.	Industry, innovation and infrastructure	Resilient infrastructure, promote inclusive and sustainable industrialization.
10.	Reduce inequality	Reduce inequality within and among countries.
11.	Sustainable cities and communities	Make cities and communities inclusive, safe, resilient and sustainable.
12.	Responsible consumption and production	Ensure sustainable consumption and production patterns.
13.	Climatic action	Take urgent action to combat climate change and its impacts.
14.	Life below water	Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
15.	Life on land	Protect, restore and promote sustainable use of terrestrial ecosystems, combat desertification and halt biodiversity loss.
16.	Peace and justice strong institution	Promote peaceful and inclusive societies to sustainable development provide access to justice for all
17.	Partnership to achieve the goals	Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Source: Researchers Conceptualization

Environmental Taxes in ESG

Environmental factor relates to how organization activities affect the environment, including matters as carbon emissions, waste management, energy consumption, and sustainability (PwC Nigeria, 2024). A tax imposed on activities or products that are harmful to the environment is known as environment tax. The primary goal of such taxes is to encourage environmentally friendly practices by making environmentally damaging activities more expensive (Odia and Okodo, 2025). They furthered that environmental taxes are related to a Pigouvian tax system, which imposes taxes on goods that creates negative externalities, such as pollution or congestion, for those that are not directly involved in the transaction. For example, a carbon tax is a common type of environmental tax that charges individuals or companies based on the amount of carbon dioxide they emit. Depending on the nature of the industry being taxed, environmental taxes can be deployed in different forms, as shown in the diagram below.

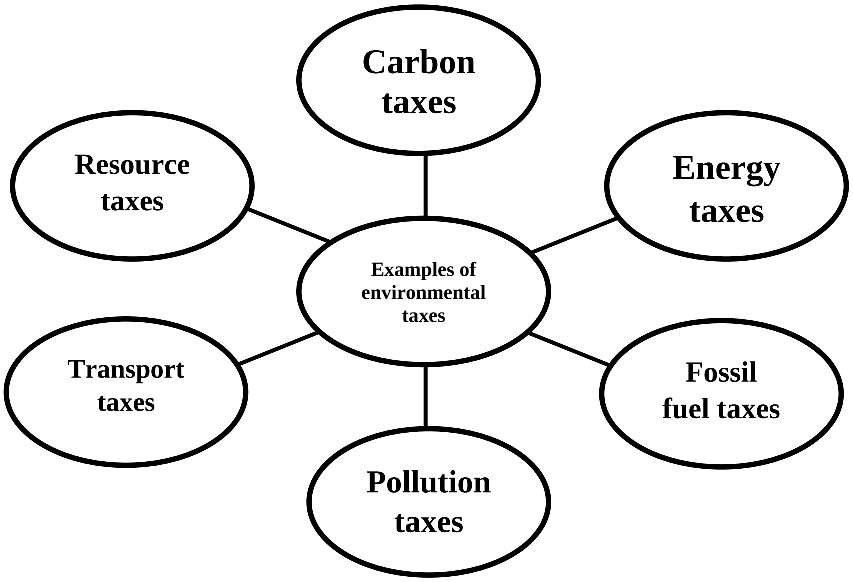

Figure 1: Examples of environmental taxes
Source: Odia and Okodo, (2025)

Environmental tax focuses generally with dis-incentivising greenhouse gas (GHG) and CO2 emissions (for example, those from burning of fossil fuels such as coal, oil, natural gas and non- renewable energy sources).

Environmental Tax Adoption in Nigeria
World Bank Group (2021) report show that about 70% of the gas produced in association with crude oil in Nigeria is flared, as it is arguably cheaper to flare it than to utilize or re-inject it into the subsoil. Be that as it may, Nigeria has also stepped up her efforts to enact laws and regulations pertaining to environmentally related taxes having been a signatory to several United Nations (UN) SDGs and other UN's Protocols on the Environment and Climate Change initiatives. Nigeria has also intensified her drive towards environmentally related tax laws and regulations as shown in the chronicles of Nigeria effort in combating environmental degradation below.

Below is the chronology of Major Legal Frameworks relating to Environmental Laws and Regulations in Nigeria, of interest is the Petroleum Industry Act (PIA), which went into force in 2021, and the Hydrocarbon Tax (HT), which is applicable to crude oil, condensates, and natural gas liquids produced from related gas operations. In each accounting period, the Hydrocarbon Tax (HT) is assessed and taxed at a rate of 15% for renewed onshore wells and 30% for converted onshore wells based on crude oil earnings. Additionally, President Muhammadu Buhari signed the Climate Change Act (2021) into law in November 2021. Section 4i of the Part II discusses the carbon tax system and rules for controlling greenhouse gas ("GHG") emissions and other factors contributing to climate change. The Hydrocarbon Tax is currently captured in Chapter 3: Section 1 of the President Bola Ahmed Tinubu New Tax Reform Act (2024), which also retains the 30% and 15% of the total earnings of the firms involved in upstream petroleum operations in relation to crude oil.

Table 2: Chronology of Major Legal Frameworks relating to Environmental Laws and Regulations in Nigeria

S/N	Regulation	Year
1.	Nigeria Tax Act: Hydrocarbon Tax	2024
2.	Climate Change Act 2021	2021
3.	Petroleum Industry Act (PIA)	2021
4.	Petroleum (Drilling and Production) (Amendments) Regulations	2020
5.	Petroleum (Drilling and Production) (Amendment) Regulations	2019
6.	Flare Gas (Prevention of Waste and Pollution) Regulations	2018
7.	The Nigerian Gas Flare Commercialisation Programme (NGFCP)	2016
8.	Petroleum (Drilling and Production (Amendment) Regulations	2006
9.	Petroleum (Drilling and Production (Amendment) Regulations	2001
10.	Petroleum (Amendment) Decree	1996
11.	Environmental Legislation-Effluent Limitation Regulations	1991
12.	Petroleum (Amendment) Regulation	1989
13.	Petroleum (Drilling and Production (Amendment) Regulations	1988
14.	Associated Gas Re-injection (Continued Flaring of Gas) Regulations	1985
15.	Associated Gas Re-injection Act	1979
16.	Petroleum Regulations	1967
17.	Petroleum (Drilling and Production) Regulations	1969
18.	Petroleum Act	1969

Source: Odia and Okodo, (2025)

Difference between the carbon tax by the global body and the hydrocarbon tax in the new tax reform act in Nigeria

Globally, carbon taxes are charged per metric ton of CO2 (Carbon dioxide) equivalent of Greenhouse gas (GHG) emissions released and paid by the burning entity. This means that the cost is directly proportional to the volume of emissions, thereby providing an incentive for households, businesses, and other entities to seek lower emissions alternatives to avoid paying higher taxes. Hydrocarbon taxes (in the new tax reform act) are charged as a percentage of the aggregated chargeable profit for an accounting period of companies engaged in upstream petroleum operations in relation to crude oil. But no information on other businesses and industries that are involved in carbon emissions. This suggest that, it is the anti-gas flaring fines that are closely related to the carbon tax wherein the monetary cost is paid based on the volume of the carbon emission, while the new Hydrocarbon Tax in the 2024 Nigeria's tax reform is levied on the profits of the energy companies.

Social Taxes in ESG

Social determinants examine how parties maintain connections with their clients, suppliers, trained employees, and the communities in which they operate. It also includes matters like human rights, labour standards, diversity, and social involvement, equality, social protection and inclusion, labour rights, equitable working conditions of individuals and communities. Consequently, workplace and product safety, gender policy, economic distribution, transparency, and accountability are among the variables used to evaluate companies. One key way tax relates to the social pillar in ESG is through the role taxation plays in enabling government-led social services and infrastructure, which in turn support communities and societies at large. For example, Federal Inland Revenue Service (FIRS) and Central Bank of Nigeria data show that taxes (petroleum profit tax, company income tax, VAT, customs duties) have positive long-run effects on education and social services in Nigeria (Adegbite, and Ariyo-Edu, 2022).

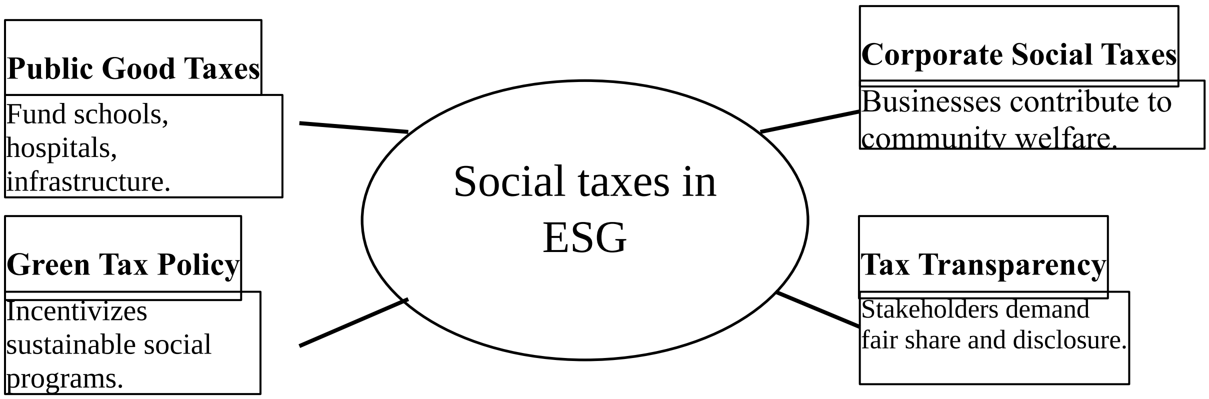

Figure 2: Social taxes in ESG
Source: Researchers Conceptualization

This explains that corporate tax contributions help fund public goods (schools, hospitals, infrastructure) which are central to the social dimension of ESG (community welfare, employee wellbeing, societal equity). Adegbite, and Ariyo-Edu, (2022) furthered that taxation positively impact education services in Nigeria, with bidirectional causality between taxation and social services. Also, Ochuka & Ezenwafor (2025) using Nigerian data found that company income tax and VAT had significant positive effects on the Human Development Index (HDI) which is a social outcome measure. This suggests that in the social lens of ESG tax compliance and tax contributions by businesses can be seen is part of corporate social responsibility when businesses contribute to the society's welfare through paying its fair share of taxes.

This is in alliance with PricewaterhouseCoopers (PwC, 2024) who submit that tax transparency is increasingly part of the social narrative in ESG as stakeholders want to know whether organizations are paying their "fair share" and how taxes are borne (employee payroll, direct taxes, consumption taxes) and how these ties into the organization's social/community contributions. Additional tax policy and incentives also intersect with the social pillar. For instance, businesses may receive tax incentives for sustainability or social programmes; conversely, misuse or aggressive tax planning might undermine social value. A study by Aikowieren and Eke (2025) looked at tax incentives for sustainable practices in Nigeria: while the focus was more on environmental behaviour, the findings suggest that tax incentives influence corporate behaviour around sustainability and implicitly social responsibility too. Although more environmental than purely social, the study on green taxes in Nigeria's oil and gas sector by Fadipe et al., (2025) found green tax policies significantly influence CSR practices, which are a part of the social dimension (community engagement, social responsibility) as well as sustainability.

Governance Taxes in ESG

The policies and procedures that ensure a business is operated responsibly, fairly, and openly are referred to as governance. Since taxes are the foundational measure of a company corporate citizenship, transparency, and ethical leadership, they form the basis of the ESG governance pillar. Prior to now, businesses saw taxes as a straightforward expense that should be aggressively reduced. In the modern ESG framework, board's risk management, moral principles, long-term viability and intentional responsible acts are all directly reflected in tax policy, which is acknowledged as a fundamental governance issue in contemporary ESG frameworks. This pillars work together to provide a thorough basis for evaluating an organizations wider social influence and future financial representation. Price waters Coopers Nigeria (PWC, 2023), documented that, ESG practices also aid in risk management, building service trust, and ensuring alignment with global sustainability goals. ESG disclosure therefore, demonstrate a commitment to long-term advantage innovation that benefits all stakeholders, shareholders, representatives, communities, and the environment institutions that effectively adopt ESG legislation are better positioned to prosper in an increasingly moral and competitive marketplace (Mondaq, 2024).

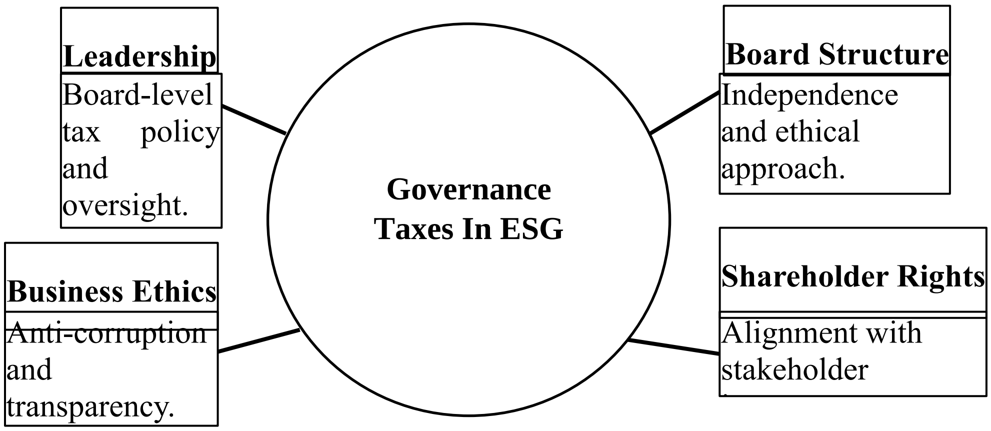

Figure 3: Governance Taxes In ESG
Source: Researchers Conceptualization

The relationship between taxation and governance within the Environmental, Social and Governance (ESG) framework has gained notable traction in both academic and practitioner literatures. The governance pillar concerns governance practices, including leadership, board structure and independence, shareholder rights, business ethics, corruption, and the way in which companies include environmental and social factors in their policies and procedures. Taxation therefore, plays a substantial role in the governance dimension of ESG as good tax governance which includes having a board-level tax policy, transparent disclosure, an ethical tax approach, risk-management, and alignment with stakeholder interests enhances corporate governance integrity, supports stakeholder trust and can be a differentiator in ESG performance. Effective taxation strengthens the public governance ecosystem in which firms operate for firms, integrating tax strategy into the governance framework and ESG reporting is no longer optional as it is increasingly expected by investors, regulators and other stakeholders.

Transparent, ethical tax practices such as paying a “fair share” of tax, disclosing tax strategy and tax risk, and aligning tax policies with corporate values signal strong governance and stakeholder accountability. Governance-practices in taxation which includes; tax risk management, tax policy oversight, escalation of tax issues reflects a firm’s broader governance quality. Tax practices are increasingly seen as part of good governance. For instance, firms approach to tax risk, its tax strategy and transparency around tax payments are now being incorporated into governance assessments (PwC, 2024). A well-governed tax framework can build trust with stakeholders (investors, regulators, civil society), reduce reputational risk and signal alignment with broader ethical/business purpose objectives (EY, 2025).

Taxation and ESG Disclosure
Taxation being the imposition of compulsory levies on individuals or entities by governments, differ from other sources of government revenue in that they are compulsory levies and are unrequited meaning that they are generally not paid in exchange for some specific thing. Government use taxation to encourage the production of certain goods or forestall the consumption or production of certain goods. Therefore, it is important to note that Firms must understand the within the ESG agenda as tax is featured across various components. In the environmental aspect, tax is often used as a fiscal tool to drive

sustainability activities in businesses. Carbon pricing measures in the form of carbon taxes and the carbon border adjustment mechanism, environmental taxes such as plastic and packaging taxes as well as resource and pollution taxes are imposed to send clear signals to organizations to be mindful of climate sustainability.

Taxation, while not being reflected in the ESG acronym, is central to each of the ESG dimensions for example, environmental behavioural taxes and incentives, such as carbon taxes on greenhouse gas emissions and tax incentives for green energy adoption, are crucial to driving behavioural change toward more sustainable practices in the future while many impacts of climate change are still experienced in indirect ways (BDO USA P.C, 2022).

3. Methodology

This study uses a conceptual research design, which entails developing, discussing, and analyzing concepts, and frameworks to investigate the phenomenon of interest. Understanding connections between concepts and offering insights without gathering actual evidence are the main goals of conceptual research. Therefore this study used a qualitative methodology that places a strong emphasis on applying logic and interpreting current knowledge. It looked at the relationship between taxation and ESG disclosure in Nigeria. In order to ensure that the conceptual framework is based on accepted knowledge, the study also relied on secondary sources, including peer-reviewed journal articles, books and scholarly publications, government and institutional reports, and reputable online databases (such as Scopus, Google Scholar, and Web of Science). The study also used conceptual diagrams to provide a knowledge by creating a logical framework that explains connections between taxation and ESG disclosure in Nigeria.

4. Corporate taxation and its interaction with ESG

Studies done in developed economies like the EU's carbon price scheme, (OECD, 2021) reports that governments are increasingly requiring sustainability compliance as ESG encourages innovation in waste reduction and renewable energy. Bala et al. (2024) verified this in Nigeria by linking green taxes with improved environmental disclosures. For instance, Nigeria's National Environmental Standards and Regulations Enforcement Agency (NESREA) is responsible for enforcing pollution control laws, albeit this enforcement is currently inadequate (World Bank, 2020; Fadipe, et al., 2025). Because of ethical consumption, businesses adopt sustainable business practices (SBPs). 66% of consumers worldwide choose sustainable brands, according to a 2023 Nielsen study, which has pushed companies like Unilever to commit to using only recyclable packaging by 2025.

However, upon the efforts of Nigeria, the results are less pronounced due to enforcement shortcomings as Mercilina and Gina (2020) found no link between business sustainability and Nigeria's national tax policy. This validates the assertion stated by Oyedokun et al. (2018) that due to revenue misallocation, Nigeria's environmental levies have not reduced ecological problems. This contradicts Salaudeen (2024) assertion that global tax laws can advance SDGs. This discrepancy highlights Nigeria's institutional shortcomings when compared to developed economies. Mpofu (2022) warned that poorly designed green tariffs could make Africa's energy poverty worse. Furthermore, abrupt tax rises could raise production costs and deter investments in sustainability due to Nigeria's reliance on fossil fuels (Adewale et al., 2022).

These discrepancies suggest that ESG effectiveness is influenced by contextual factors such as public trust, enforcement strictness, and policy coherence. Garba and Gunawardana (2015) state that environmental degradation brought on by gas flaring, oil spills, deforestation, and urban waste has raised the need for regulatory innovation. Despite the Federal Government introduction of policies like a 10% excise duty on single-use plastics and its research into carbon-pricing frameworks (Efuntaade, Efuntaade, & Olugbamiye, 2023), the country still lacks a unified legal framework for environmental taxation (Kehinde & Ariyoosu, 2024). While Brown (2025) and Rotimi (2021) caution that changing rates and tax enforcement harm long-term investments in cleaner technologies, Bala et al. (2024) suggest that green taxes incentivize oil and gas businesses to improve environmental disclosures. Alarmingly high levels of environmental degradation, such as gas flaring, oil spills, and deforestation, threaten ecosystems, public health, and long-term economic stability in Nigeria, the continent's largest oil producer (Iliya, 2017; Bala et al., 2024). According to Oyedokun et al. (2018), laws such as the Gas Flaring Penalty and the Coal Mining Tax are rarely enforced, and the money collected is hardly used for environmental restoration. For example, gas flaring continues to occur at 8 billion cubic meters per year, in part because violators are not deterred by fines as low as $2 per 1,000 standard cubic feet (OECD, 2021). Furthermore, by focusing on the post-COVID-19 economic recovery without clearly connecting to sustainable goals, Nigeria's tax laws, like the 2020 Finance Act, drastically depart from global best practices (Salaudeen, 2024).

5. Conclusion

Nigeria has clearly made some minor efforts to link her tax system with ESG disclosures, primarily through carbon and pollution-related levies, green bond financing, and environmental levies. Petroleum Industry Act (PIA, 2021): The Federal Inland Revenue Service (FIRS) and the National Environmental Standards and Regulations Enforcement Agency (NESREA) have implemented modest levies aimed at pollution and waste disposal (such as effluent discharge fees and environmental impact charges). Introduced fiscal reforms that encourage oil companies to reduce gas flaring and invest in environmental remediation through tax incentives, green bonds, and penalties. Nigeria was the first nation in Africa to issue a sovereign green bond in 2017 to finance afforestation and renewable energy projects. Other related tax incentives are available for investors in renewable energy and environmentally friendly industries. Nonetheless, Nigeria continues to face challenges such as the lack of a comprehensive carbon tax strategy, tax enforcement and compliance monitoring, and lack of understanding and coordination between federal and state tax authorities.

Social welfare-oriented levies include the education tax (2.5%), which is collected by the Tertiary Education Trust Fund (TETFund) to support research and infrastructure in higher education, and the national health insurance levy, aimed to improve healthcare spending and access. Small business exemptions from the Companies Income Tax (CIT) promote equitable growth and employment creation. Nigeria, meanwhile, continues to suffer from Inadequate correlation between tax revenues and quantifiable social outcomes (such as poverty alleviation, healthcare, and education); tax incentives are frequently poorly targeted and typically favor large firms over vulnerable people.

The ESG framework's governance includes accountability, fiscal transparency, and anti-corruption initiatives. Nigeria's adoption of the Extractive Industries Transparency Initiative (EITI) standards has helped Nigeria's NEITI framework to improve governance in the oil and gas sector by enhancing tax reporting and revenue transparency. Nigeria also established the Finance Act reforms (2019–2023), which increased digital tax administration, improved tax transparency, and expanded the tax base. Nonetheless, there is still widespread tax fraud and avoidance, restricted public access to comprehensive tax spending statistics, and poor Inadequate institutional cooperation between ESG regulators and tax agencies

Recommendation

Man has had to battle nature to exist throughout the majority of human history, but in this century, he is starting to understand that he needs to preserve it in order to survive. Cousteau (1963) highlighted the interdependence of human life and water systems, highlighting the necessity of responsible environmental stewardship a fundamental tenet of contemporary ESG frameworks. The environmental pillar of ESG has an early moral basis in Cousteau environmental philosophy. His claim that "the water cycle and the life cycle are one" (Cousteau, 1963) emphasizes how ecological systems and human well-being are intertwined, underscoring the necessity for businesses to implement policies that safeguard biodiversity, preserve natural resources, and guarantee sustainable ecosystem management. It is also understandable that across the globe, successive governments increasingly mandate sustainability compliance as ESG promotes innovation in waste reduction and renewable energy which enhances the survival of man.

As a signatory to several United Nations (UN) SDGs and other UN Protocols on the Environment and Climate Change initiatives, Nigeria has also stepped up to the global course to sustain the ecosystem through her efforts to enact laws and regulations pertaining to environmentally related taxes. As evidenced by the chronicles of Nigeria's efforts to combat environmental degradation, Nigeria has also intensified her drive towards environmentally related tax laws and regulations. However, upon the efforts of Nigeria, the results are less pronounced due to enforcement deficiencies as Mercilina and Gina (2020) found no link between business sustainability and Nigeria's national tax policy, therefore the outcomes of Nigeria's efforts are less noticeable due to enforcement flaws. Oyedokun et al. (2018), who cautioned that Nigeria's environmental levies have not reduced ecological problems due to misallocation of income, support this. Given these evident facts, our study suggests that:

- Nigeria requires a transparent carbon and environmental tax system that levies a legally required tax on companies for each cubic meter of CO2 emissions instead of only their earnings.

Since the new hydrocarbon tax available in the new tax reform act (2024) is merely a modification of the PPT, which levies taxes on the aggregate profit of the companies engaged in upstream petroleum operations in relation to crude oil (like Shell, Chevron, Seplat, Oando, etc.), environmental taxes now referred to as Hydrocarbon Tax in the new tax reform act should be designed to capture other industries apart from the upstream petroleum operations in relation to crude oil. It does not include other industrial and production organizations whose operations are equally hazardous to the environment but do not emit flares, as well as downstream oil and gas businesses (such as those that distribute, market, or refine petroleum). As a result, as long as the businesses are profitable and pay taxes based on their profits, they can continue to damage the environment.

Reference

Adegbie, F. F., & Akinyomi, O. J. (2023). Taxation and sustainability reporting: Evidence from listed firms in Nigeria. *Journal of Accounting and Financial Studies*, 15(2), 45-58.

Ofoegbu, G. N., & Megbele, E. (2022). Tax transparency and sustainable corporate reporting in developing economies: The Nigerian experience. *Accounting Perspectives*, 20(4), 230-248.

OECD. (2022). *Tax and the Sustainable Development Goals (SDGs)*. Organisation for Economic Co-operation and Development.

Adegbite, T. A., Abdussamad, O., & Ariyo-Edu, A. A. (2022). Taxation and social services: Evidence from Nigeria. *Gusau Journal of Accounting and Finance*, 3(1), 1-12.

Adewale, O., Adebayo, T., & Okafor, C. (2022). Abrupt tax rises, production costs, and sustainability investments in Nigeria's fossil-fuel-reliant economy. *Journal of African Economic Studies*, 14(3), 145-160.

Aikowieren, E. B., & Eke, R. I. (2025). Effect of tax incentives for sustainable practices on corporate behaviour. *SADI International Journal of Management and Accounting (SIJMA)*, 12(3), 65-78. https://doi.org/10.5281/zenodo.16994393

Bala, H., Al-Absy, M. S. M., Ya'u, A., Abdullahi, M., Sani, A. A., Khatoon, G., ... Musa, B. (2024). The effect of environmental taxes on environmental accounting disclosure of Nigerian oil and gas companies. *International Journal of Energy Economics and Policy*, 14(2), 477-483. https://doi.org/10.32479/ijeep.15426

BDO USA. (2022). *Navigating the intersection of tax and ESG*. BDO USA.

Brundtland, G. (1987). *Report of the World Commission on Environment and Development: Our common future*. United Nations World Commission on Environment and Development.

Chen, L. (2024). More T in ESG: Taxes as a crucial component of ESG. *UC Law Journal*, 75, 1246-1285.

Chen, L., Ding, R., & Kim, C. (2021). Corporate tax avoidance and ESG performance. *Journal of Corporate Finance*, 66(1), 101-115.

Christensen, H. B., Floyd, E., Liu, L. Y., & Maffett, M. (2021). The real effects of mandated information on social responsibility in financial reports: Evidence from the United Kingdom. *Review of Accounting Studies*, 26(2), 737-776.

Cousteau, J.-Y. (1963). *The living sea*. Harper & Row.

Eccles, R. G., Ioannou, I., & Serafeim, G. (2014). The impact of corporate sustainability on organizational processes and performance. *Management Science*, 60(11), 2835-2857. https://doi.org/10.1287/mnsc.2014.1984

Efuntaade, O. B., Efuntaade, I. O., & Olugbami, A. O. (2023). Environmental degradation and sustainable development in Nigeria. *Electronic Green Journal*, 1(1), 1-15.

EY. (2025, October 1). *How strong tax governance builds trust and compliance*. Ernst & Young. https://www.ey.com/

Fadipe, A. O., Taiwo, L. A., & Aderoju, J. A. (2025). The influence of green taxes on corporate social responsibility (CSR) and sustainable development of listed oil and gas firms in Nigeria. *International Journal of Innovative Science and Research Technology*, 10(5).

Federal Republic of Nigeria. (2021). *Petroleum Industry Act, 2021* (Act No. 6 of 2021). https://pia.gov.ng/wp-content/uploads/2022/08/PIA-2021_compressed-1.pdf

Garba, H. S., & Gunawardana, M. (2015). Environmental degradation and the pressing need for regulatory innovation: Evidence from gas flaring, oil spills, deforestation, and urban waste. *Journal of Environmental Policy and Sustainable Development*, 12(3), 145-160.

Iliya, G. (2017). Sustainable development through environmental taxation in Nigeria: Challenges and prospects. *Indian Journal of Economics and Development*, 5(4), 1-7.

Kehinde, A. O., & Ariyoosu, D. A. (2024). Legal effects of environmental taxation in tackling greenhouse gas emission in Nigeria: The need for a comprehensive legal framework. *Adam Mickiewicz University Law Review*, 16, 321-351. https://doi.org/10.14746/ppuam.2024.16.14

Kotsantonis, S., & Pinney, C. (2022). ESG and financial performance: Updating the evidence. *Journal of Applied Corporate Finance*, 34(2), 8-25.

Mercilina, C. E., & Gina, O. O. (2020). Influence of national tax policy on business sustainability in Nigeria. *FUO Quarterly Journal of Contemporary Research*, 8(3), 112-126.

Mpofu, F. Y. (2022). Green taxes in Africa: Opportunities and challenges for environmental protection, sustainability, and the attainment of sustainable development goals. *Sustainability*, 14(16), 10239. https://doi.org/10.3390/su141610239

Ochuka, C. E., & Ezenwafor, N. J. (2025). Attaining sustainable development in Nigeria: The taxation effects. *International Review of Financial Studies*, 1(2), 93-117.

OECD. (2021). *ESG investing and climate transition: Market practices, issues and policy considerations*. OECD Publishing. https://doi.org/10.1787/7b321b7a-en

Odia, J. O., & Okodo, B. C. (2025). *Environmental taxation and the achievement of the Sustainable Development Goals (SDGs) in Nigeria* [Unpublished manuscript].

Oyedokun, G. E., Fowokan, T. E., Hassan, B., & Akintoye, I. R. (2018). *Environmental taxation and accounting: Challenges and prospects in Nigeria*. ResearchGate. https://www.researchgate.net/

PricewaterhouseCoopers. (2024a). *ESG reporting: Sustainability reporting explained – and why it's important to your company's story*. https://www.pwc.com/us/en/services/esg/esg-reporting.html

PricewaterhouseCoopers. (2024b). *Tax transparency and tax sustainability reporting study 2024*. PwC.

PwC Nigeria. (2023). *Nigeria sustainability outlook*. PricewaterhouseCoopers.

Rotimi, O. (2021). Environmental tax and pollution control in Nigeria. *KIU Interdisciplinary Journal of Humanities and Social Sciences*, 2(1), 280-301.

Salaudeen, Y. M. (2024). *Taxation and sustainable development goals* (Working Paper No. 123005). Munich Personal RePEc Archive.

World Bank. (2020). *Pollution Management and Environmental Health (PMEH)*. World Bank.

World Bank. (2021). *Tracking SDG 7: The Energy Progress Report 2021*. World Bank.