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CONTRIBUTORS AND ARTICLES

EUTHANASIA: AN APPRAISAL OF THE RIGHT TO DIE
O. B. AKINOLA, Ph.D & OLOREDE, G. O. 1-17

*AN EXAMINATION OF THE POWER OF THE
LEGISLATURE TO SUSPEND ITS MEMBER FOR
MISCONDUCT IN NIGERIA, AMERICA AND THE
COMMONWEALTH* 18-37
**OLUFEMI ABIFARIN Ph.D, J.O. OLATOKE SAN Ph.D,
& STEVE ROSS OMISORE Ph.D,**

*FINANCING RENEWABLE ENERGY PROJECTS IN
NIGERIA: OPTIONS AND ALTERNATIVES* 38-57
**J.O. OLATOKE SAN, Ph.D, OLUFEMI ABIFARIN Ph.D,
& N.O.A. IJAIYA Ph.D**

*"NAIJAFEMINISM": A TYPOLOGY OF AFRICAN
FEMINISM* 58-73
GANIAT MOBOLAJI OLATOKUN Ph.D

*ENHANCING INTERNAL PARTY DEMOCRACY AND
TRANSPARENCY: A CHALLENGE TO AFRICAN
CONSTITUTIONALISM* 74-99
ABDULFATAI O. SAMBO Ph.D

*LIFTING THE CORPORATE VEIL BY THE COURT:
NIGERIA AND ENGLAND IN FOCUS* 100-126
**AHMED. A. MUHAMMED-MIKAAEEL, LL.M &
FATIMAH. F. ABDULRAZAQ (MRS.) Ph.D**

*AN OVERVIEW OF THE RELEVANCE OF ULTRA VIRES
DOCTRINE UNDER THE NIGERIA COMPANY LAW* 127-135
ZUHAIR JIBRIL, PhD & JUSTICE J.T.A. FISHIM, PhD

*THE EXTENT OF THE POWERS OF NATIONAL JUDICIAL
COUNCIL IN THE APPOINTMENT OF AND EXERCISE OF
DISCIPLINARY CONTROL OVER A STATE CHIEF JUDGE
THE RIVERS STATE OF NIGERIA 2014 CONSTITUTIONAL
CRISIS AS A CASE STUDY* 136-151
ABAYOMI B. SHOGUNLE

FINANCING RENEWABLE ENERGY PROJECTS IN NIGERIA: OPTIONS AND ALTERNATIVES

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Abstract

For more than a century, the world's main sources of energy have been fossil fuels. Hydro electricity and nuclear energy together contribute some 9% of presentworld annual energy consumption and the biofuels in the form of firewood, or other combustible plants or animal materials are thought to provide about a tenth of the total.

However, the finite nature of fossil fuel energy resources has raised some questions about its long term sustainability. The intricate interplay of demand, but there is also concern over the impact on the environment of burning fossil fuels. It is for this reasons that serious consideration is being given to alternatives to these fossil fuels in the form of renewable energy. A sustenable renewable energy policy and projects will definitely involve cost which only budgetary allocations mat not be able to meet, therefore there is the need to look at other financing options like Sukuk. We contend in this paper that Nigeria as a member of organization of Islamic countries can utilize Sukuk to raise fund in accordance with Islamic principles which forbid interest to finance renewable energy in Nigeria. This will minimize cost and ensure quality of the projects.

Man's Natural Resources

From where does man derive his energy? Man has been able to harness the energy of plants and animals, water, fire, wind, steam, soil and its minerals.¹⁴⁶

¹⁴⁶ Anon. (1975). Coal - In *Man and Materials*, edited by Ian Ridpath. Macmillan Education Publishers, London. pp. 1-33

These constitute his natural resources. Natural resources can be subdivided into renewable and non-renewable resources.

Renewable Resources

The sun, wind, water, forest are categorized as renewable resources because they are not dependent on reserves as in fossil fuel. Their energy sources seem virtually inexhaustible.

The sun - the star of our solar system - provides light and heat on which life on earth depends. Without it, there would always be night and we could all die from cold. The inoyement of the "earth relative td the sun gives us the seasons. The gravitational pulls of the sun arid the noon oii the earth result in the tides. Solar energy has been used ln many ways throughout human history. It can provide the world far more energy than fossil fuel and nuclear power put together. The simplification of the technology needed to extract and star, solar energy fogregular domestic¹⁴⁷ use requires 'fine-tuning. Like all stars, however, the sun will not remain hot and bright forever. It is believed that in billions of years it will die out.

Wind is another natural force recognized by man from the earliest times as a source of energy. The first ships were propelled by the wind. It was the sources of power for wind mills. It has been used to turn wheels of water pumps and to generate and stem electricity in accumulators. The problem with wind energy is that its strength is inconsistent and unreliable.

Water is another importantienewable resource. It is the life force of all growing plants and animals. Nothing lives without it. Water is a great source of power. The water-mill is one of m'an s earliest successful attempts to harness nature's energy. The falling and driving power of water operates hydro-electric power stations. Huge dams are constructed to conserve this water power and release it through special outlets which turn turbines and so work electric generators.¹⁴⁸

Forest resources are also renewable. In many cultures they constitute the foundation for man's economic activities. Forest resources encompass not only the resources obtained from forests in the strict biological sense of the word; they include resources from all wild-land not cultivated, together with the waters flowing through them. Some useful products from the forest include fuel, wood, charcoal, fibres, poles, timbers, fruits and nuts, bark, for-age, edible leaves,

¹⁴⁷ Anon, (1975), Minerals - In Man and Materials, edited by Ian Ridpath. 4 Macmillan Education Publishers: London, pp. 1-33

¹⁴⁸ Bailey, K. (1979), Forces of Nature, Science and Innovations in Young Children's Encyclopedia: Hamlyn Publishers.

African Republic, Portugal, Japan, Yugoslavia and Denmark. Large reserves may occur in other countries than those listed. The principal nuclear programmes of the world are located in United States of America, United Kingdom, France, Canada, Germany, Japan, Spain, Sweden, Switzerland, Italy and India.¹⁵⁹

Nuclear power's contribution to the world's energy supplies is about 2 percent. Although nuclear power is utilized in electrical power, the greater danger of nuclear power is found when directed towards weaponry. For this reason, a strong attempt at the monopoly of nuclear technology in armament is pioneered by the world powers. Disposal of radioactive waste is another complication leading to arguments against use of nuclear fuel¹⁶⁰

What to do

Modern civilization is heavily dependent on the world's energy re-sources renewable or non-renewable. For the renewable resources of the Sun, Water and Wind, research into more effective management strategies is advocated. With respect to the diminution of forest resources only radical changes in the present management practices accompanied by aggressive afforestation programmes are required - if wooded ecosystems adequate to supply the needs of now and the future are to exist.

End of the supply of nuclear and fossil fuel may mean the end of the world's civilization as we know it today. Unfortunately, the earth contains both energy sources in finite amounts. Their sudden disappearance would reduce the world's carrying capacity for man unless some alternative sources of energy are developed. For example, alcohol had been developed in Brazil from cassava a renewable resource to fuel cars. Such cars produce, less pollution than fossil fuel. In the long run, however, a reduction in the consumption pattern and a conservation of energy, no matter whether it is from renewable or non-renewable sources can guarantee the world's energy resources lasting long.¹⁶¹

IMPERATIVE OF RENEWABLE ENERGY IN NIGERIA

Renewable Energy in Nigeria

Renewable energy utilization in Nigeria will contribute to meeting energy security and needs, mitigation of climate change and the promotion of economic development. According to the World Bank, "the growth in demand in the Nigerian power sector is expected to continue to increase by around 10 per cent per annum in the medium term, reaching 10,000 MW Megawatt (medium growth

¹⁵⁹ Ibid

¹⁶⁰ Ibid

¹⁶¹ Ibid

CONCLUSION

In this paper, we have underscored the importance of renewable energy in modern Nigeria in order to avail the hazards of the present non-renewable energy use and we also gave various funding options available to the government ranging from bankloans, public private partnership special trust fund and Sukuk. However, we hasten to add that of all these options, Sukuk remain primus as an interest free-financial system. It will reduce the cost of renewable energy projects and enhance the quality and durability of the projects. Presently in Nigeria, Sukuk is being utilized to construct roads in various part of Nigeria by the federal government. The sign post of Sukuk funded section is erected everywhere along Okene-Benin Express way construction. So if Sukuk band is being utilized to construct roads, the same gesture can be extended to renewable energy.

RECOMMENDATIONS

Sukuk is a financial certificate that is the equivalent of a conventional bond in Islam finance. Generally, fixed-income, interest-bearing bonds are unlawful under Islamic law because Islam prohibits interest in financial and commercial transactions. Sukuk are securities that comply with Shariah principles on investment by not charging or paying interest (riba). Sukuk bonds differs from conventional bonds in the sense that while conventional bonds are interest-based and only confer ownership of a debt Sukuk bonds grant an investor a share of the asset that is the object of investment and any commensurate cash flow and accompanying risk. The emergence of Sukuk as a global profitable capital market product has made state and business entities to increasingly explore it for large scale infrastructure development financing and as investment opportunity. This interest is driven principally by pragmatic economic drive and objectives so as to tap the huge pools of liquidity available in many Muslim countries, especially in the Middle East and Asia. As Nigerian state entities faces challenges on how to sustain energy infrastructure and embark on the development of alternative funding outside conventional sources will need to be identified and exploited. Islamic bonds provide a viable source of alternative infrastructure development financing and investment options in Nigeria. The development of an Islamic capital market in Nigeria should be seen in the context of its numerous national economic advantages and not as a proselytizing project. A developed Islamic securities market in Nigeria will promote economic inclusion and expand the capital market of the country. Nigerians should be encouraged to invest in Sukuk bonds which will provide badly needed capital for investment in renewable energy development.