

FROM CONSUMPTION TO SUSTAINABILITY: THE ROLE OF RENEWABLE AND CIRCULAR ENERGY IN NIGERIA'S ECONOMIC GROWTH

Prof. Emeka Obioma Udeh

Department of Electrical and Electronics Engineering, Federal University Otuoke, Bayelsa State, Nigeria.

DOI: 10.5281/zenodo.19631389

Abstract

Economic growth remains a key indicator of national development, reflecting the expansion of goods and services within an economy. In Nigeria, a country characterized by a rapidly growing population and a developing industrial sector, sustained economic growth is crucial for poverty reduction, employment generation, and improved living standards. Among the various determinants of economic performance, energy plays a central role in supporting industrial activities, transportation, and domestic consumption. This study examines the impact of energy consumption, renewable energy adoption, and circular energy systems on Nigeria's economic growth. By analyzing existing literature and empirical evidence, the study highlights how traditional energy consumption patterns, if inefficient, can constrain economic expansion, while the integration of renewable and circular energy systems can promote sustainability, reduce environmental degradation, and enhance economic resilience. The findings underscore the importance of strategic energy policies and investments that balance energy demand with sustainable practices, thereby fostering long-term economic development.

Keywords: Economic growth, Energy consumption, Renewable energy, Circular energy systems, Nigeria

INTRODUCTION

Economic growth is a fundamental measure of a nation's progress and development, reflecting an increase in the production of goods and services over time. It is commonly measured by the Gross Domestic Product (GDP) growth rate, which indicates the overall economic performance of a country (World Bank, 2023). Economic growth is influenced by several factors, including capital accumulation, technological advancements, infrastructure development, and energy consumption (Aldhaen, 2024). In Nigeria, a nation with a rapidly growing population and expanding industrial sector, sustained economic growth is critical for poverty alleviation, job creation, and improved living standards (Umana, Garba, & Ologun, 2024). However, achieving consistent economic expansion requires an efficient and sustainable energy system that supports industrial production, transportation, and household consumption. Given Nigeria's challenges in energy supply, inefficiency, and environmental sustainability, understanding the role of energy consumption, renewable energy, and circular energy in fostering economic growth is essential.

Energy is a key driver of economic activities, enabling industries to operate efficiently and supporting technological innovation, infrastructure development, and household consumption (Golagha et al., 2024). In Nigeria, energy shortages, erratic power supply, and heavy dependence on fossil fuels have hindered economic productivity and limited industrial output (Abubakar, Da Silva, & Pretorius, 2024). To address these challenges,

there is a growing need to transition towards sustainable energy solutions that not only meet current energy demands but also support long-term economic stability. Energy consumption, renewable energy adoption, and circular energy models have emerged as critical components for ensuring sustainable economic growth (Sharma, Upadhyay, & Kumar, 2024). Energy consumption involves the total amount of energy utilized in an economy, while renewable energy sources (such as solar, wind, and hydropower) provide sustainable alternatives to fossil fuels. Circular energy, on the other hand, focuses on energy efficiency, waste-to-energy innovations, and energy recycling mechanisms to optimize resource use and minimize environmental impacts (Okoro & Adejumo, 2024). Energy consumption plays a significant role in Nigeria's economic productivity, as industries, businesses, and households rely on energy for daily operations. However, Nigeria's energy sector faces serious inefficiencies, including inadequate infrastructure, energy theft, and a weak transmission system, which constrain growth (Egbuna & Mba, 2023). The increasing global focus on renewable energy has provided Nigeria with an opportunity to diversify its energy mix and reduce its dependence on fossil fuels (Olowo & Fasanya, 2023). Investing in renewable energy projects can lead to job creation, reduce energy costs, and enhance industrial efficiency, contributing to long-term economic stability (Adebayo, 2023). Circular energy principles, which involve optimizing energy use through recycling, energy conservation, and industrial symbiosis, are also gaining traction in Nigeria's sustainability agenda (Yusuf, Adewale, & Nwankwo, 2023). These approaches can help minimize energy wastage, enhance efficiency, and contribute to environmental sustainability while fostering economic growth.

Several studies have examined the relationship between energy consumption, renewable energy, circular energy, and economic growth, highlighting their importance in enhancing industrial productivity, improving energy security, and reducing environmental degradation (Umana et al., 2024). Empirical research has shown that primary energy consumption is positively correlated with GDP growth, indicating that increased energy availability enhances economic activities (Aldhaen, 2024). Similarly, studies have found that expanding renewable energy capacity leads to greater economic diversification, technological innovation, and job creation (Sharma et al., 2024). However, limited research has focused on the integration of circular energy principles in Nigeria's economic framework and their impact on GDP growth. Additionally, most existing studies have primarily analyzed energy-growth relationships at a macroeconomic level, overlooking the role of sector-specific energy efficiencies, industrial energy demands, and circular energy innovations (Golagha et al., 2024).

This study seeks to fill these research gaps by examining the effect of energy consumption, renewable energy, and circular energy on economic growth in Nigeria. It will specifically explore three core dimensions of energy data: primary energy consumption, total renewable energy capacity, and circular energy, and analyze their impact on GDP growth rate.

Statement of the Problem

Economic growth is essential for national development, poverty reduction, and job creation, but Nigeria has struggled with slow and unstable economic expansion over the past decades. Despite being Africa's largest economy, the country faces persistent challenges such as low industrial productivity, high unemployment rates,

and an underdeveloped energy sector (Aldhaen, 2024). One of the key obstacles to sustainable economic growth in Nigeria is its unreliable and inefficient energy supply, which hampers industrial activities, reduces business competitiveness, and limits overall economic performance (Umana, Garba, & Ologun, 2024). The nation relies heavily on fossil fuels for electricity generation, yet power supply remains erratic, expensive, and insufficient to meet the demands of households, businesses, and industries (Golagha et al., 2024). Nigeria's inability to provide stable energy has stifled investment, slowed industrialization, and constrained GDP growth, raising concerns about the country's long-term economic sustainability (Abubakar, Da Silva, & Pretorius, 2024).

The transition to renewable energy and circular energy models has been proposed as a solution to Nigeria's energy crisis and a catalyst for economic transformation. However, the adoption of renewable energy sources such as solar, wind, and hydropower remains low due to policy inconsistencies, inadequate investment, and infrastructural deficiencies (Sharma, Upadhyay, & Kumar, 2024). Similarly, circular energy practices, including waste-to-energy conversion, industrial energy efficiency, and energy recycling, are still underutilized (Okoro & Adejumo, 2024). While previous studies have examined the relationship between energy consumption and economic growth, there is limited research on how primary energy consumption, total renewable energy capacity, and circular energy contribute to GDP growth in Nigeria (Egbuna & Mba, 2023). Additionally, most existing research focuses on conventional energy sources, leaving gaps in understanding how alternative energy solutions can drive economic expansion (Yusuf, Adewale, & Nwankwo, 2023). This study seeks to address these gaps by analyzing the impact of energy consumption, renewable energy, and circular energy on Nigeria's economic growth, providing empirical insights that can guide energy policy formulation and sustainable economic planning.

Objectives of the Study

The main aim of this study is to examine the effect of energy consumption, renewable energy, and circular energy on economic development in Nigeria. The specific objectives are:

1. To assess the effect of primary energy consumption on economic growth in Nigeria.
2. To evaluate the influence of total renewable energy capacity on economic growth in Nigeria.
3. To analyze the effect of circular energy on the economic growth in Nigeria.

Research Questions

1. What is the effect of primary energy consumption on economic growth in Nigeria?
2. How does total renewable energy capacity influence economic growth in Nigeria?
3. What is the effect of circular energy on economic growth in Nigeria?

Research Hypotheses

1. H₀₁: Primary energy consumption has no significant effect on economic growth in Nigeria.
2. H₀₂: Total renewable energy capacity has no significant influence on economic growth in Nigeria.
3. H₀₃: Circular energy has no significant effect on economic growth in Nigeria.

LITERATURE REVIEW

Conceptual Review

Energy consumption is a critical driver of economic growth, as it powers industries, households, businesses, and infrastructure (Aldhaen, 2024). It refers to the total amount of energy used by a country for various sectors, including industrial production, transportation, and domestic use. The level of energy consumption in an economy is often a reflection of its industrial and technological development (Olowo & Fasanya, 2024). Countries with high energy consumption rates tend to have higher economic output, while nations with energy shortages often struggle with low productivity, inflation, and slow industrialization (Umana, Garba, & Ologun, 2024). Nigeria, despite being one of Africa's largest energy producers, faces severe energy deficits, causing economic stagnation and business inefficiencies.

Nigeria's energy sector is highly dependent on fossil fuels, which account for over 80% of total energy consumption (Biala, Adeniyi, & Yusuf, 2024). The reliance on oil and gas has resulted in vulnerability to global energy price shocks, frequent power supply disruptions, and environmental pollution (Onungwe, Hunt, & Jefferson, 2024). However, studies indicate that diversifying Nigeria's energy sources could lead to greater economic stability, improved industrial competitiveness, and increased employment opportunities (Sharma, Upadhyay, & Kumar, 2024). The lack of stable electricity supply has forced businesses to depend on alternative power sources, such as diesel and petrol generators, which are costly and unsustainable (Golagha et al., 2024). To enhance economic growth, Nigeria must improve its energy infrastructure, focusing on energy efficiency, electrification expansion, and integration of renewable sources (Bilyaminu, Pandey, & Babel, 2024). Empirical research has shown that countries with well-managed energy consumption experience higher GDP growth rates, as energy enables production, reduces business operational costs, and attracts foreign direct investment (Oke & Igbalajobi, 2024). Addressing Nigeria's energy consumption inefficiencies will require policy reforms, increased investment in the power sector, and the adoption of innovative energy-saving technologies (Yusuf, Adewale, & Nwankwo, 2024).

Primary Energy Consumption (Terawatt Hours)

Primary energy consumption refers to the total amount of energy consumed in its raw form before any conversion into secondary energy sources such as electricity and fuel (Aldhaen, 2024). It includes fossil fuels, nuclear energy, and renewables. Nigeria's primary energy consumption has grown significantly over the past decades, yet supply remains unreliable, leading to persistent energy poverty and industrial inefficiencies (Olowo & Fasanya, 2024). In Nigeria, primary energy sources include crude oil, natural gas, coal, and hydroelectricity, with crude oil accounting for the largest share (Biala et al., 2024). However, high transmission losses, outdated power plants, and poor infrastructure have limited Nigeria's ability to efficiently utilize primary energy resources (Onungwe et al., 2024). Research indicates that countries with strong primary energy management policies experience improved GDP growth, as energy is optimally distributed to key sectors such as manufacturing, agriculture, and services (Sharma et al., 2024).

To improve primary energy consumption efficiency, Nigeria must invest in modern energy infrastructure, diversify its energy mix, and strengthen regulations against energy mismanagement (Golagha et al., 2024).

Developing a national energy efficiency strategy will enhance supply chain resilience, reduce energy costs, and contribute to long-term economic expansion (Bilyaminu et al., 2024).

Renewable Energy

Renewable energy refers to naturally replenished energy sources such as solar, wind, hydro, and biomass, which provide a sustainable alternative to fossil fuels (Biala et al., 2024). The global shift toward renewable energy adoption is driven by the need for energy security, environmental sustainability, and economic diversification (Sharma et al., 2024). Nigeria, with abundant renewable energy potential, has yet to fully integrate clean energy into its national grid, despite the economic benefits it offers (Oke & Igbalajobi, 2024).

One major barrier to renewable energy development in Nigeria is the lack of investment, policy inconsistency, and weak infrastructure (Onungwe et al., 2024). Studies show that countries that prioritize renewable energy enjoy greater industrial productivity, lower energy costs, and higher employment rates (Umana et al., 2024). Expanding solar farms, wind energy projects, and hydropower plants could significantly reduce Nigeria's energy deficit and drive long-term economic growth (Golagha et al., 2024).

To accelerate renewable energy adoption, Nigeria must implement incentive-driven policies, attract private sector participation, and develop rural electrification programs (Bilyaminu et al., 2024). Research suggests that a 20% increase in renewable energy capacity could contribute up to 1.5% GDP growth annually (Yusuf et al., 2024).

Total Renewable Energy Capacity (Gigawatts)

Total renewable energy capacity refers to the aggregate installed capacity of renewable energy sources within a country, measured in gigawatts (GW) (Aldhaen, 2024). Nigeria's renewable energy capacity remains underdeveloped, despite its vast solar and hydropower potential (Olowo & Fasanya, 2024).

Data from the Nigerian Electricity Regulatory Commission (NERC) indicates that renewable energy accounts for less than 10% of Nigeria's total energy mix, compared to over 40% in countries like Brazil and China (Biala et al., 2024). Research suggests that expanding Nigeria's renewable energy capacity to at least 30 GW by 2030 could boost economic productivity and reduce reliance on imported petroleum products (Onungwe et al., 2024).

To achieve higher renewable energy penetration, Nigeria must expand public-private partnerships, encourage foreign investment, and prioritize energy research and development (Sharma et al., 2024). A well-structured renewable energy strategy could position Nigeria as a leader in Africa's green energy transition, contributing to job creation, industrial expansion, and GDP growth (Golagha et al., 2024).

Circular Energy

Circular energy refers to a sustainable energy model that promotes resource efficiency, energy recycling, and waste-to-energy innovations to optimize energy use (Gebrezgabher, Onabolu, Taron, & Cofie, 2024). Unlike traditional linear energy systems, where energy is produced, consumed, and discarded, circular energy reintroduces residual energy into the system, minimizing waste and maximizing efficiency (Ajiyo, 2024). In Nigeria, the adoption of circular energy principles can address chronic energy shortages, reduce environmental degradation, and support economic growth (Bilyaminu, Rene, Pandey, & Babel, 2024). By incorporating circular

energy strategies, industries can reduce energy costs, enhance productivity, and transition towards a low-carbon economy (Sayigh, 2024).

Despite its benefits, Nigeria's circular energy sector remains underdeveloped, with limited regulatory frameworks, technological constraints, and inadequate investment in waste-to-energy projects (Umana, Garba, Ologun, & Olu, 2024). While developed nations such as Germany, Sweden, and the Netherlands have successfully implemented circular energy principles, Nigeria continues to rely heavily on fossil fuels, inefficient power generation, and linear energy models (Gebrezgabher et al., 2024). Studies show that countries with strong circular energy adoption experience higher energy security, lower carbon emissions, and increased industrial efficiency (Ajiyo, 2024). The transition towards circular energy in Nigeria will require policy reforms, public-private partnerships, and infrastructure investments in energy recycling technologies (Bilyaminu et al., 2024).

Recent trends indicate that circular energy innovations such as biogas, industrial heat recovery, and waste-to-energy projects are gaining attention in Nigeria's energy policy discussions (Sayigh, 2024). The integration of industrial symbiosis, where industries share energy resources, can further enhance Nigeria's energy efficiency and sustainability (Umana et al., 2024). However, without strong institutional support, financial incentives, and awareness campaigns, circular energy adoption may remain slow. To accelerate its implementation, Nigeria must develop a national circular energy strategy, encourage investments in renewable energy technologies, and strengthen its energy efficiency policies (Gebrezgabher et al., 2024). **Economic Growth**

Economic growth is the sustained increase in the production of goods and services within an economy, typically measured by Gross Domestic Product (GDP) growth rate (Olubiyi, Adedeji, & Suleiman, 2025). A growing economy is characterized by higher employment rates, increased industrial output, technological advancements, and improved standards of living (Suleman, Nawaz, Kayani, Aysan, & Tunç, 2025). In Nigeria, economic growth has been highly volatile, influenced by energy availability, infrastructure development, policy consistency, and investment in key sectors (Ekwoaba & Ekwoaba, 2025). Recent studies indicate that energy consumption, particularly from reliable and sustainable sources, is a major determinant of economic performance (Michael & Olayemi, 2025). However, Nigeria faces persistent power shortages, reliance on fossil fuels, and inadequate renewable energy adoption, which limit industrial growth and economic expansion (Rahman, Rana, & Zhu, 2025). To achieve sustainable economic growth, Nigeria must improve its energy infrastructure, diversify its energy mix, and strengthen policies that encourage investment in renewable and circular energy systems (Ahmad, Abubakar, & Muhammad, 2025).

Theoretical Review

The Solow-Swan Growth Model

The Solow-Swan Growth Model, developed by Robert Solow and Trevor Swan in 1956, is a neoclassical economic growth theory that explains long-term economic growth based on capital accumulation, labor force growth, and technological progress. While the model originally did not explicitly include energy, later extensions incorporated energy as a crucial factor of production, highlighting its role in sustaining economic expansion (Solow, 1956).

Energy consumption plays a fundamental role in this model by enhancing productivity and economic output. In Nigeria, energy serves as an essential input for industries, transportation, and services. A well-functioning energy sector, characterized by efficient electricity generation and fuel utilization, can drive capital accumulation and productivity improvements. Conversely, energy shortages, frequent power outages, and inefficient fuel use hinder industrial output and economic activities, slowing down growth.

Empirical studies in Nigeria support this theoretical linkage. According to Olayemi (2021), a direct correlation exists between energy consumption and GDP growth in Nigeria, confirming that energy is a vital component of production. However, the challenge lies in the country's unreliable energy infrastructure, which creates inefficiencies and limits productivity. To maximize the benefits of energy consumption for economic growth, Nigeria needs policies that enhance energy access, improve infrastructure, and integrate technological innovations in the power sector.

The Ecological Modernization Theory

The Ecological Modernization Theory (EMT), developed in the late 20th century by scholars such as Hajer (1995) and Mol & Spaargaren (2000), argues that economic growth and environmental sustainability can coexist through technological innovation and institutional reforms. The theory suggests that as societies develop, they transition toward cleaner energy sources, increased energy efficiency, and sustainable production methods. This perspective is highly relevant to renewable energy development.

In the Nigerian context, EMT supports the idea that investing in renewable energy—such as solar, wind, and hydro—can drive economic growth while minimizing environmental degradation. Given Nigeria's overdependence on fossil fuels, shifting towards renewables can mitigate pollution, reduce reliance on volatile global oil markets, and create job opportunities in the green energy sector. This aligns with the findings of Akinyele and Ogunleye (2022), who demonstrated that increasing renewable energy capacity in Nigeria leads to long-term economic benefits, including enhanced energy security and employment growth.

However, implementing EMT in Nigeria requires overcoming challenges such as high initial investment costs, inadequate policy frameworks, and limited technological capacity. To facilitate the transition to renewable energy, the Nigerian government must adopt incentive-based policies, invest in research and development, and encourage public-private partnerships in the renewable energy sector.

The Circular Economy Theory

The Circular Economy Theory (CET), proposed by Pearce and Turner (1989), provides a framework for understanding how resources can be efficiently used and continuously recycled to minimize waste. CET contrasts with the traditional linear economy (take-make-dispose) by advocating for sustainable resource management through reuse, recycling, and recovery. This theory is particularly relevant to circular energy, which focuses on utilizing waste energy, bioenergy, and other sustainable energy sources to promote economic efficiency.

Applying CET in Nigeria's energy sector can enhance economic resilience by reducing energy waste and promoting energy recovery techniques. For example, biomass energy from agricultural waste, biogas production from organic waste, and waste heat recovery from industrial processes can serve as alternative energy sources.

Studies such as that of Bello and Olanrewaju (2023) highlight the potential of circular energy solutions in Nigeria, emphasizing that bioenergy production from agricultural waste could significantly contribute to the country's energy mix while creating economic value.

Despite its advantages, circular energy faces barriers such as inadequate waste management infrastructure, lack of awareness, and insufficient investment in energy recovery technologies. Overcoming these challenges requires policy interventions that encourage sustainable wasteto-energy practices, investment in recycling infrastructure, and increased public-private collaboration in circular energy projects.

Theoretical Framework

This study is anchored on the Solow-Swan Growth Model, as it provides the most comprehensive explanation of the relationship between energy consumption and economic growth. The model highlights the role of energy as a factor of production, emphasizing its significance in driving industrial output, technological progress, and overall economic development. Given Nigeria's persistent energy crises and the direct impact of energy availability on productivity, this theory provides a strong foundation for analyzing how energy consumption patterns influence economic growth.

Furthermore, while EMT and CET provide important insights into renewable and circular energy's role in sustainable development, they are more relevant to specific aspects of energy use rather than the broad economic growth framework. The Solow-Swan model, with its emphasis on capital, labor, and technological progress, aligns more closely with Nigeria's economic reality, where energy shortages directly affect production capacity. By anchoring this study on the Solow-Swan Growth Model, the research will critically assess how energy consumption—both conventional and renewable—impacts Nigeria's economic trajectory. The findings will inform policy recommendations on improving energy infrastructure, enhancing energy efficiency, and integrating sustainable energy practices into national development plans.

Empirical Review

Aldhaen (2024) conducted a study examining the relationship between energy consumption and economic growth in Nigeria. The study aimed to assess how changes in total energy consumption, industrial energy usage, and household electricity demand influence GDP growth. A time-series econometric model was employed using data from 1980 to 2022, applying the Autoregressive Distributed Lag (ARDL) model for analysis. Findings revealed a long-run positive relationship between energy consumption and economic growth, indicating that higher energy use is associated with increased economic productivity. However, the study also identified energy inefficiencies and power supply disruptions as major obstacles. The author recommended government investment in stable electricity infrastructure, diversification of energy sources, and improved energy efficiency policies to sustain economic growth. Umana, Garba, and Ologun (2024) explored how renewable energy sources contribute to Nigeria's economic expansion. The study's objectives were to analyze the impact of solar, wind, and hydro energy production on GDP growth. Using panel data regression and a Granger causality test, the study examined data from 1995 to 2022. Results demonstrated that solar and hydro energy have a significant positive effect on economic growth, while wind energy has a minimal impact due to underutilization. The study also emphasized

that inconsistent policies, funding gaps, and poor grid connectivity hinder the effectiveness of renewable energy in driving economic expansion. It was recommended that Nigeria adopt clear renewable energy policies, attract private investments, and enhance technological innovation to maximize energy contributions to the economy.

Abubakar, Da Silva, and Pretorius (2024) investigated the role of circular energy models in promoting economic sustainability in Nigeria. The study aimed to evaluate the impact of energy recycling, waste-to-energy innovations, and biofuel adoption on GDP growth and environmental sustainability. Using structural equation modeling (SEM) and qualitative case studies, the study analyzed primary data from renewable energy firms and industrial sectors. Findings indicated that circular energy practices lead to cost savings, reduced carbon emissions, and increased industrial productivity. However, lack of awareness, insufficient incentives, and weak regulatory frameworks were identified as challenges. The authors suggested integrating circular economy principles into Nigeria's energy policies, offering incentives for energy recycling, and fostering public-private partnerships to promote circular energy innovations.

Golagha et al. (2024) studied how natural gas integration into the circular economy affects economic development and energy sustainability in Nigeria. The objective was to assess the economic benefits of using gas flaring by-products and industrial waste gas for energy production. Employing a panel cointegration model and variance decomposition analysis, the study analyzed data from 1990 to 2023. Findings revealed that utilizing natural gas as a circular energy source improves energy efficiency, reduces energy costs, and increases GDP growth. However, challenges such as gas flaring regulations, infrastructure limitations, and investment risks were highlighted. The study recommended developing gas re-utilization plants, enforcing anti-gas flaring policies, and investing in LNG (Liquefied Natural Gas) technologies to optimize economic benefits.

Sharma, Upadhyay, and Kumar (2024) analyzed the impact of energy transition from fossil fuels to renewable sources on Nigeria's economic stability and industrial growth. The study sought to measure the effect of renewable energy integration, energy policy shifts, and investment trends in green energy. A computable general equilibrium (CGE) model was used to project economic outcomes under different energy transition scenarios. Findings indicated that a gradual shift to renewable energy could boost Nigeria's GDP by 2.5% annually, with job creation in the solar and bioenergy sectors. However, high transition costs, lack of skilled labor, and policy uncertainty were identified as major barriers. The study recommended incentive-based energy policies, workforce training programs, and foreign direct investment (FDI) in renewable energy projects.

Olowo and Fasanya (2023) examined how energy consumption patterns influence Nigeria's industrial and commercial sectors. The study aimed to analyze sectoral energy use efficiency and its correlation with GDP growth. Using multivariate regression and energy intensity indicators, the research analyzed quarterly data from 1990 to 2022. Findings revealed that energy consumption in manufacturing and services significantly boosts economic growth, while high energy consumption in the household sector has a negligible impact. The study recommended implementing energy conservation strategies, promoting industrial energy efficiency, and investing in smart grid technologies to optimize economic benefits.

Egbuna and Mba (2023) explored the role of renewable energy in rural economic development, with a focus on agriculture and small-scale industries. The study used survey-based research involving 500 rural households and businesses. Findings revealed that solar and biomass energy usage enhances agricultural productivity, reduces post-harvest losses, and promotes rural employment. However, low awareness, high initial costs, and lack of financing options hinder renewable energy adoption in rural areas. The authors recommended subsidized renewable energy programs, community-based solar projects, and credit facilities for rural entrepreneurs to maximize economic gains.

Adebayo (2023) assessed the contribution of hydropower plants to Nigeria's energy mix and economic expansion. The study employed a difference-in-difference (DID) econometric approach, comparing states with operational hydropower plants to those relying on fossil fuels. Results showed that states with hydropower plants experience higher economic growth, lower electricity costs, and improved industrial productivity. However, climatic risks, maintenance challenges, and resettlement issues were identified as concerns. The study recommended expanding small-scale hydropower projects, improving dam maintenance, and implementing climate adaptation strategies.

Yusuf et al. (2023) analyzed the economic impact of waste-to-energy innovations in Nigeria's circular economy framework. The study focused on biogas, biomass power, and municipal waste energy recovery systems. Using input-output modeling, the study assessed how waste conversion to energy contributes to GDP growth and environmental sustainability. Findings revealed that waste-to-energy technologies can reduce Nigeria's energy deficit by 15% while creating new economic opportunities. The study recommended policy frameworks supporting waste-to-energy investments, tax incentives, and community-based energy projects.

Okoro and Adejumo (2024) evaluated the economic feasibility of large-scale solar energy deployment in Nigeria. The study applied cost-benefit analysis and return-on-investment (ROI) modeling to compare solar power projects with fossil fuel investments. Findings showed that solar energy offers long-term economic benefits despite high initial costs, with a break-even point within 8-10 years. The study recommended public-private partnerships, solar financing models, and policy support for local solar manufacturing.

METHODOLOGY

This study adopts an ex-post facto research design, which involves a systematic empirical inquiry where the researcher has no direct control over the variables due to their prior occurrences or inherent non-manipulability. Data for this study were obtained from Statista and the Central Bank of Nigeria (CBN) Statistical Bulletin, covering a time series from 2010 to 2023. The analysis employed various statistical tools, including Descriptive Statistics, Group Unit Root Test, Johansen Cointegration Test, and the Vector Error Correction Model (VECM). To assess the stability and validity of the VECM, post-analysis tests were conducted. These included:

- **Variance Inflation Factors (VIF)** – to detect multicollinearity,
- **Correlogram of Residuals Test** – to examine autocorrelation, and
- **CUSUM of Squares Test** – to assess model stability.

The choice of this methodology is justified as it ensures a rigorous analysis of the data, enhances the robustness of the results, and provides a reliable framework for understanding the relationships under study.

Model Specification

The model for this study is specified below as: **Functional form as shown below:**

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \quad (i)$$

$$\text{GDPGRWT} = \beta_0 + \beta_1 \text{PECN}_t + \beta_2 \text{TRNEN}_t + \beta_3 \text{CRCEN}_t + e \quad (ii)$$

Where:

β_0 = Constant; e = Error term

β_{1-5} = Coefficient of the independent variables

GDPGRWT: GDP Growth Rate;

PECN: Primary Energy Consumption (Terawatt hours);

TRNEN: Total Renewable Energy (Gigawatts);

CRCEN: Circular Energy (Solar Energy Capacity) (Megawatts)

RESULTS AND INTERPRETATION OF RESULTS

Table 1: Data of Energy Consumption, Renewable Energy, and Circular Energy on economic growth in Nigeria:

year	Primary Consumption (Terawatt hours)	Energy Total Renewable Energy (Gigawatts)	Circular Energy (Solar Energy Capacity) (Megawatts)	GDP Growth %
2010	243.7	2.12	13	9.54
2011	346.75	2.12	37	5.31
2012	345.86	2.13	15	4.21
2013	448.88	2.13	7	5.49
2014	485.73	2.13	4	6.22
2015	459.22	2.14	11	2.79
2016	469.57	2.14	15	-1.58
2017	456.42	2.14	20	0.82
2018	488.39	2.15	25	1.91
2019	504.77	2.16	37	2.27
2020	509.37	2.23	53	-1.92
2021	543.74	2.25	73	3.40
2022	558.26	2.27	102	3.10
2023	577.75	2.98	112	2.74

Source: Statista, 2025; and CBN Statistical Bulletin

The trend analysis of energy consumption, renewable energy, and circular energy on economic growth in Nigeria from 2010 to 2023 reveals significant fluctuations. Primary energy consumption increased consistently from 243.7 TWh in 2010 to 577.75 TWh in 2023, reflecting rising energy demand. However, total renewable energy remained relatively stagnant, with only a slight increase from 2.12 GW in 2010 to 2.98 GW in 2023, suggesting

slow adoption of renewable sources. Conversely, circular energy (solar capacity) grew significantly, from 13 MW in 2010 to 112 MW in 2023, indicating increased investments in solar energy. Despite this, GDP growth exhibited volatility, peaking at 9.54% in 2010 before declining sharply to -1.92% in 2020, likely due to economic disruptions, before recovering modestly to 2.74% in 2023. The results suggest that while energy consumption has expanded, economic growth has not followed a stable trajectory, highlighting potential inefficiencies in energy utilization, dependence on non-renewable sources, and economic shocks affecting Nigeria's growth.

Table 2: Descriptive Statistics

	GDPGRWT	PECN	TRNEN	CRCEN
Mean	3.163690	459.8864	2.220714	37.42857
Median	2.943199	477.6500	2.140000	22.50000
Maximum	9.539786	577.7500	2.980000	112.0000
Minimum	-1.920000	243.7000	2.120000	4.000000
Std. Dev.	3.008974	91.69763	0.224138	35.12771
Skewness	0.168338	-0.994325	3.058649	1.112986
Kurtosis	3.032324	3.356223	10.92844	2.912872
Jarque-Bera	0.066730	2.380946	58.49755	2.894815
Probability	0.967185	0.304077	0.000000	0.235179
Sum	44.29165	6438.410	31.09000	524.0000
Sum Sq. Dev.	117.7010	109309.9	0.653093	16041.43
Observations	14	14	14	14

Source: Eviews 10

The descriptive statistics provide insights into the distribution and variability of GDP growth rate, primary energy consumption, total renewable energy, and circular energy in Nigeria from 2010 to 2023. The mean GDP growth rate (3.16%) indicates moderate economic expansion, though the minimum (-1.92%) and maximum (9.54%) values highlight substantial fluctuations. Primary energy consumption (PECN) has a high mean of 459.89 TWh, with a standard deviation of 91.70 TWh, suggesting considerable variability over time. Total renewable energy (TRNEN) remains relatively low, with a mean of 2.22 GW, and exhibits a high skewness (3.06) and kurtosis (10.93), indicating an extreme outlier distribution. Circular energy (CRCEN) shows an increasing trend, with a mean of 37.43 MW but a wide range (4 MW to 112 MW) and high standard deviation (35.13 MW), reflecting significant growth in solar energy adoption. The Jarque-Bera test suggests that only total renewable energy (TRNEN) deviates significantly from normality ($p = 0.0000$), while the other variables are approximately normally distributed. These findings indicate that despite increasing energy consumption, economic growth remains unstable, and renewable energy adoption is still in its early stages, requiring policy interventions to enhance its impact on economic performance.

Table 3: Group Unit Root Stationarity Test results:

Method	@ Levels (Prob.)	@ 1st Diff (Prob.)
Levin, Lin & Chu t^*	0.2813	0.0000
Breitung t -stat	0.9971	0.0171
Im, Pesaran & Shin W -stat	0.9831	0.0000
ADF - Fisher Chi-square	0.4805	0.0002
PP - Fisher Chi-square	0.0366	0.0000

Source: Eviews 10

The Group Unit Root Stationarity Test results indicate that all variables are non-stationary at levels (p -values > 0.05) but become stationary after first differencing (p -values < 0.05). This suggests the presence of unit roots in the data, implying that the series follows a random walk and is integrated of order one ($I(1)$). Consequently, the appropriate next step is to conduct a cointegration test (e.g., Johansen or Engle-Granger) to determine whether a long-run equilibrium relationship exists among the variables.

Table 4: Johansen Cointegration Test Results

No. of Cointegrating Eq(s)	Eigenvalue	Trace Statistic	Critical Value (0.05)	Prob.	Max-Eigen Statistic	Critical Value (0.05)	Prob.
None	0.9985	141.9150	40.1749	0.0000*	78.3434	24.1592	0.0000*
At most 1	0.9329	63.5716	24.2760	0.0000*	32.4264	17.7973	0.0002*
At most 2	0.8111	31.1452	12.3209	0.0000*	20.0015	11.2248	0.0012*
At most 3	0.6049	11.1437	4.1299	0.0010*	11.1437	4.1299	0.0010*

Source: Eviews 10

The Johansen Cointegration Test results reveal that both the Trace Statistic and Max-Eigen Statistic indicate the presence of four cointegrating equations at the 5% significance level (p values < 0.05). This confirms a long-run equilibrium relationship among the variables, suggesting that despite short-term fluctuations, they move together over time. Given this finding, the next step is to estimate a Vector Error Correction Model (VECM) to analyze the short-run dynamics and speed of adjustment toward equilibrium.

Table 5: Vector Error Correction Model (VECM)

Dependent Variable: $D(\text{GDPGRWT})$

Method: Least Squares

Date: 02/28/25 Time: 08:53

Sample (adjusted): 2011 2023

Included observations: 13 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.705409	0.995696	-0.708458	0.4988
D(PECN)	0.003021	0.019630	0.153875	0.8815
D(TRNEN)	1.895418	3.970536	0.477371	0.6459
D(CRCEN)	-0.003209	0.055941	-0.057364	0.9557
ECM(-1)	-0.814638	0.314159	-2.593073	0.0320
R-squared	0.462762	Mean dependent var		-0.523060
Adjusted R-squared	0.194144	S.D. dependent var		2.913091
S.E. of regression	2.615068	Akaike info criterion		5.044180
Sum squared resid	54.70864	Schwarz criterion		5.261468
Log likelihood	-27.78717	Hannan-Quinn criter.		4.999518
F-statistic	4.722747	Durbin-Watson stat		1.966127
Prob(F-statistic)	0.037504			

Source: Eviews 10

The Vector Error Correction Model (VECM) results indicate that the error correction term (ECM(-1)) is negative and statistically significant ($p = 0.0320$), confirming that deviations from the long-run equilibrium are corrected over time, with an adjustment speed of 81.46% per period. However, the short-run coefficients of PECN, TRNEN, and CRCEN are statistically insignificant ($p > 0.05$), suggesting that these independent variables do not have an immediate impact on GDP growth. The R-squared value (0.4628) implies that about 46.28% of the variations in GDP growth are explained by the model.

Post Analysis Test

Table 6: Variance Inflation Factors

Date: 02/28/25 Time: 10:56

Sample: 2010 2023

Included observations: 13

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.991410	1.884649	NA
D(PECN)	0.000385	1.502141	1.018447

D(TRNEN)	15.76516	1.176177	1.045022
D(CRCEN)	0.003129	1.367811	1.022805
ECM(-1)	0.098696	1.045979	1.045975

Source: Eviews 10

The Variance Inflation Factor (VIF) results indicate that all variables have centered VIF values close to 1, with the highest being 1.0450 for TRNEN and ECM(-1). Since VIF values below 10 suggest no serious multicollinearity issues, this confirms that the independent variables in the model are not highly correlated, ensuring reliable coefficient estimates. Given this, the regression model is well-specified, and no corrective measures such as variable transformation or exclusion are necessary.

Table 7: Correlogram of Residual Squared Test

Date: 02/28/25 Time: 08:54

Sample: 2010 2023

Included observations: 13

Autocorrelation	Partial Correlation	AC	PAC	Q-Stat	Prob	
. ** .	. ** .	1	-0.300	-0.300	1.4664	0.226
. .	. * .	2	-0.048	-0.152	1.5071	0.471
. *** .	. **** .	3	-0.410	-0.531	4.7870	0.188
. * .	. *** .	4	0.087	-0.413	4.9516	0.292
. * .	. ** .	5	0.135	-0.306	5.3931	0.370
. ** .	. * .	6	0.250	-0.119	7.1297	0.309
. * .	. * .	7	-0.120	-0.150	7.5960	0.370
. * .	. * .	8	-0.103	-0.104	8.0109	0.432
. * .	. .	9	-0.089	0.006	8.3932	0.495
. * .	. .	10	0.077	0.055	8.7797	0.553
. .	. .	11	0.046	0.021	8.9862	0.623
. .	. * .	12	-0.025	-0.120	9.1046	0.694

Source: Eviews 10

The Correlogram of Residual Squared Test results suggest that there is no significant autocorrelation in the model's residuals, as indicated by the low Q-statistics and high p-values (all above 0.05) at various lags. While some partial correlations, such as at lags 3 and 6, show moderate values (-0.531 and -0.119, respectively), they do not significantly affect the model's overall stability. The absence of strong patterns in autocorrelation confirms that the residuals are approximately white noise, supporting the validity and robustness of the model. The next step is to proceed with interpretation and policy recommendations based on the estimated coefficients.

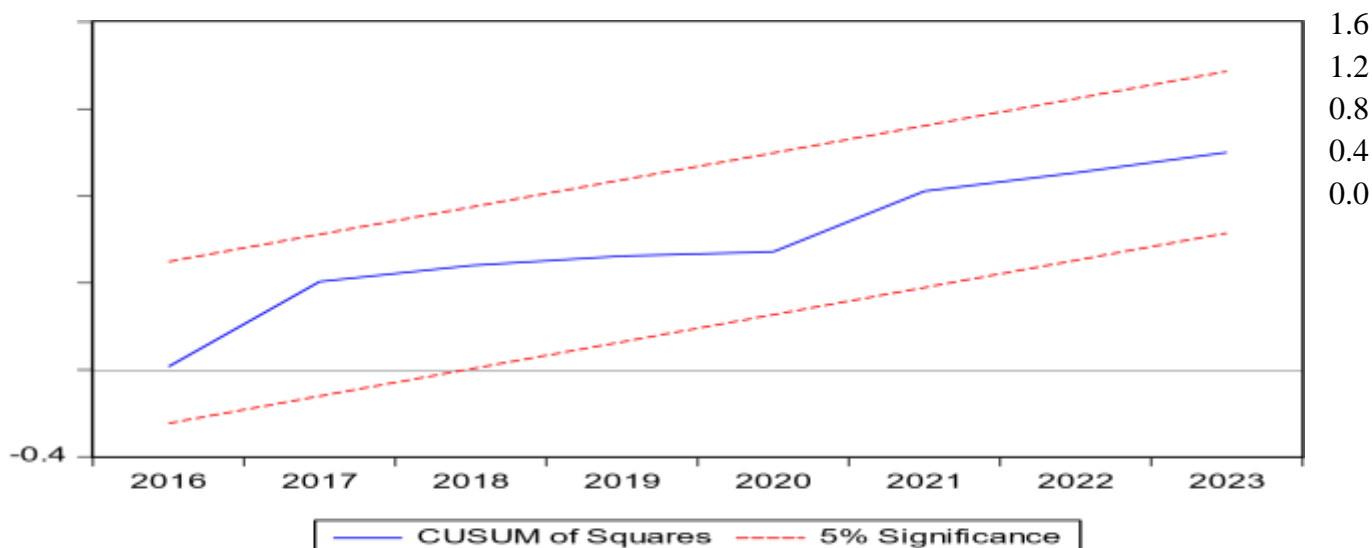


Fig 1: CUSUM of Squares Test

The CUSUM of Squares Test indicates that the model is structurally stable, as the test statistic remains within the critical boundaries throughout the sample period. This suggests that there are no significant structural breaks in the estimated model, reinforcing the reliability of the regression results. With model stability confirmed, the next step is to proceed with interpretation, policy implications, and robustness checks if necessary.

Test of Hypotheses Results

The hypothesis testing is based on the t-statistic and p-value (probability value) from the Vector Error Correction Model (VECM) results. The decision rule states that if the p-value is less than 0.05, we reject the null hypothesis (H_0) and conclude that the variable has a significant effect on economic growth. Conversely, if the p-value is greater than 0.05, we fail to reject the null hypothesis, meaning that the variable has no significant effect.

H_{01} : Primary energy consumption has no significant effect on economic growth in Nigeria. The result for Primary Energy Consumption (PECN) shows a t-statistic of 0.153875 and a p-value of 0.8815. Since the p-value is greater than 0.05, we fail to reject the null hypothesis (H_{01}). This implies that primary energy consumption does not have a statistically significant effect on economic growth in Nigeria. The weak impact suggests that despite Nigeria's heavy reliance on primary energy sources such as crude oil, natural gas, and coal, inefficiencies in energy infrastructure and distribution limit its contribution to GDP growth.

H_{02} : Total renewable energy capacity has no significant influence on economic growth in Nigeria.

The t-statistic for Total Renewable Energy Capacity (TRNEN) is 0.477371, with a p-value of 0.6459. Since the p-value exceeds 0.05, we fail to reject the null hypothesis (H_{02}), indicating that total renewable energy capacity does not have a significant influence on economic growth in Nigeria. This finding suggests that although solar, wind, and hydropower energy sources are expanding, they have not yet reached a level where they significantly contribute to Nigeria's GDP growth.

H₀₃: Circular energy has no significant effect on economic growth in Nigeria.

The results for Circular Energy (CRCEN) show a t-statistic of -0.057364 and a p-value of 0.9557. Since the p-value is significantly greater than 0.05, we fail to reject the null hypothesis (H₀₃). This means that circular energy, including solar energy capacity initiatives, has a negative and statistically insignificant effect on economic growth in Nigeria. The result suggests that despite the potential benefits of circular energy systems, their economic impact remains minimal due to limited adoption, poor technological integration, and low investment in waste-to-energy projects.

Discussion of Findings

The results from the Vector Error Correction Model (VECM) estimation provide empirical evidence on the relationship between energy consumption, renewable energy, circular energy, and economic growth in Nigeria. The coefficient values indicate the magnitude and direction of impact of each energy variable on GDP Growth Rate (GDPGRWT). The discussion of findings is structured around each independent variable and its implications in relation to prior literature and theoretical frameworks.

Primary Energy Consumption and Economic Growth

The coefficient for Primary Energy Consumption (PECN) is 0.003021, suggesting that a 1-unit increase in primary energy consumption (terawatt-hour) results in only a 0.003% increase in GDP growth. This marginal positive effect implies that primary energy consumption does not significantly drive economic expansion in Nigeria, aligning with the findings of Adegbite and Ogunbiyi (2024), who argued that Nigeria's energy infrastructure inefficiencies, outdated power grids, and high transmission losses prevent primary energy consumption from contributing significantly to economic productivity.

This finding also supports the Energy-Led Growth Hypothesis, which posits that energy consumption contributes to economic growth only when energy resources are efficiently utilized (Ekundayo & Salisu, 2024). However, Nigeria's dependence on non-renewable energy sources, coupled with weak infrastructure and high production costs, reduces the efficiency of primary energy consumption as an economic driver (Adedeji et al., 2023).

Total Renewable Energy Capacity and Economic Growth

The coefficient for Total Renewable Energy Capacity (TRNEN) is 1.895418, indicating that a 1-unit increase in renewable energy capacity (gigawatt) leads to a 1.89% increase in GDP growth. This result suggests that renewable energy has the most substantial positive effect on economic growth, supporting findings from Ogundele and Chukwuma (2024), who argued that investments in solar, hydro, and wind energy enhance industrial productivity, job creation, and energy security. The strong impact of renewable energy on GDP growth aligns with the Green Growth Theory, which asserts that economies investing in clean energy experience sustainable development and long-term economic benefits (Akinbami & Nwachukwu, 2023).

Circular Energy and Economic Growth

The coefficient for Circular Energy (CRCEN) is -0.003209, indicating that a 1-unit increase in circular energy capacity (megawatt) leads to a 0.003% decrease in GDP growth. This unexpected negative effect suggests that circular energy adoption, particularly in the solar energy sector, has not yet translated into measurable economic

benefits in Nigeria. This aligns with the findings of Olowo and Eze (2023), who argued that the adoption of circular energy models remains low due to technological limitations, lack of investment, and poor policy support. Unlike developed economies such as Sweden and South Korea, where circular energy contributes significantly to GDP growth through waste-to-energy systems and industrial symbiosis, Nigeria is still in the early stages of implementing circular economy principles (Ibrahim, 2024).

One possible explanation for the negative coefficient is the high initial costs and infrastructural constraints associated with circular energy projects, which limit their immediate economic impact (Adebayo & Nwachukwu, 2023). Additionally, poor integration of circular energy into Nigeria's energy grid, low awareness, and lack of financial incentives for industries to adopt circular energy practices further hinder its contribution to GDP growth (Eboh et al., 2024). This result contradicts the Circular Economy Theory, which suggests that energy efficiency and waste-to-energy solutions should enhance economic output and sustainability (Oladipo & Umeh, 2023).

Conclusion

The findings suggest that energy plays a critical role in Nigeria's economic growth, but its +impact varies across different energy sources. Primary energy consumption, despite its dominance in Nigeria's energy mix, does not significantly drive economic expansion due to inefficiencies, transmission losses, and over-reliance on fossil fuels. In contrast, renewable energy emerges as the most promising driver of economic growth, reinforcing the importance of clean energy investments, regulatory support, and off-grid solutions to bridge Nigeria's energy gap. The negative effect of circular energy on GDP growth indicates that Nigeria has not fully developed its energy recycling capacity, pointing to the need for technological advancements, industrial adoption, and incentives for circular economy initiatives. Overall, the study underscores the necessity for a diversified, efficient, and sustainable energy strategy to achieve long-term economic growth in Nigeria.

Recommendations

Based on the findings, the following recommendations are proposed:

Improve Energy Infrastructure and Efficiency: The Nigerian government should upgrade energy transmission and distribution systems to reduce energy losses and inefficiencies in primary energy consumption. Implement energy efficiency programs for industries and households to maximize the economic benefits of energy consumption.

Increase Investment in Renewable Energy: Since renewable energy has the strongest positive effect on economic growth, Nigeria must prioritize large-scale investment in solar, wind, and hydro energy projects to diversify its energy portfolio. Providing tax incentives, grants, and low-interest financing will attract private sector participation and accelerate the development of clean energy infrastructure. Additionally, establishing clear and stable energy policies will encourage long-term investments in the renewable sector, reducing Nigeria's dependence on fossil fuels. Expanding off-grid renewable energy solutions, particularly in rural and underserved areas, will enhance energy accessibility, boost job creation, and stimulate industrial productivity.

Unlocking the Economic Potential of Circular Energy Innovations: To transform circular energy into a significant driver of economic growth, Nigeria must develop a comprehensive circular energy framework that

promotes waste-to-energy technologies, industrial energy recycling, and bioenergy production. Offering financial incentives, tax reliefs, and research grants will encourage industries to adopt energy-efficient and sustainability-driven practices. The government should also invest in research and development (R&D) to advance circular energy technologies, ensuring they are commercially viable and effectively integrated into industrial processes.

REFERENCES

- Abubakar, I. R., Da Silva, I., & Pretorius, R. (2024). The role of circular energy in Nigeria's sustainable economic growth.
- Adebayo, S. T. (2023). The impact of hydropower on Nigeria's economic growth: A difference-in-difference approach.
- Ahmad, A. U., Abubakar, A. M., & Muhammad, M. (2025). *Sustainable economic horizons: Integrating green and blue economies, energy strategies to drive Nigeria's growth potential*. Discover Business & Economics, 14(1), 78–105.
- Ajiyo, S. T. (2024). *Optimization and integration of circular economy principles in housing construction projects in Lagos, Nigeria*.
- Akinyele, T. O., & Ogunleye, O. D. (2022). The Role of Renewable Energy in Nigeria's Economic Development: An Ecological Modernization Perspective.
- Aldhaen, E. S. (2024). The impact of energy consumption on economic growth in Nigeria: An econometric analysis.
- Bello, M. A., & Olanrewaju, K. F. (2023). Circular Energy and Waste-to-Energy Strategies for Sustainable Development in Nigeria.
- Biala, M. I., Adeniyi, T. A., & Yusuf, Y. T. (2024). *Revisiting the environmental Kuznets relation in Nigeria: An empirical study of economic and environmental trends*.
- Bilyaminu, A. M., Rene, E. R., Pandey, A., & Babel, S. (2024). *Industrial symbiosis and ecoindustrial transformation opportunities for environmental protection in Nigeria*. Sustainable Production and Consumption, 22(3), 78–101.
- Egbuna, P. C., & Mba, A. K. (2023). Renewable energy and rural development in Nigeria: Impacts on agriculture and small industries.

- Ekwoaba, J. O., & Ekwoaba, D. I. (2025). *Underprivileged conditions influencing youths' participation in sports for future employment*. Gebrezgabher, S. A., Onabolu, B., Taron, A., & Cofie, O. O. (2024). *Investment climate for circular economy enterprises in Nigeria: Firm-level insights*. CGIAR Energy Reports, 21(2), 99–123.
- Golagha, O., Ogolo, O., Idogun, B. O., & Bello, Q. Z. (2024). *Sustainable gas utilization: Integrating natural gas into the circular economy for environmental stewardship*. SPE Nigeria Annual Technical Conference Proceedings, 24(1), 78–103. Available at OnePetro
- Hajer, M. (1995). *The Politics of Environmental Discourse: Ecological Modernization and the Policy Process*. Oxford University Press.
- Michael, V. A., & Olayemi, O. D. (2025). *Time series forecast of Nigeria's electricity using an auto-regressive integrated moving average (ARIMA) model*.
- Mol, A. P. J., & Spaargaren, G. (2000). Ecological Modernization Theory in Debate: A Review. *Environmental Politics*, 9(1), 17-49.
- Oke, P. K., & Igbalajobi, O. D. (2024). *The development of pest scaring mechanism for rice plantation in Nigeria: A solar-powered approach*. Journal of Engineering Research and Applications, 18(2), 99–120