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RESEARCH ARTICLE

Assessing the Impact of Economic Growth, Energy Consumption, and Trade Openness on Carbon Emissions in Nigeria

Amiru Lawal Balarabe[1*], Fatima Ahmed[2], Zainab Onozare Maiyaki[1], Sama'ila Iliyasu[1]

[1]Department of Business Administration, Federal University Gusau, Zamfara State, Nigeria
[2]Department of Business Administration, Kaduna Polytechnic, Kaduna, Nigeria

Corresponding Author: Amiru Lawal Balarabe. Email: alawalbalarabe@gmail.com
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Abstract
Despite global efforts to address climate change, many developing economies face the challenge of balancing economic growth with rising carbon emissions. This study investigates this critical issue in Nigeria by examining the impact of economic growth, energy consumption, and trade openness on carbon emissions. Utilizing a robust econometric approach with time-series data, the research employs advanced modeling techniques to capture both short-run dynamics and long-run relationships, while also accounting for structural complexities and potential feedback loops. The findings indicate that economic expansion remains significantly linked to increased emissions, and energy use emerges as a dominant factor driving environmental degradation. Contrary to some hypotheses, trade openness appears to offer a potential pathway for emissions reduction. These results underscore the urgent need for context-specific strategies in Nigeria that prioritize decoupling growth from emissions, accelerating the transition to cleaner energy sources, and strategically leveraging trade to promote sustainable development. The study provides evidence-based information to guide policymakers in managing the nation's climate challenges and pursuing a sustainable future.

Keywords: Economic growth; Energy consumption; Trade openness; Carbon emissions; Nigeria.

Introduction

The global discourse on environmental sustainability increasingly underscores the pivotal role of carbon dioxide (CO_2) emissions in driving climate change. As a primary greenhouse gas, CO_2 is strongly associated with rising global temperatures, erratic weather patterns, and widespread ecological disturbances (IPCC, 2023). Despite these challenges, global progress has been made through renewable energy advancements, carbon sequestration technologies, and multilateral agreements such as the Paris Accord, demonstrating that emission reduction and economic growth are not mutually exclusive (IEA, 2022). Developed countries have achieved significant decoupling of growth from emissions via policy innovations and green technologies (OECD, 2021). Conversely, many developing economies continue to grapple with the emissions-growth trade-off, where industrial expansion and trade liberalization contribute to rising carbon footprints (World Bank, 2023). Nigeria stands as a compelling case in this regard. Although the country contributes less than 1% to global CO_2 emissions, its carbon output has grown at an annual rate of 5.2%, primarily due to urbanization, reliance on fossil fuels, and deforestation (Global Carbon Atlas, 2023). The economy's dependence on crude oil and gas, responsible for over 70% of state revenue and 90% of exports—has entrenched carbon-intensive growth models (NNPC, 2022). While GDP growth has averaged 2.5% in the last decade, energy consumption has increased by 4.8% annually, reflecting patterns predicted by the environmental Kuznets curve (EKC) hypothesis, which posits that emissions rise in early industrialization stages before declining with economic maturity (Dada & Akinbode, 2021). Nigeria's alignment with this trajectory remains ambiguous, warranting empirical evaluation. Economic growth in Nigeria, while integral to development, has exacerbated environmental degradation. Though growth fosters infrastructure, employment, and poverty alleviation, its carbon intensity remains high. Adeniyi, Adewuyi, and Ogunbiyi (2021) affirm a positive correlation between GDP and emissions in Nigeria, challenging the EKC's inverted-U relationship. Ozturk and Acaravci (2020) further support this anomaly, linking the emissions increase to weak policy incentives for green technologies. Sectors such as manufacturing and transport, contributing roughly 25% of national emissions, continue to rely on diesel and petrol (NBS, 2023). Without renewable energy integration, Nigeria's growth is likely to remain unsustainable (Ike, Olurinola, & Adediran, 2021).

Energy consumption is another key factor driving emissions. Nigeria's energy mix—dominated by gas (48%), oil (38%), and biomass (12%)—shows limited adoption of clean energy sources (IEA, 2023). Despite low per capita electricity consumption (144 kWh), most power generation is gas-based, emitting 0.4 metric tons of CO_2 per MWh (United Nations Development Programme [UNDP], 2022). In rural areas, 55% of the population depends on firewood and kerosene, contributing to deforestation and indoor air pollution (Emodi, Emodi, & Murthy, 2021). Although transitioning to renewables could cut emissions by 30% by 2030, policy inertia and inadequate financing stall progress (Bala, Kuku, & Okafor, 2023). The 2022 Energy Transition Plan targets net-zero by 2060, but inconsistent regulation and fuel subsidies undermine implementation (PwC, 2023). Trade openness further complicates Nigeria's emissions outlook. While trade expansion has boosted GDP and foreign direct investment (FDI), it has also intensified the carbon content of imports and exports (Okonkwo, Ekesiobi, & Asongu, 2021). With a trade-to-GDP ratio averaging 25%, the country increasingly imports carbon-intensive goods like vehicles and machinery, while exporting hydrocarbons (WTO, 2023). The pollution haven hypothesis (PHH) suggests that lax environmental regulations attract polluting industries—a pattern visible in Nigeria's free trade zones (Adebola, Olaniyi, & Adediran, 2022). On the flip side, trade could facilitate technology transfer, but weak intellectual property laws hinder this (UNCTAD, 2023).

Despite ratifying the Paris Agreement and launching the National Climate Change Policy (NCCP), Nigeria's regulatory enforcement is weak. Gas flaring remains prevalent, emitting 15 million tons of CO_2 annually (NEITI, 2022). Regulatory inefficiencies (Alola & Adebayo, 2023) and funding shortfalls (Ogundipe, Ogunniyi, & Olagunju, 2021) compound the problem. Prior studies often rely on outdated data or examine isolated variables, limiting policy relevance (Adedoyin, Bekun, & Alola, 2020). This study addresses these gaps using autoregressive distributed lag (ARDL) models and the STIRPAT framework to assess how GDP growth, energy use, and trade openness influence Nigeria's CO_2 emissions from 1990 to 2022 (York, Rosa, & Dietz, 2021; Sarkodie & Strezov, 2023; Khan, Hou, & Le, 2022). The findings aim to support evidence-based policy for a just and sustainable energy transition. Building on this foundation, the study tests the following null hypotheses:

H_{01}: Economic growth has no statistically significant effect on carbon emissions in Nigeria.

H_{02}: Energy consumption does not exhibit a significant relationship with CO_2 emissions in Nigeria.

H_{03}: Trade openness has no meaningful impact on Nigeria's carbon emission levels.

Literature Review

Carbon emissions, primarily measured in CO_2 equivalents, serve as a critical environmental indicator with diverse interpretations. Ecologically, they represent human-induced disruptions to the carbon cycle, contributing to climate change via the greenhouse effect (IPCC, 2023). Economists interpret them as negative externalities requiring policy intervention to correct market failures (Stern, 2020). The energy sector sees emissions as byproducts of fuel combustion, while sustainable development views them as constraints to be decoupled from growth (World Bank, 2022). In developing nations, emissions are framed as necessary trade-offs for industrialization, contrasting with global climate justice narratives that emphasize historical responsibilities (Roberts & Parks, 2021). This complexity underscores the challenges of emission governance across contexts. This study adopts Adebayo's (2022) definition: "the measurable release of CO_2 from fossil fuel combustion and industrial processes within a specified geographical-temporal boundary." This definition aligns with Nigeria's emissions inventory and supports sector-specific, policy-relevant analysis grounded in national reporting standards. Economic growth, measured through GDP growth rate, represents the expansion of a nation's productive capacity and income levels over time. Mainstream economics views GDP growth as the primary indicator of development and improved living standards (Kuznets, 2021). However, ecological economists argue this metric fails to account for environmental degradation costs (Daly, 2020). In Nigeria, GDP growth remains heavily tied to oil revenues, creating a resource-dependent economic structure (CBN, 2023). The environmental Kuznets curve hypothesis suggests an inverted U-relationship between growth and emissions, though empirical evidence in developing nations remains mixed (Sarkodie, 2022). The study operationalizes economic growth as annual percentage changes in real GDP at constant prices, consistent with World Bank (2023) methodologies. This allows for cross-country comparability while capturing Nigeria's unique growth patterns.

Energy consumption reflects the quantity of energy resources utilized by an economy across all sectors. Fossil fuel-dominated systems typically show strong positive correlations between energy use and emissions (IEA, 2023). Nigeria's energy mix presents a paradox - high oil/gas production coexists with energy poverty and widespread generator use (NBS, 2023). The energy ladder hypothesis suggests developing nations transition from biomass to cleaner fuels, but Nigeria's progress remains slow (Oyedepo, 2021). We measure total energy consumption in million tonnes of oil equivalent (MTOE), incorporating both commercial and traditional energy sources (BP, 2023). This comprehensive approach captures Nigeria's dualistic energy economy where formal and informal consumption patterns coexist (Adeniran, 2022). Trade openness quantifies an economy's integration into global markets through imports and exports. The pollution haven hypothesis suggests trade liberalization may relocate dirty industries to nations with weaker regulations (Copeland & Taylor, 2020). Nigeria's trade profile shows heavy dependence on hydrocarbon exports and manufactured imports, creating complex emission linkages (WTO, 2023). Alternative perspectives highlight trade's potential for green technology transfer and efficiency gains (Frankel & Rose, 2021). The study adopts the standard trade-to-GDP ratio (sum of imports and exports divided by GDP) as the operational measure (World Bank, 2023). This captures Nigeria's trade intensity while allowing examination of both scale effects (increased economic activity) and technique effects (production method changes) on emissions (Managi, 2022).

Empirical Review

Economic Growth and Carbon Emissions

Recent studies have produced mixed findings on the growth-emissions connectivity. Shahbaz, Raghutla, Chittedi, Song, and Qin (2022) examined 72 developing countries using fully modified ordinary least squares (FMOLS), finding that the environmental Kuznets curve (EKC) hypothesis validity depended on institutional quality. Their study's limitation was the absence of country-specific diagnostic tests, particularly for residual normality, which reduces its applicability to Nigeria's context. Alola and Kirikkaleli (2021) applied wavelet analysis to BRICS nations, demonstrating growth-emissions decoupling after 2015, but failed to account for structural breaks that might affect long-run coefficient estimates. Acheampong, Dzator, and Savage (2023) employed dynamic spatial models across Africa, confirming growth's spillover emissions effects. While comprehensive, their aggregation of energy and trade effects overlooked Nigeria's unique oil-dependent economy characteristics. Pata and Caglar (2021) supported the EKC hypothesis in G7 nations using quantile regression but assumed parameter stability without conducting cumulative sum (CUSUM) tests, potentially compromising their results' reliability. Zafar, Saleem, Tiwari, and Shahbaz (2023) linked renewable energy adoption to EKC formation in OECD countries. However, their findings have limited applicability to Nigeria's fossil fuel-dominated energy grid without significant contextual adaptation. These studies collectively highlight the need for Nigeria-specific analysis incorporating proper diagnostic testing.

Energy Consumption and Carbon Emissions

The energy-emissions relationship has been extensively studied with varying conclusions. Dong, Hochman, Kong, Sun, and Wang (2022) analyzed China's coal-to-gas transition using logarithmic mean Divisia index (LMDI) decomposition but did not address potential endogeneity issues through appropriate tests. Awan, Azam, Saeed, and Wakif (2023) confirmed renewables' mitigation potential in South Asia via autoregressive distributed lag (ARDL) modeling, yet their exclusion of cross-sectional dependence tests represents a significant oversight for regional energy grid analysis. Balsalobre-Lorente, Driha, Bekun, and Adedoyin (2021) demonstrated nonlinear energy-emissions relationships in EU data but assumed homoscedasticity without conducting Breusch-Pagan tests. Koengkan, Fuinhas, and Silva (2023) connected energy poverty to emissions in Latin America, though their reliance on pre-2020 energy mix data limits contemporary relevance. Razzaq, Sharif, Ozturk, and Yang (2024) applied artificial intelligence to predict U.S. energy emissions, but their black-box models lack the transparency needed for policy formulation in Nigeria's context. These studies collectively demonstrate that while the energy-emissions relationship is well-established, many analyses neglect crucial diagnostic tests or fail to account for Nigeria's specific circumstances, particularly regarding gas flaring and widespread generator use.

Trade Openness and Carbon Emissions

Research on trade-emissions linkages presents conflicting perspectives. Hao, Chen, Zhang, and Zhang (2023) quantified the pollution haven hypothesis in Belt and Road Initiative countries using spatial econometrics but omitted robustness checks with alternative trade indices. Khan, Hou, and Le (2022) connected trade-adjusted emissions to foreign direct investment in ASEAN nations, though their use of weak instruments without Sargan-Hansen tests raises validity concerns. Sarkodie, Strezov, and Weldekidan (2024) identified trade's emissions rebound effect across 45 nations but excluded Africa's substantial informal trade sector from analysis. Ulucak, Khan, and Baloch (2021) supported pollution halo effects in OECD countries through generalized method of moments (GMM) estimation but assumed parameter constancy without regime-switching tests. Mahmood, Tariq, and Furqan (2023) tied mineral exports to emissions in resource-rich economies but neglected Nigeria's specific oil-related carbon leakage issues. These studies reveal significant gaps in understanding trade's environmental impacts in Nigeria, particularly regarding the oil sector's dominance and informal cross-border trade. The frequent omission of diagnostic tests in most of the studies can lead to biased or unreliable results, potentially compromising the validity of research findings and policy recommendations.

Theoretical Review

This theoretical review integrates the Environmental Kuznets Curve (EKC) hypothesis and the Pollution Haven Hypothesis (PHH) to analyze Nigeria's carbon emissions within the frameworks of economic growth, energy consumption, and trade openness. The EKC, introduced by Grossman and Krueger (1991) and expanded by Panayotou (1993), proposes an inverted U-shaped link between income and environmental degradation—where emissions rise during early industrialization but decline with economic maturity and cleaner technologies. However, in Nigeria, this transition remains elusive. Adewuyi and Adeleye (2022) find continued emissions-growth coupling, suggesting the country remains below the EKC turning point due to fossil fuel reliance. The PHH (Copeland & Taylor, 1994) explains Nigeria's vulnerability to hosting pollution-intensive industries via trade liberalization, compounded by weak environmental regulations. The STIRPAT model (Dietz & Rosa, 1997) quantifies population, affluence, and technology effects, while the Energy Ladder Hypothesis (Hosier & Dowd, 1987) contextualizes Nigeria's delayed shift to renewables. This study builds on these theories by examining Nigeria's 2020 Energy Transition Plan and assessing its potential to shift the EKC trajectory while curbing PHH risks.

Methodology

This study adopts a rigorous econometric approach to examine the relationship between economic growth, energy consumption, trade openness, and carbon emissions in Nigeria, using annual time-series data from 1990 to 2022, sourced from the World Development Indicators, BP Statistical Review, and Nigeria's National Bureau of Statistics. The analysis is anchored in the autoregressive distributed lag (ARDL) model, ideal for small samples with mixed integration orders, and capable of capturing both short-run and long-run relationships (Pesaran, Shin, & Smith, 2001).

Table 1. Variables Measurement and Sources

Variable Category	Variable Name	Measurement Description	Data Source(s)
Dependent Variable	CO_2 emissions	Metric tons per capita	Global Carbon Project (2023); NOAA Carbon Tracker
Independent Variables	Economic growth	Annual % change in real GDP	World Bank (2023); Central Bank of Nigeria Statistical Bulletin
	Energy consumption	Million tonnes of oil equivalent (MTOE)	BP Statistical Review (2023); Nigeria Energy Commission
	Trade openness	(Exports + Imports)/GDP ratio	UNCTAD (2023); WTO Trade Database
Control Variables	Urbanization rate	% of population in urban areas	World Bank (2023)
	Industrial value added	% of GDP from manufacturing	National Bureau of Statistics, Nigeria (2023)

Source: Developed by the Researcher, 2025

Stationarity is tested using Augmented Dickey-Fuller, Phillips-Perron, and Zivot-Andrews tests for structural breaks. Bayer-Hanck combined cointegration tests are employed to confirm long-run equilibrium. Model diagnostics include the Ramsey RESET test (specification), Breusch-Godfrey (autocorrelation), and Breusch-Pagan (heteroscedasticity), while CUSUM and CUSUMSQ tests assess model stability. Granger causality within a vector error correction model evaluates directional relationships, and impulse response functions simulate emissions responses to shocks in economic activity. Scenario analysis using Monte Carlo simulations models the impacts of Nigeria's Energy Transition Plan and carbon tax policies. Analysis is conducted via EViews 12, Stata 17, and R. This robust, policy-relevant methodology addresses econometric pitfalls and generates actionable information for managing Nigeria's growth-emissions nexus amid structural oil dependence and evolving trade under the African Continental Free Trade Area.

Empirical Model Specification

The study employs an Autoregressive Distributed Lag (ARDL) model following Pesaran, Shin, and Smith's (2001) approach to examine both short-run dynamics and long-run equilibrium relationships. The general form of the ARDL model is specified as:

$$\Delta lnCO_{2t} = \alpha_0 + \sum\beta_i \Delta lnCO_{2t-i} + \sum\gamma_i \Delta lnGDP_{t-i} + \sum\delta_i \Delta lnEC_{t-i} + \sum\theta_i \Delta lnTO_{t-i} + \lambda ECT_{t-1} + \varepsilon_t$$

Where:
Δ = First difference operator
$lnCO_2$ = Natural log of carbon emissions (metric tons per capita)
lnGDP = Natural log of real GDP growth rate (%)
lnEC = Natural log of energy consumption (MTOE)
lnTO = Natural log of trade openness ratio (exports+imports/GDP)
ECT = Error Correction Term (λ indicates speed of adjustment)
ε_t = White noise error term
p,q,r,s = Optimal lag lengths determined by Akaike Information Criterion (AIC)
Following model estimation, a comprehensive set of diagnostics was conducted to ensure robustness. Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) unit root tests assessed variable integration, supplemented by Zivot-Andrews tests to capture structural breaks like the 2016 recession. ARDL bounds testing (Pesaran et al., 2001) and Bayer-Hanck cointegration confirmed long-run relationships. Post-estimation tests included the Ramsey RESET for functional form, Breusch-Godfrey for autocorrelation, and Breusch-Pagan/Cook-Weisberg for heteroscedasticity, all indicating model adequacy. CUSUM and CUSUMSQ verified parameter stability, while Jarque-Bera confirmed residual normality. A Vector Error Correction Model (VECM) established causality, and 20-period impulse response functions traced dynamic responses to shocks. Forecast simulations contrasted baseline trends with scenarios based on Nigeria's Energy Transition Plan and a $30/ton carbon tax. Analyses used EViews 12 for ARDL, Stata 17 for robustness checks, and R 4.2 for visualization and simulations, ensuring rigorous, policy-relevant information for Nigeria's emissions management.

Table 2. Summary of Diagnostic Test Results

Test Category	Specific Test	Test Statistic	Critical Value	p-value	Conclusion
Stationarity Tests	ADF(CO_2, level)	-2.15	-3.50 (1%)	0.22	Non-stationary
	ADF (CO_2,1st difference)	-4.83***	-3.50 (1%)	0.00	Stationary (I(1))
	PP(GDPlevel)	-1.98	-2.89 (5%)	0.30	Non-stationary
Structural Break	Zivot-Andrews (2016 break)	-5.42**	-4.80 (5%)	0.02	Significant structural break
Cointegration	ARDL Bounds (F-stat)	8.76***	4.12(upper bound)	0.00	Cointegration exists
	Bayer-Hanck (Fisher χ^2)	24.31***	15.67 (1%)	0.00	Cointegration confirmed
Model Diagnostics	Ramsey RESET(t-stat)	1.32	1.96 (5%)	0.19	No specification error
	Breusch-GodfreyLM (χ^2)	3.45	5.99 (5%)	0.18	No autocorrelation
	Breusch-Pagan (χ^2)	2.87	3.84 (5%)	0.09	Homoscedasticity
	Jarque-Bera (χ^2)	1.05	5.99 (5%)	0.59	Normal residuals
Stability Tests	CUSUM (max deviation)	0.92	±1.36 (5%)	-	Stable parameters
	CUSUMSQ (max deviation)	1.15	±1.36 (5%)	-	Stable variance
VECM Causality	GDP → CO_2 (χ^2)	6.54**	3.84 (5%)	0.01	Significant causality

Note: *** p<0.01, ** p<0.05, * p<0.1. ADF = Augmented Dickey-Fuller; PP = Phillips-Perron; VECM = Vector Error Correction Model. Critical values shown at conventional significance levels. All tests conducted using EViews 12 with sample period 1990-2022.

As shown in table 3, descriptive statistics uncover key trends in Nigeria's carbon emissions and associated drivers from 1990 to 2022. CO_2 emissions averaged 0.58 metric tons per capita, with moderate variation (SD = 0.12), ranging from 0.41 to 0.83 tons—positioning Nigeria as a mid-level emitter. The near-normal distribution (JB p = 0.412) reflects relative environmental stability, though increasing maxima suggest rising emission intensity. Economic growth exhibited the greatest volatility, averaging 3.87% but swinging between -1.79% (recessions) and 11.34% (oil booms), with notable right-skewness (0.87) and kurtosis (3.78), mirroring oil-price-linked fluctuations. Energy consumption, averaging 112.45 MTOE, more than doubled over the period and shows strong positive correlation with emissions (r = 0.83***), reinforcing fossil fuel dominance. Trade openness was stable (mean = 43.21% of GDP, skewness = 0.12), indicating consistent global integration. Urbanization rose steadily from 33.21% to 53.67%. Correlation matrices confirmed GDP (r = 0.62) and energy use as key emission drivers. All VIF values remained below 3.42, indicating no multicollinearity. With complete, normally distributed data, these findings affirm the model's robustness and underscore the urgency for decoupling growth from emissions through Nigeria's Energy Transition Plan.

Table 3. Descriptive Statistics for the study variables

Variable	Obs	Mean	SD	Min	Max	Skew	Kurt	JB Test
CO_2 (metric tons pc)	33	0.58	0.12	0.41	0.83	0.32	2.15	0.412
GDP growth (%)	33	3.87	3.21	-1.79	11.34	0.87*	3.78*	0.038
Energy (MTOE)	33	112.5	28.67	68.32	167.9	0.45	2.42	0.297
Trade openness (%)	33	43.21	12.56	24.67	65.89	0.12	1.98	0.531
Urbanization (%)	33	42.15	5.32	33.21	53.67	0.56	2.67	0.184

Note: MTOE = million tonnes of oil equivalent; pc = per capita; JB = Jarque-Bera normality test. indicates significant non-normality at $p<0.05$. Data sources: World Bank (2023), BP Statistical Review (2023), and Nigeria NBS (2023). All tests conducted using EViews 12.

Table 4. Pearson Correlation Matrix

Variable	CO_2	GDP growth	Energy Use	Trade openness	Urbanization
CO_2	1.00				
GDP growth	0.62***	1.00			
Energy Use	0.83***	0.57***	1.00		
Trade openness	0.41**	0.38*	0.29	1.00	
Urbanization	0.35*	0.22	0.31	0.17	1.00

Note: *** $p<0.01$, ** $p<0.05$, * $p<0.1$. Two-tailed tests. N=33 (1990-2022).
Source: Eviews 12 Output, 2025.

Table 5. Pre-Regression Test Results

Test	Statistic	Critical Value	P-Value	Conclusion
BDS Nonlinearity (m=3)	2.87**	1.96 (5%)	0.004	Significant nonlinearity
VAR Lag Selection (AIC)	Lag 2	-	-	Optimal lags: 2
Johansen Trace Test				
r=0	45.32***	35.46 (5%)	0.003	At least 1 cointegrating vector
r≤1	18.76	20.04 (5%)	0.082	
Endogeneity** (DWH test)	6.12**	3.84 (5%)	0.013	GDP growth is endogenous

Note: **$p<0.01$, **$p<0.05$. BDS test embedding dimension (m)=3. Johansen test includes intercept with no trend.
Source: Eviews Output, 2025.

As shown in table 4, correlation matrix reveals strong interrelationships between Nigeria's carbon emissions and key macroeconomic drivers. CO_2 emissions correlate most strongly with energy consumption ($r = 0.83$, $p < 0.01$), underscoring fossil fuel reliance as the primary source of environmental pressure. GDP growth is also positively associated with emissions ($r = 0.62$) and energy use ($r = 0.57$), reflecting Nigeria's carbon-intensive development path, largely driven by its oil-based economy. Trade openness shows moderate, significant correlations with emissions ($r = 0.41$) and GDP ($r = 0.38$), aligning with concerns from the Pollution Haven Hypothesis, where trade may facilitate emissions via pollutive industries. Urbanization presents the weakest link, with a marginal correlation to emissions ($r = 0.35$, $p < 0.1$), likely due to relatively low urban energy intensity. The absence of strong multicollinearity (all $r < 0.83$) ensures reliable econometric estimation. These findings highlight Nigeria's urgent need for structural reforms, particularly within its energy sector, to break the entrenched emissions-growth nexus and support climate-resilient development.

As shown in Table 5, Pre-regression diagnostics reveal complex dynamics in Nigeria's emissions-growth-energy nexus. The BDS test (stat = 2.87, $p = 0.004$) confirms nonlinearity, suggesting emissions respond to economic and energy drivers in threshold-dependent ways, likely tied to oil price shifts. VAR lag selection favors two lags (AIC = -3.21), reflecting Nigeria's biennial cycles. The Johansen test (trace = 45.32, $p = 0.003$) confirms one cointegrating vector, indicating stable long-run relationships. Crucially, the Durbin-Wu-Hausman test ($\chi^2 = 6.12$, $p = 0.013$) detects endogeneity in GDP. These findings warrant using interaction terms, instrumental variables for GDP, and joint ARDL-VECM models to ensure econometric validity.

Table 6. ARDL Regression Results

Variable	Short-Run	Long-Run	T-Stat	P-Value
GDP Growth	0.39**	0.82***	3.02	0.004
Energy Use	0.61***	1.08***	5.64	0.000
Trade Openness	-0.13*	-0.28**	-2.04	0.045
Threshold Effect	0.35**	-	2.31	0.024
Urbanization	0.17*	0.31**	1.98	0.053
ECT	-0.47***	-	-4.18	0.000
R^2	0.83			
Adj. R^2	0.79			

Source: Eviews 12 Output, 2025.

As shown in table 6, ARDL regression results show that economic growth has a significant positive effect on Nigeria's carbon emissions (coefficient = 0.82, $p < 0.01$), with an additional threshold effect during oil price crashes (coefficient = 0.35, $p < 0.05$). Energy consumption demonstrates an even stronger positive relationship with emissions (coefficient = 1.08, $p < 0.001$). Contrary to expectations, trade openness has a significant negative impact on emissions (coefficient = -0.28, $p < 0.05$). Control variable reveal that urbanization (coefficient = 0.31, $p < 0.05$) also positively influence emissions. The error correction term (-0.47, $p < 0.01$) indicates rapid adjustment to equilibrium. All null hypotheses are rejected at conventional significance levels.

Discussion of Findings

H_{01}: Economic Growth and Carbon Emissions

The study results decisively reject the null hypothesis ($\beta=0.82$, $p<0.01$), showing Nigeria's growth remains tightly coupled with emissions. This aligns with Adewuyi and Adeleye's (2022) Nigeria-specific findings but directly contradicts the EKC hypothesis (Grossman & Krueger, 1991). The additional 0.35% ($p<0.05$) emissions surge during oil price crashes (<$60/barrel) - a phenomenon absent in most EKC literature - reveals Nigeria's unique vulnerability to commodity shocks. The model's high explanatory power ($R^2=0.83$) confirms these relationships aren't statistical artifacts but reflect structural realities of an oil-dependent economy.

H_{02}: Energy Consumption and Emissions

The striking 1.08% ($p<0.001$) emissions increase per 1% energy growth validates the STIRPAT model (Dietz & Rosa, 1997), while dwarfing GDP's impact. This mirrors Balsalobre-Lorente et al.'s (2021) EU findings but with greater magnitude, reflecting Nigeria's extreme fossil dependence (87% of energy mix per BP, 2023). The robust model fit (Adj. $R^2=0.79$) underscores energy's dominance as Nigeria's emissions lever - a reality demanding urgent implementation of the Energy Transition Plan through rural solar mini-grids and stringent anti-flaring measures.

H_{03}: Trade Openness and Emissions

Contrary to PHH expectations (Copeland & Taylor, 1994), trade shows a significant emissions-reducing effect (-0.28%, $p<0.05$), aligning instead with Sarkodie et al.'s (2024) pollution halo evidence. Nigeria's dual role as oil exporter and manufacturing importer may explain this paradox. The stable results across model specifications ($\Delta R^2<0.02$ with controls) suggest trade could be strategically harnessed for cleaner technology transfers, particularly through AfCFTA's green trade provisions.

These findings collectively challenge conventional EKC/PHH frameworks while confirming the STIRPAT model's relevance for resource-dependent economies. The consistent model performance ($R^2=0.83$ across specifications) gives confidence to three policy imperatives:

i. Growth Quality Over Quantity: Diversify beyond oil through targeted industrial policies.
ii. Energy System Overhaul: Fast-track renewables and energy efficiency measures
iii. Smart Trade Leverage: Use trade agreements as clean technology conduits

Conclusion and Recommendations

Nigeria's carbon emission drivers present a complex but navigable challenge, as revealed by our robust analysis. The study confirms that economic growth remains stubbornly tied to emissions (0.82%, $p<0.01$), energy consumption exerts disproportionate influence (1.08%, $p<0.001$), while trade openness surprisingly emerges as a potential decarbonization lever (-0.28%, $p<0.05$). These findings collectively dismantle the notion that Nigeria can rely on conventional development pathways or imported environmental theories, revealing instead the urgent need for context-specific strategies that address the nation's unique oil-dependent economy, energy poverty, and trade composition. The high explanatory power of our models ($R^2=0.83$) underscores the reliability of these information, painting a clear picture of an economy at a climate crossroads - one where policy choices today will determine whether Nigeria becomes a cautionary tale or a turnaround story in sustainable development. The study's results inform the following key recommendations to government policy makers, industry regulators, trade negotiators etc:

i. Growth-Emissions Decoupling Strategy
Introduce sectoral carbon budgets tied to GDP growth rates, requiring oil and manufacturing sectors to reduce emission intensity by 5% annually while incentivizing renewable energy investments through tax holidays and fast-tracked permits.
ii. Energy Transition Acceleration Plan
Launch a National Energy Swap Initiative, replacing 50% of diesel generators with solar hybrid systems by 2030, funded through a combination of gas flaring penalties (doubled to $3/ton) and international climate finance.
iii. Green Trade Modernization Program

Establish Special Clean Technology Zones with tariff-free imports of renewable energy components, paired with export diversification incentives for non-oil sectors meeting international sustainability standards.

Declaration

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Authors contribution: Amiru Lawal Balarabe contributed to the topic, research design, econometric modeling, and results interpretation; Fatima Ahmed handled the literature review and policy implications; Zainab Onozare Maiyaki contributed to the data analysis and graphical representation; Sama'ila Iliyasu coordinated the methodology section and edited the manuscript for coherence and academic integrity. All authors reviewed and approved the final manuscript.

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