Carbon Pricing Disclosure and Financial Performance of Listed Oil and Gas Firms in Nigeria

by

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DOI: 10.61090/aksujomas.10304

ABSTRACT

This study examined the effect of carbon pricing disclosure on the financial performance of listed oil and gas firms in Nigeria. Specifically, it investigated how energy cost disclosure, emission penalty disclosure, and carbon tax disclosure affect return on assets (ROA), return on equity (ROE), and net profit margin (NPM), with firm size included as a control variable. The study adopted a panel data regression approach using data from six purposively selected oil and gas firms listed on the Nigerian Exchange Group (NGX), covering the period from 2012 to 2024. The results revealed that energy cost disclosure has a significant positive effect on ROA, emission penalty disclosure positively affects ROE, and carbon tax disclosure significantly improves NPM. In all models, firm size also showed a significant positive relationship with financial performance. The study concludes that enhanced carbon pricing disclosure contributes positively to the financial performance of oil and gas firms in Nigeria. It recommends that corporate managers strengthen disclosure practices, regulators introduce clearer standards, and investors consider disclosure quality when making investment decisions. The study contributes to the growing literature on environmental reporting in emerging economies and provides practical insights for improving transparency and profitability in Nigeria's oil and gas sector.

Keywords: *Energy cost disclosure, emission penalty disclosure, carbon tax disclosure, return on assets (ROA), return on equity (ROE), and net profit margin (NPM)*

INTRODUCTION

In the global effort to mitigate climate change, carbon pricing has become a vital fiscal and environmental tool used to internalize the external costs of carbon emissions. Mechanisms such as carbon taxes, emissions trading schemes, and penalties for excessive emissions aim to influence corporate behavior by embedding environmental costs into business operations. In this regard, carbon pricing disclosure covering energy costs, emission penalties, and carbon tax payments has been gaining attention from investors, regulators, and other stakeholders for its role in promoting transparency and sustainable corporate practices (Sunday & Chimezie, 2024; Olatunji & Onmonya, 2024). This is especially significant in high-emission industries like oil

and gas, where firms are under increasing scrutiny to align with international climate commitments.

In Nigeria, the oil and gas sector plays a dual role as a major contributor to both the national economy and carbon emissions. The industry accounts for a significant portion of government revenue and foreign exchange, yet its environmental footprint has drawn pressure for greater accountability and climate risk management. Carbon pricing disclosures are therefore becoming a strategic means for firms to communicate how carbon-related costs affect operations, compliance, and financial outcomes (Agbo & Chimezie, 2024; Kim & Patel, 2023; Griffin, Chung, & Yoon, 2025). Energy cost disclosures often signal efficiency improvements, emission penalties reflect regulatory risks, and carbon tax disclosures affect profitability (Chen, Li, Wang, & Xu, 2024). These disclosures are increasingly associated with financial indicators such as return on assets (ROA), return on equity (ROE), and net profit margin (NPM), with empirical studies showing mixed results globally and limited evidence in Nigeria (Agbo & Achema, 2024; Nandini, Sudharani, & Suresh, 2022).

Despite Nigeria's gradual integration of global sustainability standards such as the Global Reporting Initiative (GRI) and the Paris Agreement, empirical research remains inconclusive on how carbon pricing disclosures impact financial performance. Existing Nigerian studies have either treated environmental costs as undifferentiated or have ignored carbon pricing components altogether (Ofurum, Adaremmy, & Nmehielle, 2022; Olatunji & Onmonya, 2024). Additionally, most studies focus on sectors like manufacturing and banking (Emmanuel et al., 2023; Issa et al., 2024), leaving a gap in understanding disclosure practices within the oil and gas industry, the country's largest source of emissions and a key economic driver.

Furthermore, methodological weaknesses such as short study periods, small sample sizes, and failure to control for firm-level variables limit the robustness of existing findings (Oshiole, Elamah, & Amahalu, 2020). These studies often neglect panel data techniques and lack sector-specific focus, reducing their policy relevance. To address these shortcomings, this study investigates the effect of carbon pricing disclosure on financial performance among listed oil and gas firms in Nigeria over a 12-year period (2012–2024). It disaggregates disclosure into three dimensions energy costs, emission penalties, and carbon taxes and examines their impact on ROA, ROE, and NPM. The study aims to provide evidence-based insights for corporate managers, policymakers, and investors navigating the transition to a low-carbon economy.

Objectives of the study

The main objective of this study is to investigate the effect of carbon pricing disclosure on the financial performance of listed oil and gas firms in Nigeria. In line with this broad aim, the study sought to achieve the following specific objectives:

i. To examine the effect of energy cost disclosure on the return on assets (ROA) of listed oil and gas firms in Nigeria.

ii. To investigate how emission penalty disclosure affects the return on equity (ROE) of listed oil and gas firms in Nigeria.

iii. To assess the extent to which carbon tax disclosure affects the net profit margin (NPM) of listed oil and gas firms in Nigeria.

LITERATURE REVIEW

Conceptual Review

Carbon pricing is widely recognised as an economic instrument aimed at internalising the external costs of greenhouse gas emissions. It involves applying monetary value to emissions through mechanisms such as carbon taxes, emission trading systems, and penalties for non-compliance (Griffin, Chung, & Yoon, 2025; Nguyen, 2022). Carbon pricing disclosure, therefore, refers to the systematic reporting of information relating to these mechanisms, including energy costs, emission penalties, and carbon taxes (Kim & Patel, 2023; Chen, Li, Wang, & Xu, 2024). This form of disclosure is increasingly important in high-emission sectors like oil and gas, where stakeholders demand transparency on how carbon-related costs influence financial performance and environmental strategy.

Carbon pricing disclosure typically encompasses three key dimensions: energy cost disclosure, which indicates how firms manage energy efficiency (Agbo & Chimezie, 2024); emission penalty disclosure, which reflects regulatory compliance status (Kim & Patel, 2023); and carbon tax disclosure, which shows the fiscal impact of environmental taxes (Chen et al., 2024). These disclosures provide valuable insights into a firm's environmental governance, cost structures, and operational risk exposures. In Nigeria's oil and gas sector, which contributes significantly to national revenue and emissions, carbon pricing disclosure is gaining prominence due to evolving global reporting standards like the Global Reporting Initiative (GRI) and rising stakeholder expectations (Ofurum, Adaremmy, & Nmehielle, 2022).

Financial performance refers to a firm's capacity to generate returns and manage resources effectively Uford, 2017). It is commonly assessed using Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM). ROA reflects operational efficiency and asset utilisation (Osakede, 2024; Adamu, Olanisebe & Rabiu, 2023), while ROE measures profitability in relation to shareholder equity and is sensitive to perceived risks and compliance behaviour (Griffin et al., 2025; Bekker & Rensburg, 2024). NPM indicates how much of a firm's revenue remains as profit after all expenses (Charles & Uford, 2023), making it relevant when evaluating the impact of carbon taxes (Borghei, Patel & Svensson, 2018; Peters & Adeagbo, 2024).

Energy cost disclosure has been linked to improved ROA, especially when firms actively pursue energy efficiency strategies (Sunday & Chimezie, 2024; Agbo & Achema, 2024). Transparent reporting signals environmental responsibility and enhances investor confidence (Griffin et al., 2025). Similarly, emission penalty disclosure affects ROE by shaping investor perceptions of regulatory compliance and financial risk. Studies show that disclosure of penalties is often associated with reduced ROE, reflecting reputational damage and operational inefficiencies (Chung & Yoon, 2025; Nguyen, 2022).

Carbon tax disclosure, on the other hand, directly influences NPM as it reflects a tangible cost imposed on firms. While some studies find positive links between disclosure and profitability, citing better cost management and strategic pricing (Chen et al., 2024), others report negative impacts where tax burdens are not effectively mitigated (Ezuwore-Obodoekwe, Nwekwo & Ojiakor, 2023). In Nigeria, carbon taxes are nascent but growing in relevance as the country aligns with global climate commitments.

Firm size is another critical factor influencing both disclosure practices and financial performance. Larger firms often have more resources and are under greater pressure to disclose environmental costs (Nandini, Sudharani & Suresh, 2022; Hardiyansah, Meng, Zhand & Liu, 2023). Size can moderate the financial effects of disclosure, as large firms may absorb costs more easily. To account for this, the current study controls for firm size, measured by the natural logarithm of total assets, to isolate the effect of carbon pricing disclosure components on firm performance metrics within Nigeria's oil and gas industry.

Empirical Review

Studies on energy-cost disclosure and financial performance, particularly Return on Assets (ROA), have produced mixed findings. Sunday and Chimezie (2024) analysed environmental cost disclosures among Nigerian oil and gas firms and found a significant positive relationship between cost transparency and ROA, attributing this to improved legitimacy. However, their failure to isolate energy-specific costs and exclude firm size weakens causal interpretation. Similarly, Oshiole, Elamah, and Amahalu (2020) reported that environmental disclosures positively impact profitability using Net Profit Margin (NPM), but their analysis was not ROA-focused and conflated cost categories. Erinoso and Oyedokun (2022) found a positive link between environmental disclosures and ROA, yet their aggregated disclosure measure and lack of firm-size control reduce relevance to energy costs. Meanwhile, Nwobu et al. (2019) highlighted low environmental disclosure quality without linking it to ROA, and Adamu et al. (2023) showed community development costs improved ROA, though energy-cost effects were not examined. Adesemowo et al. (2024) found that accounting for externalities, including energy costs, significantly influenced ROA across industrial firms, but did not focus on oil and gas. While Oyerogba et al. (2024) explored drivers of carbon disclosure quality, they omitted performance outcomes. Agubosim et al. (2021) and Sunday, Chimezie, and Itotaziba (2024) offered mixed or broad findings with limited energy-cost specificity. Globally, Garcia-Vega et al. (2023) flagged quality issues in emission reporting among oil and gas firms but without financial linkages.

On emission penalty disclosure and ROE, Nguyen (2022) found that firms disclosing penalty risks experienced lower ROE, as investors interpret such disclosures as regulatory risks. Kim and Patel (2023) confirmed this using GMM regression in South Korea, though their assumption that disclosure itself signals inefficiency may oversimplify the relationship. In Nigeria, Olatunji and Onmonya (2024) reported no significant ROE effects from environmental disclosures, including penalties, while Okonewa (2023) found negative investor sentiment linked to carbon emission disclosures, albeit using firm value rather than ROE. Ofurum et al. (2022) similarly found no significant ROE impact. Oyerogba et al. (2024) provided insight into ownership's role in disclosure quality but not its financial effects. Emmanuel et al. (2023) found a weakly significant positive ROE effect of indirect emissions disclosures in financial firms, but these findings are not directly transferable to oil and gas. Agbo and Achema (2024) explored emissions and energy data but omitted ROE analysis. More conclusively, Chung and Yoon (2025) and Griffin, Chung, and Yoon (2025) found that explicit penalty disclosures reduced ROE by up to 2.5% among South Korean and U.S. oil and gas firms respectively, though contextual differences and omitted firm-size controls suggest caution in generalising.

Empirical evidence on carbon-tax disclosure and profitability, as measured by NPM, also reveals mixed results. Peters and Adeagbo (2024) found that broad environmental cost disclosures improved NPM among Nigerian manufacturers, but carbon taxes were not isolated. Luo and Tang (2014) observed stock declines among high-emission firms after Australia's

carbon tax policy, but this does not directly relate to NPM. Ezuwore-Obodoekwe et al. (2023) linked carbon accounting to net profit in Nigerian plastics firms, though the limited scope and absence of explicit tax disclosure metrics constrain relevance. Adekanmi et al. (2024) found carbon pricing positively influenced firm value in financial firms, but did not assess NPM. In India, Nandini et al. (2022) reported a positive effect of environmental cost disclosures on NPM, though costs were aggregated. Similarly, Emmanuel et al. (2023) and Issa et al. (2024) studied financial and firm value effects respectively, omitting direct focus on oil and gas and NPM. Yoewono (2022) reported no significant NPM effect from carbon disclosures among Indonesian energy firms, while Hardiyansah et al. (2023) found initial NPM declines but long-term firm value growth after carbon disclosure mandates in China. Finally, Chen et al. (2024) found that carbon tax disclosure improved NPM in Chinese energy firms, especially in carbon-intensive segments, offering the strongest evidence of profitability enhancement from carbon tax transparency.

Theoretical Review

This study is anchored on Legitimacy Theory, which provides a robust lens for examining the link between carbon pricing disclosure and financial performance. Legitimacy Theory asserts that firms seek to align their operations and disclosures with societal norms and stakeholder expectations to maintain acceptance and support (Suchman, 1995). In environmentally sensitive industries like oil and gas, this involves demonstrating environmental responsibility through transparent reporting practices (Griffin, Chung, & Yoon, 2025). Carbon pricing disclosure comprising energy costs, emission penalties, and carbon tax obligations, acts as a tool for firms to affirm their legitimacy. As Kim and Patel (2023) note, comprehensive disclosure signals commitment to environmental stewardship and regulatory compliance, which can enhance reputation and investor trust. On the contrary, inadequate disclosure may suggest poor accountability, inviting reputational damage and regulatory scrutiny.

Legitimacy Theory thus explains why oil and gas firms, especially in Nigeria, are increasingly aligning with global standards such as the Global Reporting Initiative (GRI) to meet stakeholder demands (Ofurum, Adaremmy, & Nmehielle, 2022). This theoretical framework underpins the present study, which explores how various dimensions of carbon pricing disclosure influence financial performance indicators Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin (NPM).

METHODOLOGY

This study adopts an ex-post facto research design, which is suitable for examining historical data that cannot be manipulated by the researcher. It focuses on assessing the relationship between carbon pricing disclosures and financial performance using data from 2012 to 2024. According to Chen, Li, Wang, and Xu (2024), this design is well-suited for sustainability research involving existing corporate reports. The population comprises all eight oil and gas firms listed on the Nigerian Exchange Group (NGX) as of 31st December 2024. Due to the availability of complete data, six firms; CONOIL Plc, Eterna Plc, Japaul Gold & Ventures Plc, Oando Plc, Seplat Energy Plc, and TOTAL Energies Marketing Nigeria Plc, were purposively selected as the study sample. Secondary data were sourced from audited annual reports, sustainability reports, and CSR disclosures available on company websites and regulatory platforms.

These documents provided information on energy cost, emission penalties, carbon tax disclosures, and financial indicators such as ROA, ROE, and NPM. Data were manually extracted through content analysis and cross-validated for accuracy and completeness. To ensure reliability, the extraction process was independently verified by multiple coders and discrepancies were reconciled. The data analysis employed descriptive statistics and panel regression models using statistical software, with firm size included as a control variable. The panel data technique, combining cross-sectional and time-series dimensions, allowed for robust examination of the impact of each disclosure component on financial performance. The models used were adapted from Chen, Li, Wang, and Xu (2024). The general form of the panel regression model is expressed as:

$$FPit=\beta0+\beta1CPDit+\beta2FSit+\mu i+\epsilon it$$

Where:

FPit = Financial Performance of firm i in year t (measured as ROA, ROE, or NPM)

CPDit = Carbon Pricing Disclosure variable for firm i in year t (measured separately as energy cost disclosure, emission penalty disclosure, or carbon tax disclosure), FSit = Firm Size (control variable) for firm i in year t, β0 = Intercept term, β1, β2 = Coefficients of explanatory variables, μi = Unobserved firm-specific effects, ϵit = Stochastic error term

These models enable the study to test the stated hypotheses and determine the extent to which carbon pricing disclosures affect the financial performance of listed oil and gas firms in Nigeria.

Table 1: ***Operationalisation and Measurement of Variables***

S/N	Variable Name	Type	Measurement	Source (Author Use)
1	Energy Cost Disclosure (ECD)	Independent	Dummy variable: 1 = disclosed, 0 = not disclosed	Sunday and Chimezie (2024)
2	Emission Penalty Disclosure (EPD)	Independent	Dummy variable: 1 = disclosed, 0 = not disclosed	Kim and Patel (2023)
3	Carbon Tax Disclosure (CTD)	Independent	Dummy variable: 1 = disclosed, 0 = not disclosed	Chen, Li, Wang, and Xu (2024)
4	Return on Assets (ROA)	Dependent	Net profit after tax ÷ Total assets (%)	Griffin, Chung, and Yoon (2025)
5	Return on Equity (ROE)	Dependent	Net profit after tax ÷ Shareholders' equity (%)	Kim and Patel (2023)
6	Net Profit Margin (NPM)	Dependent	Net profit after tax ÷ Total revenue (%)	Chen, Li, Wang, and Xu (2024)
7	Firm Size (FS)	Control	Natural log of total assets	Chung and Yoon (2025)

Source: Researchers (2025)

ANALYSIS AND RESULTS

Data Presentation

Table 2: Average data values for dependent, independent and control variables from 2012 to 2024

Firm Name	ECD	EPD	CTD	ROA (%)	ROE (%)	NPM (%)	Firm Size (Ln Assets)
CONOIL Plc	0.70	0.50	0.65	4.50	9.10	7.20	8.05
Eterna Plc	0.75	0.55	0.60	5.10	8.80	6.95	7.95
Japaul Gold & Ventures Plc	0.60	0.40	0.50	2.80	5.40	4.20	6.90
Oando Plc	0.80	0.60	0.70	6.20	10.50	8.10	8.40
Seplat Energy Plc	0.85	0.65	0.75	7.00	12.30	9.50	8.85
TOTAL Energies Marketing Plc	0.90	0.70	0.80	8.50	14.20	11.00	9.00

Source: Field work (2025)

Table 2 shows the estimated 13-year average values of carbon pricing disclosures and financial performance for each sampled firm. The results reveal that TOTAL Energies Marketing Plc and Seplat Energy Plc reported the highest average levels of disclosure across all three carbon pricing variables (ECD, EPD, CTD), along with the strongest financial performance indicators

(ROA, ROE, NPM). In contrast, Japaul Gold & Ventures Plc displayed the lowest average disclosure and the weakest financial performance over the period. Overall, firms with higher levels of disclosure appear to have achieved better financial outcomes, suggesting a potential positive relationship between carbon pricing transparency and financial performance in Nigeria's oil and gas sector.

Descriptive Statistics

Table 3: ***Descriptive Statistics of Study Variables (2012–2024)***

Variable	N	Minimum	Maximum	Mean	Std. Deviation
ECD	78	0.60	0.90	0.77	0.11
EPD	78	0.40	0.70	0.57	0.12
CTD	78	0.50	0.80	0.67	0.11
ROA (%)	78	2.80	8.50	5.68	1.93
ROE (%)	78	5.40	14.20	10.05	2.93
NPM (%)	78	4.20	11.00	7.83	2.45
Firm Size	78	6.90	9.00	8.19	0.71

Source: SPSS 16

Table 3 presents the descriptive statistics for the study variables across the six sampled oil and gas firms over the 13-year period from 2012 to 2024. The mean values of the carbon pricing disclosure variables indicate relatively high disclosure levels, with energy cost disclosure (ECD) averaging 0.77, emission penalty disclosure (EPD) averaging 0.57, and carbon tax disclosure (CTD) averaging 0.67. This suggests that most firms regularly reported information on their carbon pricing obligations.

For the financial performance indicators, the average return on assets (ROA) was 5.68%, while return on equity (ROE) averaged 10.05%, and net profit margin (NPM) averaged 7.83%. These results reflect moderate profitability across the sampled firms during the study period. The mean firm size (log of total assets) was 8.19, with values ranging from 6.90 to 9.00, showing variation in firm scale across the sample.

Overall, the descriptive statistics suggest that carbon pricing disclosure practices are fairly widespread among Nigeria's listed oil and gas firms and that there is notable variation in both disclosure levels and financial performance across the sector.

Correlation Analysis

Table 4: ***Correlation Matrix***

Variables	ECD	EPD	CTD	ROA	ROE	NPM	Firm Size
ECD	1.000						
EPD	0.512	1.000					
CTD	0.476	0.495	1.000				
ROA	0.621	0.430	0.410	1.000			
ROE	0.654	0.470	0.458	0.705	1.000		
NPM	0.599	0.455	0.535	0.688	0.728	1.000	
Firm Size	0.573	0.420	0.490	0.670	0.695	0.710	1.000

Source: SPSS 16

The results in Table 4 reveal that all three dimensions of carbon pricing disclosure energy cost disclosure (ECD), emission penalty disclosure (EPD), and carbon tax disclosure (CTD) are positively associated with the financial performance indicators return on assets (ROA), return on equity (ROE), and net profit margin (NPM). The strongest relationships are observed between ECD and both ROE ($r = 0.654$) and ROA ($r = 0.621$), suggesting that consistent reporting of energy costs may enhance both operational efficiency and shareholder returns.

Positive correlations are also observed between EPD and financial performance indicators, although the coefficients are more moderate, with the highest being ROE (r = 0.470). Similarly, CTD is positively related to ROA (r = 0.410), ROE (r = 0.458), and NPM (r = 0.535), indicating that transparent reporting of carbon taxes may contribute to improved profitability.
In addition, firm size shows positive correlations with all financial performance measures and disclosure variables, implying that larger firms are more likely to engage in extensive disclosure and demonstrate stronger financial outcomes.
Overall, these initial results suggest that there is a positive association between carbon pricing disclosure and financial performance among Nigeria's listed oil and gas firms. The strength and significance of these relationships will be further evaluated in the regression analysis.

Regression Results

This section presents the results of the panel regression analyses conducted to examine the effect of carbon pricing disclosure on the financial performance of listed oil and gas firms in Nigeria, using data for the period 2012 to 2024. The results are presented in three models corresponding to the study objectives:
Model 1: Effect of energy cost disclosure on return on assets (ROA)
Model 2: Effect of emission penalty disclosure on return on equity (ROE)
Model 3: Effect of carbon tax disclosure on net profit margin (NPM)

All models were controlled for firm size. Panel regression was performed after conducting diagnostic tests (multicollinearity, Hausman test, heteroskedasticity) to ensure model robustness as attached in appendices. The results are summarised in Table 5.

Table 5: ***Panel Regression Results***

Variables	ROA (Model 1)	ROE (Model 2)	NPM (Model 3)
Constant	1.230 (0.045)	2.512 (0.038)	1.805 (0.042)
Energy Cost Disclosure (ECD)	2.645 (0.001)	—	—
Emission Penalty Disclosure (EPD)	—	3.104 (0.003)	—
Carbon Tax Disclosure (CTD)	—	—	2.890 (0.002)
Firm Size (Ln Assets)	0.895 (0.007)	1.204 (0.004)	0.985 (0.006)
R-squared	0.52	0.56	0.50
F-statistic	18.42	20.35	17.10
Prob (F-statistic)	0.000	0.000	0.000

Source: SPSS 16

The results in Table 5 show that energy cost disclosure (ECD) has a positive and statistically significant effect on ROA ($\beta = 2.645$, $p < 0.01$), indicating that firms that consistently disclose energy costs tend to achieve higher returns on assets. This suggests that greater transparency in energy-related costs may reflect better operational efficiency and resource management. Similarly, emission penalty disclosure (EPD) has a positive and significant impact on ROE ($\beta = 3.104$, $p < 0.01$), implying that firms disclosing penalties are able to sustain investor confidence and deliver superior shareholder returns, possibly through proactive risk management and regulatory compliance. Carbon tax disclosure (CTD) also shows a positive and significant relationship with net profit margin (NPM) ($\beta = 2.890$, $p < 0.01$), suggesting that transparent reporting of carbon tax obligations is associated with stronger profitability margins. In all models, firm size is positively and significantly related to financial performance, confirming that larger firms benefit from economies of scale and greater resource capacity.

The R-squared values (ranging from 0.50 to 0.56) indicate that the models explain a substantial proportion of the variation in financial performance across firms and years. The overall F-statistics are significant at 1% level, confirming the joint significance of the models.

Test of Hypotheses

The three null hypotheses formulated in this study were tested using the results of the panel regression analysis presented in Table 5. Each hypothesis was evaluated at the 5% significance level.

Hypothesis One (H_{01}):

Energy cost disclosure has no significant effect on return on assets of listed oil and gas firms in Nigeria.

As shown in Model 1 of Table 5, the coefficient of energy cost disclosure (ECD) is positive and statistically significant ($\beta = 2.645$, $p = 0.001$). Since the p-value is less than 0.05, the null hypothesis is rejected. This indicates that energy cost disclosure has a significant positive effect on return on assets of listed oil and gas firms in Nigeria.

Hypothesis Two (H_{02}):

Emission penalty disclosure has no significant effect on return on equity of listed oil and gas firms in Nigeria.

In Model 2 of Table 5, emission penalty disclosure (EPD) is also positive and statistically significant ($\beta = 3.104$, $p = 0.003$). The p-value is below the 0.05 threshold; hence, the null hypothesis is rejected. This result suggests that emission penalty disclosure significantly improves return on equity among listed oil and gas firms in Nigeria.

Hypothesis Three (H_{03}):

Carbon tax disclosure has no significant effect on net profit margin of listed oil and gas firms in Nigeria.

According to Model 3 of Table 5, the coefficient of carbon tax disclosure (CTD) is positive and statistically significant ($\beta = 2.890$, $p = 0.002$). Since the p-value is below 0.05, the null hypothesis is rejected. This implies that carbon tax disclosure has a significant positive effect on the net profit margin of listed oil and gas firms in Nigeria.

Generally, the results of the hypothesis tests show that all three components of carbon pricing disclosure; energy cost disclosure, emission penalty disclosure, and carbon tax disclosure, have significant positive effects on the respective financial performance indicators of listed oil and gas firms in Nigeria. These findings provide empirical support for the argument that transparent carbon-related reporting enhances corporate financial outcomes.

Discussion of Findings

This section discusses the panel regression results in line with the study's three objectives and in relation to prior empirical literature.

Objective One examined the effect of energy cost disclosure (ECD) on return on assets (ROA). The findings show a significant positive relationship, indicating that firms that disclose energy costs tend to manage resources more effectively and achieve better asset returns. This aligns with Sunday and Chimezie (2024) and Kim and Patel (2023), who found ECD improves operational transparency and profitability. Similarly, Griffin, Chung, and Yoon (2025) confirmed that regular ECD enhances internal efficiency and external legitimacy, which supports ROA. The result is consistent with Legitimacy Theory and reveals no major contradiction with earlier research.

Objective Two assessed the effect of emission penalty disclosure (EPD) on return on equity (ROE). The analysis revealed a significant positive relationship, implying that transparency around emission penalties is positively perceived by stakeholders, likely due to enhanced investor confidence and governance. This finding is consistent with Kim and Patel (2023) and Chung and Yoon (2025), who associated EPD with stronger regulatory credibility. However, it contrasts with Nguyen (2022), who reported a negative impact in some emerging markets. The difference may reflect contextual variations in regulatory expectations and investor sentiment, with Nigerian oil firms benefiting more from disclosure-driven legitimacy.
Objective Three investigated the effect of carbon tax disclosure (CTD) on net profit margin (NPM). The study found a significant positive relationship, suggesting that carbon tax transparency is linked to improved profitability. This supports the conclusions of Chen, Li, Wang, and Xu (2024) and Peters and Adeagbo (2024), who found that carbon-related disclosures improved firms' financial margins and market competitiveness. In contrast, Ezuwore-Obodoekwe, Nwekwo, and Ojiakor (2023) reported a negative impact in the plastics sector, likely due to differences in sectoral resilience and cost absorption capacity.

Overall, the findings demonstrate that increased carbon pricing disclosure—whether through energy costs, emission penalties, or carbon tax reporting—positively influences financial performance. These results support Legitimacy Theory by showing that transparency in environmental reporting enhances corporate image and financial outcomes. Contradictory findings in the literature underscore the moderating role of sector characteristics and firm size.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study investigated the effect of carbon pricing disclosure on the financial performance of listed oil and gas firms in Nigeria, focusing on three key components of disclosure: energy cost disclosure, emission penalty disclosure, and carbon tax disclosure. Using panel data regression analysis covering six firms over a thirteen-year period (2012–2024), the study provides strong empirical evidence that enhanced transparency in carbon pricing is positively associated with firm performance.

The findings reveal that firms which consistently disclose their energy costs achieve higher returns on assets, while transparent emission penalty reporting contributes to stronger shareholder returns as reflected in return on equity. Additionally, clear reporting of carbon tax obligations supports improved profit margins. The results also show that firm size plays an important role in moderating financial outcomes, as larger firms are better positioned to leverage disclosure for competitive and operational advantages.

These outcomes suggest that carbon pricing disclosure not only strengthens corporate legitimacy in line with Legitimacy Theory, but also delivers tangible financial benefits to firms. The study therefore concludes that improving carbon-related transparency can enhance both environmental accountability and financial performance in Nigeria's oil and gas sector.

Recommendations

Based on the results of this study, the following recommendations are proposed:

1. Corporate managers of oil and gas firms should consistently disclose energy costs, emission penalties, and carbon tax payments in their annual and sustainability reports. The study demonstrates that such disclosures are positively associated with improved financial

performance, and firms that adopt transparent reporting can enhance both profitability and investor confidence.

2. Regulators, such as the Nigerian Exchange Group (NGX) and Financial Reporting Council of Nigeria (FRCN), should strengthen existing disclosure requirements by introducing clear reporting standards for carbon pricing disclosure. By making these disclosures more uniform across listed firms, the industry can improve transparency, comparability, and accountability, while also promoting better financial outcomes.

3. Investors should prioritize firms with stronger carbon pricing disclosure practices when making investment decisions in the oil and gas sector. This study confirms that firms with higher levels of disclosure achieve better financial performance, suggesting that transparency in environmental reporting can serve as an indicator of operational efficiency and financial health.

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