

OUTLOOK FOR THE NIGERIAN POWER SECTOR IN 2019

Writing in early 2018 on what to expect in that year (2018), the author had stated that "2017 recorded significant activities and going by factual indications, the sector is projected to witness a lot more activities in 2018 especially because the current administration will want to make a positive impact ahead of the general elections in the year 2019. We believe that off-grid engagements and transactions will primarily drive private sector activities in the generation segment especially as relating to providing solutions to homes and small scale businesses".

The foregoing projections did actually come to pass in 2018 with the Rural Electrification Agency ("REA") taking crucial steps and lead on a number of off-grid projects (including the Sura Project under the auspices of the Energizing Economies Policy) and to also encourage private sector involvement. This is unlikely to change, in the year 2019. We expect that there will be more play in the off-grid space, but like the writer had stated previously, off-grid power supply especially in form of mini and micro-grids isn't sufficient to power industrial growth or have sustainable power availability. It is also curious whether the pricing will be affordable and sustainable if government abandons the grid for offgrid power supply.

As alluded to above, the year 2018 witnessed significant developments and the implementation of several polices as well as the issuance and/or amendment of power sector regulations, all geared towards providing a reliable, stable and sustainable power sector. Key amongst these regulations, for example, is the Nigerian Electricity Regulatory Commission (NERC) Meter Asset Provider (MAP) Regulations issued in 2018 (MAP Regulations 2018) for the purpose of providing a structured process for the provision and maintenance of meters.

Whilst it was conceived that the new metering regime referred to, in the preceding paragraph, coupled with other policy developments which encourage active private participation in the power sector would cushion the demand and supply deficit in the sector, it was rather unfortunate that as at November 2018, the total available capacity of energy generated was put at a miserly 4200MW.

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The foregoing and the cumulative events of 2018 notwithstanding, 2019 promises to be relatively engaging with respect to projects and opportunities for both local and foreign investors. This is because a thorough appraisal of the current state of the Nigerian power sector will reveal that there is still a lot to be done to rescue the power sector from perceived collapse. Given the potentials and opportunities that abound in the Nigerian power sector in 2019, it, therefore, becomes pertinent, to provide a summary outlook for the Nigerian Electricity Supply Industry ("NESI") for the year 2019.

INVESTMENT OPPORTUNITIES

Opportunities for investments in the power sector for the year 2019 may be classified under two separate categories; Private Investments ("PIs") and Government Backed Projects ("GBP").

Private Investments

For PIs, several efforts are currently being put in place by the Federal Government of Nigeria (FGN) through the Federal Ministry of Power, NERC and other industry regulators to combat collection losses within the electricity sector.

For starters and as mentioned earlier, MAP Regulations 2018 provided the much-needed unbundling of the metering service industry and it will be great if investors can latch on this opportunity to make hay while the sun shines. Essentially, the MAP Regulations 2018 now allows private investors to engage in the procurement, provision and management of meters to power offtakers within the NESI. In addition,



there is also the need for investors to harness the opportunities in the Nigerian renewable energy space. While it may appear, from a first glance, that there is hardly any new prospects in this regard, careful attention to the hidden opportunities that in the renewable energy space, which are yet to be fully tapped, explored and maximised will leave prudent investors with tangible window of opportunities in this space. Nigeria's electricity mix is still largely dominated by thermal and hydro generation technology. Deploying renewable power technology and more particularly, solar technology would largely help increase the Nation's electricity grid and guarantee more reliable electric power supply. Deploying solar technology is of course not limited to on-grid power generation. There is a relatively high tendency for off-grid solar technology generation and solar home systems solutions to be favoured to help ramp up the country's electricity supply in 2019. From the review of regulatory regime for 2018 and given the 'body language' of NERC, it may be asserted that the regulatory regime for 2019 will be particularly encouraging to potential solar photovoltaic (pv) generation technology investors as several incentives (including pioneer status recognition and tax reliefs) exist to ensure that profitability of investment in solar power generation.

Government Backed Projects

Rural electrification still stands as a major support to the current generation capacity. It is important to mention that the REA, in conjunction with the FGN has made serious efforts at creating access to grants to aid investors in developing sustainable mini-grids and solar home systems to provide access to electricity for rural and underserved communities. Interestingly, the REA is currently maintaining the Nigeria Electrification Project (NEP), a Federal Government initiative aimed at providing electricity access to households, micro, small and medium enterprises in off-grid communities across the country through renewable power sources. Through the NEP, investors in Solar hybrid Mini-Grid and Standalone Solar Systems may access grants for the purpose of developing same.

Similarly, the Ministry of Power had announced its intentions to invest \$150,000,000 (One Hundred and Fifty Million United States Dollars) in rural electrification projects, with plans to use 44 tertiary institutions and small hydro dams in the rural areas as anchors for the electrification Programme. It is expected that this programme would commence in 2019, hence creating opportunities for investments. Several other projects which were expected to commence in the previous year 2018 but are still in their teething phase, are expected to eventually be implemented in 2019.

Some of these projects include the N9.8 billion Mambilla hydro power project and the N12 billion counterpart funding for earmarked transmission lines and substations; improvement of the Afam Power Station to add an additional 240MW through a Public Private Partnership; completion of the transmission and other requirements to operate the 30MW Gurara Phase 1 Hydroelectric Plant, the 40MW Kashimbilla Hydroelectric Plant and the 215 MW Kaduna Gas/LPG/Diesel Power Plant. The completion of the NNPC 4,600MW Power Plants in FCT, Kaduna, Kano via the recently approved contract for the construction of Ajaokuta-Abuja-Kaduna-Kano Gas Pipeline project. The completion of the Katsina Wind Farm (10 MW), Gbarain (115 MW), Kashimbilla (40 MW), Afam III (240 MW), Gurara (30 MW), Dadin Kowa (29 MW), and Kaduna (215 MW) power plants by the Federal Government.

Concluding Remarks

In conclusion, whilst it is expected that there would be wide spread apprehension on the viability of investing in the Nigerian Power Sector, especially in recognition of the upcoming national elections, it is largely believed that there will be a spike in investment activities in the power sector especially as it relates to off-grid power solutions. We expect to see mini-grids, solar homes systems and small-scale renewable energy solutions complement the grid in 2019 and beyond.

It is envisaged that these will provide sources from which large-scale bulk power is transmitted rather than such being a substitute for the national grid. It is clearly the case that there is a good business case for investing in off-grid projects in 2019 and going forward, but from a strategy point of view, it is critical that the development of Nigeria's power sector is integrated and collaborative. This ensures longer lasting results and not just short-term political gains. We also expect local governments and the state government to get more involved in supporting off-grid projects in 2019 as it has become clear that active participation at these levels of government is crucial to overall success of the objectives of the power sector in 2019.

However, fixing the NESI is central to every campaign promise, and has in fact been identified as one of the major drivers of a progressive government in Nigeria. It is, therefore, our position that the commitment of any government regime to find lasting solutions to the power issues in the country as well as see to the implementation of the various projects being contemplated under the Federal Ministry of Power is unwavering.

Based on the foregoing, we are confident that 2019 would witness significant developments for the Nigerian power sector.

For more information on this Article, please contact



Ayodele Oni
Partner
ayodele.oni@bloomfield-law.com



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