Power
…complete access to electricity by 2050

Overview

With a population of over 183 million people and a population growth rate of 2.7 percent per annum, the demand for power in Nigeria can only be expected to rise. An estimated 55 percent of Nigeria's population have no access to grid-connected electricity.

Presently, Nigeria has an installed electricity generation capacity of 12,522 megawatts; 10,592 megawatts is gas fired and 1,930 megawatts is from hydro. However, the maximum peak generation that has been reached is about 5,074 megawatts.

Nigerians self-generate a significant portion of their electricity, at a cost that is greater than twice the cost of grid-based power. The Nigerian power sector remains in need of significant investment as its utility-scale electricity generation capacity continues to fall short of meeting domestic demands.

In an effort to tackle this problem, in 2005, the Nigerian government privatized the generation and distribution phases of the power value chain, retaining just a minority stake. In view of all these, Nigeria's current administration has exhibited a strong will to reform the power sector, with the Minister for Power, Works and Housing indicating that the government is looking to partner with the private sector to facilitate investment in the power sector.

Opportunities in the Power Sector

1. **Power Generation: On-grid and Off-grid**

   With the privatization of power generation in 2005, there have since been a myriad of opportunities to invest in this arm of the power sector. As a result of the immense power deficit, vis-à-vis the higher cost of self-generation, there is a large and ready market for on-grid power generation in Nigeria.

   There are also opportunities for investment in off-grid power solutions or 'mini-grids' which typically provide smaller communities - such as rural areas, industrial clusters and residential estates) with electricity. It is estimated that about 42 percent of Nigerian businesses generate their own power supply to augment the national grid supply.

2. **Power Distribution**

   Given the fact that electricity consumption in Nigeria should be four to five times the amount it is today, the distribution phase of the power value chain Nigeria also contains a bed of opportunities. The federal government has no direct equity interest in Nigeria's distribution companies, popularly known as 'DisCos'.

   There is a ready market of Nigerians that are willing to get on-grid and pay for their electricity consumption.

3. **Manufacturing of Equipment**

   There are also opportunities in the manufacturing of power sector tools and equipment. Most of these equipment are currently being imported, which therefore presents opportunities in import substitution.

Renewable Energy - Targets

The present administration has expressed its commitment to pursuing and developing alternative sources of power, with a focus on renewable energy.

With respect to the renewable energy market, the FGN introduced feed-in tariffs (FIT) as a tariff regulatory mechanism to accelerate investment in renewable energy sources. The FIT regime guarantees a stable price for electricity generated from renewables for a fixed duration, thereby securing adequate returns on investment.

In 2015, NERC approved new regulations that aim to:

- Promote investments in renewable energy sources and
- Boost the power generation through the inclusion of renewable energy

The under listed are the expected renewable energy projections:
- 18% of electricity from renewable energy by 2025
- 20% of electricity from renewable by 2030
- 100MW of small hydropower by 2015 and 760MW by 2025
- 300MW of Solar PV by 2015 and 4000MW by 2025
- 40MW of Wind Power by 2020
- 30MWof biomass – fired capacity by 2020.

Incentives in the Power Sector

The Federal Government of Nigeria has set-up several incentives to attract foreign direct investment into the power sector.

- Tax holidays of 3 years and renewable for the next 2 years
- Exemption from Duty Taxes on imported equipment
- Capital & Investment Allowance which can be carried forward and used after tax holiday period
- Manufacture of transformers, meters, control panels, switchgears, cables and other electrical related equipment are considered as pioneer products/industries. As a result, there is tax holiday of 5 to 7 years for investors who invest in these areas.
- Power plants using gas are assessed under the companies income tax act at a reduced rate of 30%
- 100% foreign ownership of Electricity plants
- Repatriation of profit with a 5% withholding tax
- Instituting a politically independent, and transparent regulatory agent for the power sector that will effectively enforce the established regulatory framework
- Putting in place the necessary foundations e.g. reliable transmission infrastructure that would create a level playing field for efficient private sector participation in the electricity supply
- Implementing a transparent and predicated tariff adjustment mechanism that will cover cost of production and provide adequate returns on investment at all times.

Proposed Incentives for Power Sector

Manufacture of electrical equipment, appliances, parts etc.

- Exemption from Income tax – Tax Holiday
  (Between 10 and 20 years depending on quantum of investment),

- Import duty exemption for machinery, spares and consumables,
  150% on R & D,

- 2% tax concession on in-plant training for specified number of years
  (Years depend on quantum of Investment).

Preferred Vision 20-2020 Target of 40GW

Renewables	4%
Coal	10%
Hydro	17%
Thermal	69%

Testimonials

Adeoye Fadeyibi, Managing Director/Chief Executive Officer, Transcorp Power Ltd.

"The demand is there – industry is crying for it."

Transcorp Power – formerly Ughelli Power - is among the 18 electricity successor companies unbundled from Power Holding Company of Nigeria (PHCN) in 2003. Transcorp has four power plants with a total installed capacity of 900 MW, most of which is transported through a network of conductors to the national grid.

For more information, please visit:
http://www.transcorppower.com/

Paul Hanrahan, Chief Executive Officer, American Capital Energy and Infrastructure (ACEI).

"There are good growth opportunities in the Nigerian and West African markets and our confidence grows in Nigeria's power sector reform programme."

David Ladipo, Managing Director, Azura Power Limited.

"We are committed to the creation of an indigenous business that will provide electricity to the people of Nigeria and boost the country's industrial growth, its job creation and social welfare."

United States-based American Capital Energy and Infrastructure (ACEI), in 2013, committed to investing $130 million in Azura Power Holdings Limited.

Azura is a developer, financier, acquirer and operator of Independent Power Plants ("IPPs") and power related assets utilising its project development, industry expertise and financing skills to actively shape and develop power projects in West Africa. Azura Power Holdings Limited is the company responsible for developing the Azura-Edo Power Project in Edo State, Nigeria. The Azura-Edo power project is a proposed 450 megawatts open cycle gas turbine power station being developed near Benin City in Edo State and represents the first phase of a 1,000 megawatts power plant facility. The project reached financial close on 28 December 2015 and construction started on 5 January 2016.

For more information, please visit:
http://www.azurawa.com/