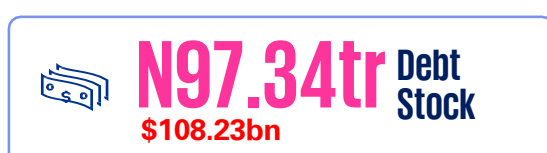
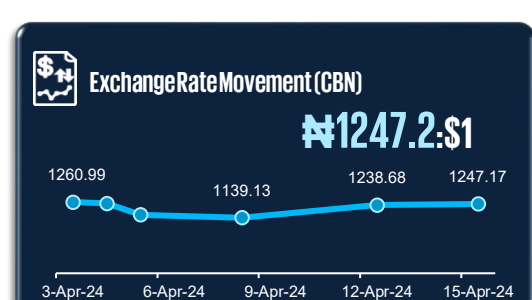
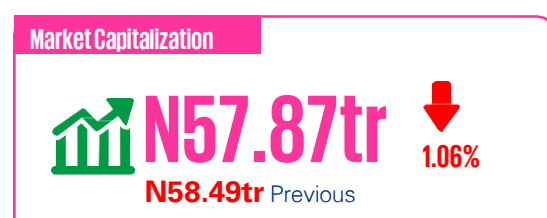
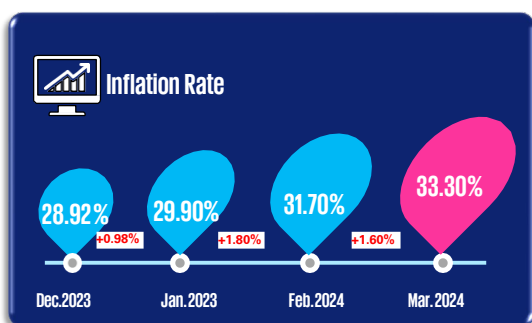
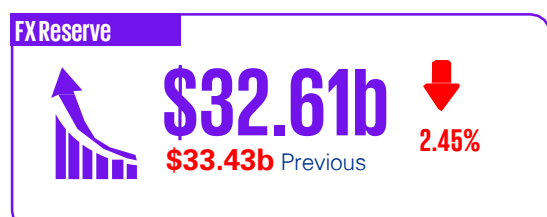
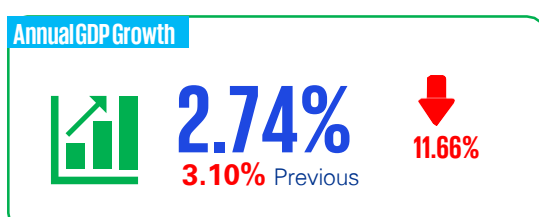


# Macroeconomic Snapshot

Research & Insights | KPMG in Nigeria

Tuesday 16 April 2024



## Approved Allowed Tariffs (₦/kWh)

Discos	A - Non-MD (N/kWh)		A - MD1 (N/kWh)		A - MD2 (N/kWh)	
	Jan - Mar 2024	Apr - Dec 2024	Jan - Mar 2024	Apr - Dec 2024	Jan - Mar 2024	Apr - Dec 2024
AEDC	68.2	225	81.18	225	81.18	225
BEDC	72.19	225	67.45	225	67.45	225
EEDC	71	225	66.17	225	66.17	225
IE	69.52	225	72.19	225	72.83	225
EKEDP	67.48	225	68.3	225	68.3	225
IBEDC	71.32	225	73.19	225	74.43	225
JED	68.61	225	72.78	225	76.2	225
KAEDC	67.53	225	71.74	225	76.16	225
KEDCO	70.23	225	74.06	225	76.54	225
PHED	72.67	225	71.62	225	69.88	225
YEDC	69.43	225	72.07	225	74.3	225

## KPMG Analysis: Hike in Electricity Tariff

This week, we highlight the recent upward review of tariff by the Nigerian Electricity Regulatory Commission's (NERC) for customers under the Band A category (customers who receive a minimum of 20 hours electricity per day), effective from April 3, 2024.

According to the order released by the Commission, titled "April 2024 Supplementary Order to the Multi-Year Tariff Order – 2024", it was revealed that Band A customers, constituting 15% of the nation's 12 million electricity consumers, who have been charged an average of ₦71.59/kWh will now pay an increased tariff of ₦225/kWh, representing a substantial rise of over 200% in electricity tariff. However, tariff for Bands B – E customers will remain unchanged at the rate payable since December 2022, pending further directives from the government. The reviewed tariff is based on an inflation rate of 31.7% and an exchange rate of ₦1,463 to the dollar.

Over the past four years, the Federal Government, in collaboration with NERC, has implemented three increases in electricity tariffs, with rates reaching N50.72/KWH in 2020, N54.22/KWH in 2022, and N225/KWH in 2024, respectively.

The recent adjustment which seeks to establish a cost-effective tariff that would aid grow the energy supply to 5,351GWh is also aligned with the policy direction of the Federal Government (FG) in reducing the overall subsidy burden borne by the government and save the nation approximately N1.14 trillion in subsidy payment for the fiscal year. This is evidenced by data from the NERC quarterly report, in 2023, the Federal Government (FG) incurred a subsidy obligation of ₦36.02 billion in Q1 2023 (about ₦12.0billion per month), ₦135.23 billion in Q2 2023 (about ₦45.08 billion per month) and ₦204.59 billion (about ₦68.20 billion per month) in Q3 2023, totaling approximately ₦375.84 billion.

While it is anticipated that the subsequent savings that would accrue from the removal of subsidy payments will enable government reallocate expenditure to other sectors of the economy, concerns persist regarding the prudent utilization of the saved funds from the sectional subsidy reduction.

We therefore recommend that the government develop a detailed policy framework and implementation strategy that would ensure accumulated savings from the removal of subsidy is utilized to foster the much desired robust and diversified economy for the nation while simultaneously put in place measures to cushion the immediate impact of the hike in tariff on businesses and consumers as this may further deepen perennial cost-push inflationary pressures.

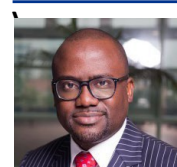
Furthermore, it is pertinent for the government to hold electricity distribution companies (DisCos) accountable in ensuring that there are no discrepancies in feeders covered as Band A, provision of the minimum required amount of electricity provided in designated areas and enforcement of consequences from any breaches by DisCos.

Sources: NERC, CBN, NGX, NBS, DMO & KPMG Research

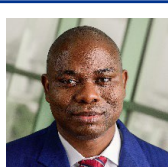
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## For further information, contact:



**Segun Sowande**  
 Partner & Head  
 Strategy & Markets  
 KPMG West Africa  
 E: [segun.sowande@ng.kpmg.com](mailto:segun.sowande@ng.kpmg.com)



**Wole Adelokun**  
 Partner  
 Strategy & Customer Solutions  
 KPMG West Africa  
 E: [oluwole.adelokun@ng.kpmg.com](mailto:oluwole.adelokun@ng.kpmg.com)

## Contributors

**Kalu Eke**  
 E: [eke.kalu@ng.kpmg.com](mailto:eke.kalu@ng.kpmg.com)

**Fatai Shuaib**  
 E: [fatai.shuaib@ng.kpmg.com](mailto:fatai.shuaib@ng.kpmg.com)

**Festus Ogunbayo**  
 E: [festus.ogunbayo@ng.kpmg.com](mailto:festus.ogunbayo@ng.kpmg.com)

**Jessica Ezigbo**  
 E: [jessica.ezigbo@ng.kpmg.com](mailto:jessica.ezigbo@ng.kpmg.com)