

Power Sector Updates

Power Sector Watch | Q4 Updates

KPMG in Nigeria | October 2023

FCMB introduces the Energy Finance Loan Product to households, SMEs for Clean Energy¹

First City Monument Bank (FCMB or the “Bank”) recently introduced Energy Finance Loan which provides up to ₦10 million to Nigerian homes and small businesses for the purchase of solar panels, batteries, inverters, and other green energy equipment. The Bank noted that the loan facility is designed to unlock the potentials of the renewable and clean energy sector, provide relief to Nigerians, with specific focus on the key social institutions such as hospitals, schools, hotels, etc. and small businesses. The product is also expected to encourage adoption of clean energy amongst the target institutions and businesses. It is no news that the removal of subsidies on petrol, which is a major source of energy for most Nigerian households and small businesses, has impacted the cost of living and doing business in Nigeria. This has also seen a shift in focus by most affected businesses towards renewable energy solutions, though limited by the initial cost of uptake.

The Managing Director of the Bank noted that the Energy Finance Loan is a bold intervention by the Bank to unlock the potential of the renewable and clean energy sector and improve uptake of green solutions amongst Nigerian small businesses. It is also a reaffirmation of the Bank’s commitment to eco-friendly energy finance. Access to constant and sustainable energy remains a key catalyst for economic growth and business development. Therefore, it is expected that the ability of households and small businesses in Nigeria to access the facility should spur economic growth.

International Customers in Benin, Togo, Niger Owe Nigeria US\$16.11million for Electricity Consumed²

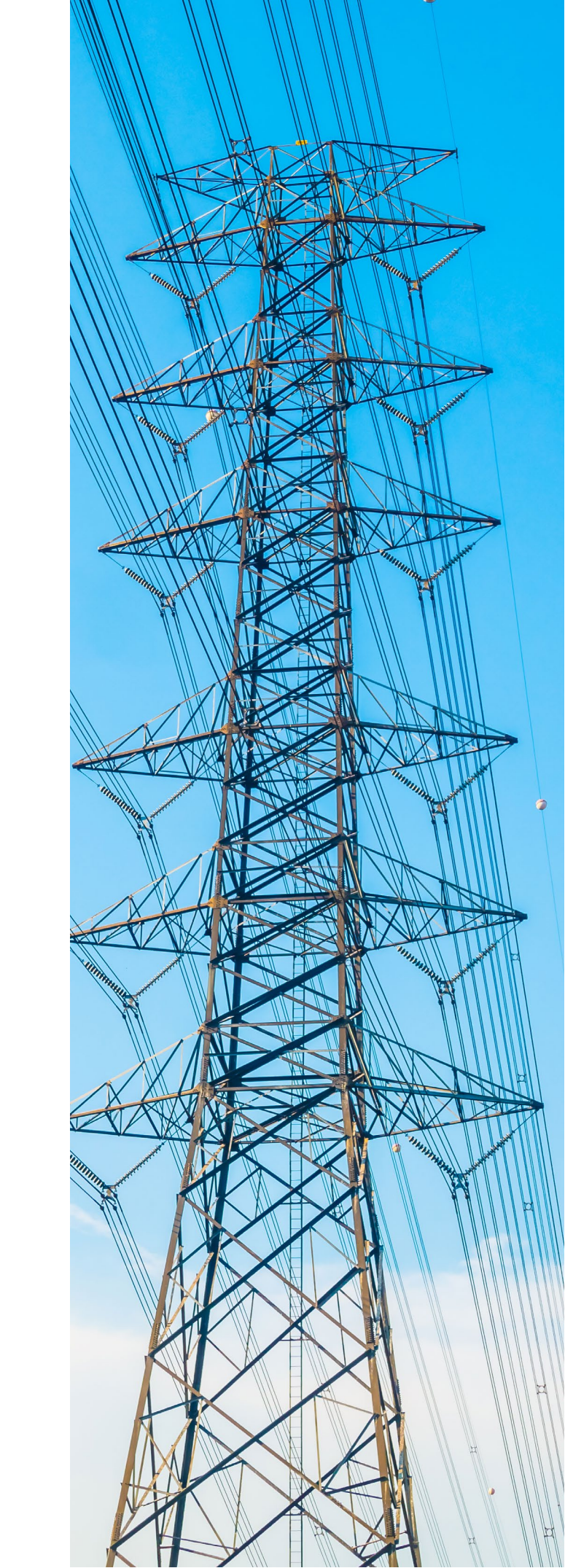
According to the recently released National Electricity Regulatory Commission (NERC)’s 2023 quarterly report, international electricity customers failed to remit US\$16.11 million to the market operator in the first quarter of 2023. The defaulting customers include Société Béninoise d’Energie Electrique (SBEE) of the Benin Republic which owed a cumulative sum of US\$7.31million, Compagnie Energie Electrique du Togo (CEET) owed a sum of US\$3.32million and NIGELEC-electric power generation and transmission utility in Niger owed US\$5.48million. A similar occurrence was reported for bilateral customers in the Nigerian Electricity Supply Industry (NESI). Based on the report, out of the ₦842.38million invoice value, issued to the eight bilateral customers, only one bilateral customer made a partial payment of ₦15.38million against an invoice of ₦24.69million issued to it by the market operator.

NERC bemoaned that the non-payment by customers is a perennial issue in the NESI and will continue to impact the liquidity of the industry if not addressed definitively.

You would recall that the issue of liquidity and non-payment for energy supplied affected the implementation of both the Power Purchase Agreement and bilateral power contracts introduced by NERC (which would have allowed the direct sale of power from Generation Companies (GenCos) to Distribution Companies (DisCos)). This was a direct result of the

1. <https://theelectricityhub.com/fcmb-offers-households-smes-n10-million-loan-for-clean-energy/>

2. <https://theelectricityhub.com/benin-togo-niger-owe-nigeria-16-11-million-for-electricity-consumed/>



liquidity challenges experienced by most of the DisCos. It therefore appears that the concern expressed by the GenCos when NERC directed the implementation of the bilateral power contracts by 31 March 2023 continues to persist. This issue would need to be resolved in order to ensure the success of the bilateral power contract agreements.

Proposal to create a Ministry of Renewable Energy³

The newly appointed Chairman of the House of Representatives Committee on Renewable Energy, Honourable Afam Victor Ogene, has proposed the creation of a standalone ministry for renewable energy. According to the House Committee Chairman, the creation of a full-fledged ministry that focuses on renewable energy will provide the necessary incentives to grow the industry, encourage research into alternate energy sources, and improve investments in the sector.

Hon. Ogere, while addressing the 10th assembly, noted that investing in renewable energy sources is a key factor in addressing the climate change issues and ensuring that Nigeria has a cleaner, greener, and more sustainable energy future. He noted that with the reduction in global fossil fuel reserves, most countries have started to invest in renewable energy sources, and Nigeria should not be left behind. Further, he reiterated his commitment to develop crucial strategies to divert Nigeria's energy needs away from depleting fossil fuels to more sustainable and cleaner energy which is in line with the mandate of his committee.

The Federal Government deploys Mini-Grid station in Niger State to cushion the impact of fuel subsidy removal⁴

The Federal Government of Nigeria (FGN) has commissioned a solar hybrid 200KWp mini-grid facility in Danchitagi Community of Niger State. According to the Managing Director of Rural Electrification Agency (REA) in Abuja, Ahmed Salihijo, the facility is expected to reduce the purchase of petrol by members of the community who are majorly farmers. He noted that most people in the community rely on petrol generators, therefore, the mini grid will minimize the dependence on fuel while providing reliable power.

The mini-grid facility in Dachitagi Community is one of the 80 mini-grids being deployed by the FGN under the Nigerian Electrification Project-Performance Based Grant initiative to address the twin issue of equitable access to electricity and cushion the impact of the recent fuel subsidy removal on the underserved communities.

3. <https://theelectricityhub.com/renewable-energy-committee-reps-chairman-proposes-a-ministry-for-the-sector/>

4. <https://theelectricityhub.com/nigerian-government-deploys-mini-grid-facility-in-niger-state/>

Four Additional African Nations sign on to the Nigeria-Morocco Gas Pipeline Project⁵

Four additional African countries namely Côte d'Ivoire, Liberia, Guinea, and Benin have signed memoranda of understanding with Morocco and Nigeria to partake in the Nigeria-Morocco gas pipeline project. This brings the total number of participating countries in the project to ten. The Nigeria-Morocco gas pipeline project was unveiled in 2016 in Abuja by King Mohammed VI and former Nigerian President Muhammadu Buhari to improve the gas resources of African countries and provide a unique alternative export route to Europe. This pipeline is a strategic project which is expected to support the integration of Africa's regional economies, accelerate access to energy, ensure energy security and improve living conditions of the members of the participating States.

The pipeline is expected to transport nearly 3 billion cubic feet of gas per day along the West African coast to Morocco and Europe, running over 7,000 kilometres and is set to benefit over 400 million people in West Africa. Sediko Douka, the ECOWAS Commissioner for Infrastructure, Energy, and Digitization noted that the gas pipeline project is a strategic alliance that will enhance electricity production and generation capacity, stimulate industrial and agricultural development, and contribute to achieving Africa's energy transition to cleaner energy sources.

5. <https://theelectricityhub.com/more-african-countries-join-nigeria-morocco-gas-pipeline-project/>

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