

Power Sector Updates

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Federal Government of Nigeria (FGN) refutes report on Transmission Company of Nigeria (TCN) Privatisation

The FGN, recently refuted reports that it was set to privatise TCN. The Special Adviser to the Minister of Power, Mallam Isa Sanusi, stated in a recent publication, that reports claiming that TCN would be privatised in the coming months were misleading and false. He stated that TCN remains the focal point in the Federal Government's plan to optimize the power sector.

There has been concerns over the ability of the FGN to adequately fund the investment required to upgrade the facilities of the TCN. Nigeria has experienced about seven (7) total or partial grid failures in 2022, a lot of which has been attributed to the failings of the transmission infrastructure. This has therefore led to increased calls for the privatisation of TCN to resolve these issues. The TCN claims that it has a total transmission capacity of 7,500MW as at date though that is still short of the available generation capacity of 12,522MW. There has been significant focus on Distribution Companies (Discos) and their capacities given that they are much closer to end users but there are significant improvements required from a transmission standpoint to improve energy access and efficiency in the country.

Transmission infrastructure is also a key focus of the FGN/Siemens Energy deal.

India to support Nigeria in Solar Energy Infrastructure, Fintech, Artificial Intelligence

Nigeria is currently collaborating with India on improving its solar energy capacity and infrastructure. The High Commissioner of India to Nigeria, Gangadharan Balasubramanian, mentioned that the collaboration is aimed at improving solar energy, finance technology (Fintech), and artificial intelligence during an event organized to mark the 76th anniversary of India in Abuja recently.

Furthermore, he mentioned that both countries are committed to bilateral cooperation that would improve their economies.

India has one of the highest installed capacity of solar energy in the world contributing about 6.5% to the global cumulative capacity as at date. It is therefore, commendable that the FGN is collaborating with India to improve solar capacity in the country.

However, the details of the collaboration haven't yet been released. Nigeria currently does not have a single on grid solar energy plant even though about 14 companies reached some form of agreement with the National Bulk Energy Trading Company (NBET) in 2014. Those agreements were never finalised and none of the 14 companies have been able to reach financial close or commence actual construction of their solar plants. It is hoped that this collaboration will help drive the development of on-grid solar capacity in the country.

Geregu Power Plc becomes First Energy Company to list on Nigerian Exchange

Geregu Power Plc, a power generation company commissioned into service in 2007, became the first power company to be listed on the main board of the Nigeria Exchange Limited (NGX). The Company was admitted into NGX via a listing by introduction of 2.5 billion ordinary shares of 50 kobo each at 100 per share. The main board of the NGX is reserved for companies with demonstrable records of accomplishments.

Nigeria currently has a peak generation capacity of roughly 4,500MW, though this is only about 40% of the Country's installed power generation capacity. The successful listing of a power company on the Exchange could provide additional means for the company to source capital, improve governance while also paving the way for more power companies in the sector to qualify for future listings.

Geregu Power Plc is also one of the generation entities handed over by the FGN to private sector players at the end of 2013, and its listing is testament to the overall success of the privatised generation sub-sector. It is however important that the transmission and distribution subsectors continue to keep pace with the generation subsector otherwise the impressive achievements of the generation subsector will not have any significant impact on the majority of end users.

Shell Petroleum Development Company of Nigeria Limited ("Shell Nigeria") strikes deal to buy Daystar Power Solar Firm

Shell Nigeria, a major player in the oil and gas industry has acquired Daystar Power, a Nigeria-based hybrid solar power solutions provider, in a deal marking its first power acquisition in Africa. The acquisition, made via Shell Plc's renewable energy division, is pending regulatory approval.

Daystar Power, is currently present in four countries and

runs over 300 off grid solar power installations with an installed solar capacity of 32 MW. It plans to increase its installed capacity to 400 MW by 2025 and additional investment from Shell will assist the Company in achieving its goal of expanding its services.

The acquisition will aid Shell in delivering its carbon emission reductions and power cost savings to commercial and industrial businesses across Africa amid booming demand for solar energy in the local markets where the Company operates

The acquisition is also a sign of growing renewable energy sector in Nigeria and should signpost the entrance of more international fossil fuel companies into the renewable energy space in the country. It is also important that Government continues to find ways to incentivise this transition.

National Union of Electricity Employees condemns full power sector privatization

The National Union of Electricity Employees ("NUEE" or the "Union") has restated its call for the reversal of the privatization of Nigeria's power sector. Mr. Modupeoluwa Akinola, the Assistant General Secretary of the Union in the Western zone, said the Union was convinced that the country was not ready for the privatization of the sector. In an interview with the News Agency of Nigeria (NAN), he mentioned that the NUEE is demanding full re-nationalization of the power sector under the democratic control of a board that includes representatives of workers and consumers.

Sikamta Mshelinga, the Senior Zonal Organizing Secretary, (North East) of the NUEE, also commented on the spate of increases in electricity tariffs, which in his opinion, has not been supported by a commensurate improvement in the quality of service delivery. He argued that this should be a concern to Nigerians and thus should be a basis for the reversal of the exercise.

However, the issues in the power sector is multifaceted and cannot be placed solely at the foot of the private sector owners. It has also been argued that the reason the sector was privatised in the first place was because it did not fare any better whilst under Government ownership. It may therefore not be right to argue that Government should have retained ownership.

It will require the commitment and involvement of all players (public and private sector) in the industry to resolve the issues, though, the potential negative impact of a reversal of the privatisation may in the long run outweigh whatever gains may be derived from such an action. It is unlikely though that Government will consider a reversal as requested by NUEE.

Nigeria and French Development Agency sign Grant to boost Electricity in Northern Region

The Nigerian Government and the French Development Agency (AFD) have signed an agreement for the AFD to provide a €25 million grant for the North Corridor Project. The Project, which is focused on the improving the provision of electricity in the Northern part of the Country is jointly funded by the AFD and the European Union. The grant is to further complement the earlier grant of €202million by AFD in December 2020.

The Transmission Company of Nigeria (TCN) had earmarked a program “Transmission Rehabilitation and Expansion Program” in 2017. The focus of the program was to establish an effective and well-motivated workforce as well as stabilize and expand the national grid for optimum performance. The intention was to achieve 20,000MW by year 2021, though, this is yet to be achieved.

The grant from the AFD will contribute towards TCN’s ability to achieve its expansion plan. Miss. Emmanuelle Blatman, the France Ambassador to Nigeria, emphasized the importance of the North Corridor Project to the development of the electricity market in the Northern region and its impact on West Africa at large. The Project entails the construction of more than 800km of 330kV double circuit transmission lines and upgrade of 13 substations across nine states in the Northern part of the country – Niger, Kebbi, Sokoto, Kaduna, Kano, Jigawa, Bauchi and Nassarawa.



For further enquiries on the above and information on how KPMG can assist you, please contact:

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