



Energy Insights: The Quarterly

Reviews and Highlights of the Nigerian
Energy Sector in Q3

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Executive Summary

Q3 of 2024 for Nigeria's energy sector demonstrated significant advancements despite persistent challenges.

In the power sector, despite the infrastructural deficits and financial constraints, there has been notable efforts to improve efficiency in generation, transmission and distribution. The Electricity Act 2023 continues to set a positive trajectory by encouraging private sector involvement and enhancing regulatory frameworks.

In the oil and gas sector, Q3 saw an increase in oil production and significant strides such as the commencement of petrol production at the Dangote Refinery. This move is expected to reduce Nigeria's reliance on imported fuel and strengthen domestic supply chains. Additionally, natural gas exports continue to expand, particularly with new partnerships in Asian markets thus increasing the possibility of more affordable electricity at a closer timeline.

The renewable energy sector has continued to make headway, with increased investments and government initiatives supporting solar, wind, and other clean energy projects. Key developments, including new partnerships and technological advancements, contributes to the diversification of Nigeria's energy mix and improved access to electricity in underserved areas.

Overall, Q3 of 2024 saw strategic developments across the energy sector, from oil and gas production to renewable energy investments and power infrastructure improvements. While challenges remain, these advancements are critical for achieving energy security and supporting Nigeria's economic growth.

This review highlights the significant activities and notable advancements in Nigeria's energy sector, within Q3 of 2024, providing a thorough summary for individuals, stakeholders, and policymakers alike.

Market Overview

The image features a dark blue background. On the right side, there is a vertical strip representing a circuit board or a server rack, with various components and connectors visible. From this strip, several glowing blue lines extend horizontally and then curve upwards and downwards, resembling a network diagram or data flow paths. The lines are thicker in some areas and thinner in others, creating a sense of depth and connectivity.

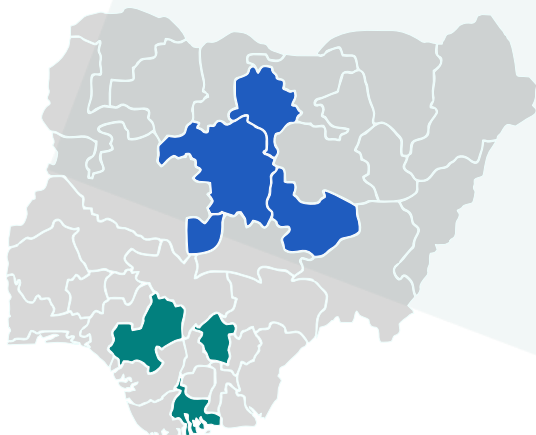
Power Sector

Q3 of 2024 continues to evidence a progressive trend in the Nigeria's power sector.

The implementation of the decentralisation of power generation, the multiple foreign investments attracted within the sector in Q3 and strategic partnerships by the federal government, regulatory bodies and agencies, aimed at ensuring easy and affordable access to electricity at a nearer date. With the government aiming to achieve a power generation capacity of 6000KW by December 2024, various partnerships and investments have gone into the development of the sector.

Notable developments in the Power industry

During Q3 of 2024, there were several notable developments in the power industry which include:



■ Lot 2 ■ Lot 3

FG to Allocate \$800 Million for Construction of New Substations, Distribution Networks across Nigeria

In a bid to addressing load rejection challenges faced by DISCOs, the Federal Government has announced plans to allocate \$800 million for the construction of new power substations and distribution networks as part of the Presidential Power Initiative (PPI). The initiative will be executed in two phases: Lot 2 will focus on the franchise areas of Benin, Port Harcourt, and Enugu DISCOs, while Lot 3 will cover Abuja, Kaduna, Jos, and Kano DISCOs.

With Nigeria aiming to achieve a generation capacity of 6,000 megawatts by year-end, improving the distribution infrastructure is essential to effectively channel this increased output. The release of these funds is expected to address long-standing infrastructural bottlenecks in Nigeria's power sector, particularly in areas where the distribution networks are either outdated or underdeveloped. This investment will not only enhance operational efficiency but also help reduce the persistent issues of power outages and load rejection by DISCOs. Furthermore, by strengthening the power grid, the initiative aligns with broader national goals of achieving energy security and promoting industrial growth across key regions.

FG Signs Agreement With 3 Chinese Firms to Supply 1.4 Million Electricity Meters

The Federal Government, through the Bureau of Public Enterprises (BPE), signed an agreement with three Chinese companies; Ningbo Sanxing Medical & Electric Co. Ltd, Ningbo Sanxing Smart Electric Co. Ltd, and Messrs XJ Group Corporation to supply and install 1.43 million electricity meters across Nigeria. This project is part of the Distribution Sector Recovery Programme (DISREP), which is financed by the World Bank through a \$500 million facility under the Investment Project Finance (IPF) arrangement. The initiative aims to address Nigeria's severe metering shortfall and close the gap between electricity supply and demand. It is a significant step toward resolving Nigeria's metering gap, which has hindered effective billing and service delivery in the power sector. By introducing more smart meters, the project will contribute to improving grid efficiency, reducing energy theft, and enhance consumer trust in the billing system.

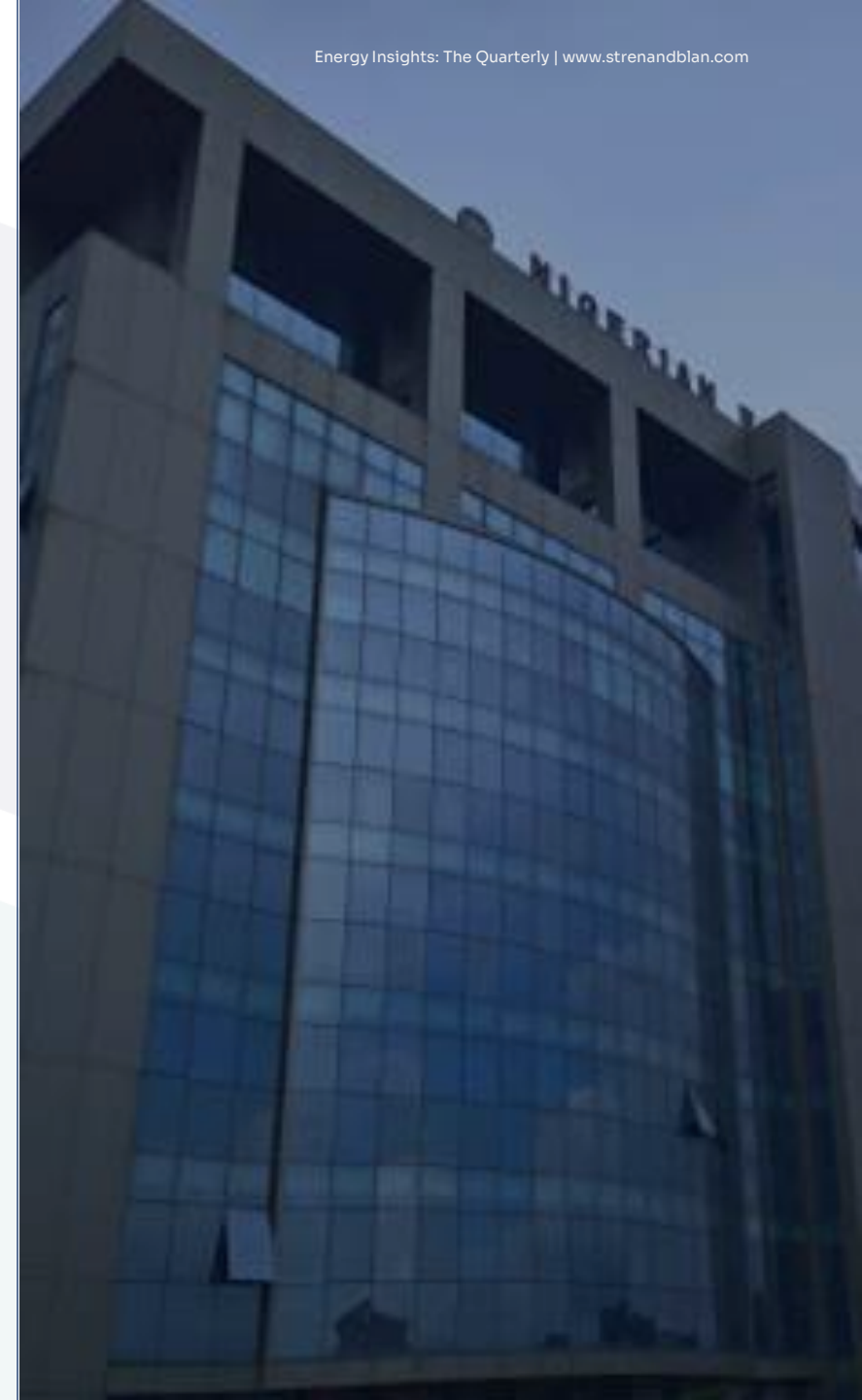
NERC Transfers Regulatory Oversight of Oyo and Kogi Electricity Market to State Regulator

The Nigerian Electricity Regulatory Commission (NERC), the apex regulator of Nigeria's electricity industry, has formally transferred the regulatory oversight of the electricity market in Oyo and Kogi State to the states' regulators. This development announced by NERC aligns with the provisions of the Electricity Act of 2023, as well as the recent amendments to the Nigerian Constitution. This action by NERC signifies the growing trend of decentralizing regulatory control of Nigeria's electricity sector, allowing states greater autonomy in overseeing electricity markets within their jurisdictions. The decision to allow states establish their own electricity regulatory commission is expected to encourage more efficient service delivery and investment in the region's electricity infrastructure. By decentralizing electricity regulation, the federal government aims to foster localized solutions to the country's power challenges, ensuring that states can independently address issues such as distribution bottlenecks and infrastructure deficits, thereby creating a more sustainable and efficient electricity market nationwide.

Abuja Disco Secures Deal with TransaFam Power to Deliver 50MW to Abuja Industrial Cluster

The Abuja Electricity Distribution Company (AEDC) signed a Memorandum of Understanding (MoU) with TransaFam Power to supply 50 megawatts (MW) of embedded power to the Abuja's Idu Industrial Cluster. The agreement between AEDC and TransaFam Power highlights the growing shift towards embedded power generation in Nigeria's electricity sector. Embedded power solutions, which involve the generation of electricity closer to the point of consumption, helps reduce transmission losses and provides a more stable and localized power supply.

With this partnership, AEDC is taking proactive steps to enhance power supply stability, particularly within industrial and commercial areas like the Idu hub. By leveraging embedded power generation, AEDC aims to mitigate the challenges associated with over-reliance on the national grid, offering a more dependable energy solution for businesses operating in the Federal Capital Territory.



Notable developments in the Power industry

Nigeria's DisCos (PHED, KAEDC, IE, AEDC) raise tariffs for high-consumption users to ₦209.5/kWh.

Table 1.0 Updated Electricity Tariffs

Band	Old Rate (N/kWh)	New Rate (N/kWh)	Affected DisCos
A	206.80	209.50	PHED, KAEDC, IE, AEDC
B	68	61.00 - 64.07	-
C	48.53 - 52.05	48.53 - 52.05	-
D	32.48 - 52.05	32.48 - 52.05	-
E	32.44 - 43.27	32.44 - 43.27	-

The advanced system enables real-time monitoring, automated data collection, and remote control, modernizing Nigeria's electricity infrastructure for efficient power management.

DisCos Announce New Electricity Tariff Increase for Band A Customers

Several electricity distribution companies (DisCos) across Nigeria announced a new upward revision of tariffs effective from 1st July 2024, for Band A customers who are categorized as high-consumption users with relatively better access to electricity. According to the updated tariffs, Band A customers now pay ₦209.5/kWh, an increase from the previous rate of ₦206.80/kWh. The affected DisCos are the Port Harcourt Electricity Distribution Plc (PHED), the Kaduna Electricity Distribution Company (KAEDC), Ikeja Electric (IE) and the Abuja Electricity Distribution Company (AEDC).

The upward adjustment follows the revision of the 2024 Multi-Year Tariff Order (MYTO), which governs electricity pricing in the country. This tariff increase reflects ongoing adjustments within Nigeria's power sector aimed at addressing cost recovery and improving service delivery for consumers. It is a part of broader efforts by the government and regulatory agencies to ensure sustainable pricing in the electricity sector, aligning with cost-reflective tariffs to maintain efficient electricity distribution across the country.

FG Partners with World Bank to Improve National Grid Stability - Deploy \$6bn Scada System

The Federal Government, in collaboration with the World Bank, has deployed an advanced Supervisory Control and Data Acquisition (SCADA) system. This is a significant step towards enhancing the stability and reliability of the national power grid. The initiative, unveiled by the Transmission Company of Nigeria (TCN), which involves an investment of \$6 billion, aims to modernize the country's electricity infrastructure, addressing long-standing challenges in power supply management. This SCADA system will facilitate real-time monitoring and control of the grid, enabling operators to efficiently manage loads and swiftly respond to outages. With features like automated data collection, fault detection, and remote-controlled operations, we are laying the foundation for a more resilient and responsive power sector.

This initiative aligns with the government's broader vision of achieving energy security and expanding access to electricity for all Nigerians, which is the primary objective of the Nigerian Electricity Transmission Access Project (NETAP). The introduction of SCADA is part of the FGs strategic efforts to modernize power infrastructure and implement smart grid technologies.

Key Challenges Faced in the Power Sector in Q3 2024

Generation

The generation sector forms the backbone of Nigeria's electricity supply, producing power that is transmitted and distributed nationwide. Despite efforts to increase installed capacity and diversify energy sources, the sector continues to face numerous challenges that limit its efficiency and ability to meet Nigeria's energy demands.



Limited Generation Capacity Utilization

- I. Despite having an installed generation capacity of over 12,000 MW, Nigeria only manages to dispatch a fraction of this capacity to the national grid, with actual generation hovering around 4,000 to 5,000 MW.
- II. In Q3 of 2024, this gap between installed capacity and actual output remained one of the sector's most critical challenges. Despite the peak in generation of 5000KW in May 2024, there was a decline in generation approximately 4700KW in mid July.



Aging Generation Infrastructure

- I. Nigeria's generation infrastructure is plagued by age-related inefficiencies, breakdowns, and maintenance challenges. In Q3 2024, many of the country's power plants continued to experience frequent technical faults and outages due to their aging equipment and insufficient maintenance schedules.
- II. The sector's inability to generate power consistently, with breakdowns further emphasizes the existing shortfalls in energy supply.



Gas Supply Constraints and Vandalism:

- I. The availability of reliable gas supply, particularly for gas-powered generation plants, remained a significant challenge in Q3 of 2024. Many of Nigeria's GenCos are reliant on natural gas as the primary fuel source, but inconsistent gas supply due to infrastructure bottlenecks severely restricted power generation during the quarter.
- II. The persistence of vandalism along gas pipelines continued to pose significant challenges to the generation sector over the past three months. Vandalism not only disrupts gas supply but also leads to costly repairs and increased security measures, thereby inflating operational costs for gas-powered GenCos.



Lack of Investments and Financing

- I. The sector continues to suffer from underinvestment, with many generation companies struggling to access the financial resources necessary for expansion, modernization, and maintenance.
- II. The lack of both domestic and international investment in the generation sector has been evident in the slow pace of new plant construction and the aging condition of existing plants.

Key Challenges Faced in the Power Sector in Q3 2024

Transmission

The transmission sector serves as the critical link between electricity generation and distribution in Nigeria, and its efficiency is important for ensuring stable and adequate power supply. However, the transmission network continues to face numerous challenges, which have significantly hindered its ability to transmit to function effectively and efficiently.



Transmission Capacity Constraints

- I. Over the past three months, Nigeria has seen the limited capacity of the national grid to handle the total generated power. Despite the country's potential to generate more electricity, the Transmission Company of Nigeria (TCN) has struggled to expand transmission capacity in line with generation increases.
- II. Many parts of the transmission infrastructure are outdated and unable to handle the additional load from generation companies (GenCos). This has resulted in frequent grid collapses and significant power losses during transmission, leading to inadequate electricity reaching distribution companies (Discos) and consumers.



Regulatory and Policy Gaps

- I. Although there have been significant regulatory efforts to reform the Nigerian power sector, including the implementation of the Electricity Act, 2023, regulatory gaps remain a challenge for the transmission sector.

- II. There are little or no evolving policy frameworks that require operational restructuring, performance benchmarks, and collaboration with private entities. Additionally, the absence of clear guidelines for integrating renewable energy into the grid further complicates efforts to expand and stabilize transmission capacity, especially as Nigeria seeks to increase its reliance on renewable energy sources.



Grid Instability and Frequent System Collapses:

- I. Grid instability remained a significant challenge in the third quarter. The national grid experienced multiple system collapses during the quarter, causing nationwide blackouts and disruptions in industrial and commercial activities. The most recent report of the outage of the nation's electricity grid was in July and August 2024.
- II. The grid collapses are often the result of an overloaded and poorly maintained transmission network, as well as operational inefficiencies in balancing power loads.

Key Challenges Faced in the Power Sector in Q3 2024

Distribution

The electricity distribution sector in Nigeria remains one of the most critical, yet challenging, components of the country's power value chain. Despite ongoing reforms and efforts to improve service delivery, the distribution companies (Discos) continue to grapple with systemic issues that hinder efficient power distribution across urban, suburban, and underserved areas.

As Nigeria heads into the fourth quarter of 2024, the power sector is expected to see gradual improvements. Efforts to boost private sector involvement, upgrade aging infrastructure, and improve power generation and distribution efficiency are projected to gather pace. Additionally, the government's push to establish stronger regulatory frameworks, combined with investments in transmission infrastructure, will yield better results in the coming quarter.

Overall, while challenges persist, the fourth quarter of the year holds promise for incremental progress in Nigeria's power sector, fostering both economic growth and energy security. All eyes are on the goal of the government to reach a power generation capacity of 6000KW by December 2024.



Infrastructure Deficits

- I. The distribution network's infrastructure, much of which is outdated and overburdened, poses a major obstacle to efficient electricity distribution. In Q3, the frequent breakdown of distribution transformers, poorly maintained lines, and inadequate metering infrastructure resulted in frequent outages, power losses, and customer dissatisfaction.
- II. The Discos are facing the uphill task of modernizing a distribution network that is not equipped to handle current electricity demands, let alone future growth. Upgrading this aging infrastructure requires substantial investment, which is often beyond the financial capacity of the distribution companies.



Grid Reliability Issues

- I. The unreliable nature of the national grid regularly destabilizes distribution efforts. The national grid remains prone to frequent collapses, causing power outages that affect both urban and rural areas.
- II. Despite efforts to integrate more distributed energy solutions such as mini-grids and off-grid systems, the pace of adoption remains slow, limiting the ability to improve electricity access in underserved rural communities.



Financial Viability and Revenue Collection Issues

- I. The financial sustainability of Discos continues to be a pressing issue in the distribution sector. Many distribution companies struggled with liquidity constraints throughout Q3 of 2024, primarily due to inefficiencies in revenue collection.
- II. A significant percentage of electricity consumers, particularly in underserved and rural areas, remain unmetered, leading to heavy reliance on estimated billing. This system creates billing inaccuracies and contributes to low revenue recovery, with many consumers either refusing to pay or contesting inflated bills. The sector's overall financial health is further impacted by energy theft, technical losses, and the inability to implement cost-reflective tariffs.



Service Delivery and Customer Satisfaction

- I. Service delivery remains a major concern for both urban and suburban electricity consumers. Discos face mounting pressure to improve the quality of service, but the persistent gap between supply and demand, coupled with inadequate infrastructure, makes it difficult to meet customer expectations.
- II. Over the past three months, there were continued reports of prolonged power outages, voltage fluctuations, and erratic supply. These issues have led to growing customer dissatisfaction.

Oil & Gas Sector

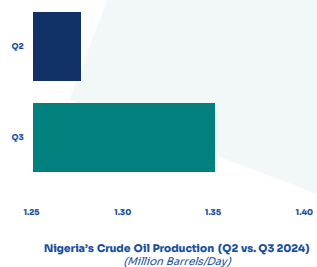
In Q3 of 2024, Nigeria's oil and gas sector continued to play a central role in the country's economy, contributing significantly to government revenue. Despite growing global efforts toward energy transition and decarbonization, oil and gas remains the backbone of Nigeria's energy and industrial sectors.

Q3 of 2024 has witnessed an increase in Nigeria's crude oil production level, rising from 1.276 million barrels per day in the second quarter to 1.3 million barrels per day in July, and further increasing to 1.351 million barrels per day by August, according to Nigeria Upstream Petroleum Regulatory Commission (NUPRC)'s recently published oil production status report.

The natural gas market, on the other hand, continues to expand, with growing domestic consumption driven by the Federal Government's "Decade of Gas" initiative, aimed at transforming Nigeria into a gas-based economy by 2030. Q3 has seen an increased focus on developing gas infrastructure, including gas processing facilities to support domestic industries and power generation as well as gas exports.

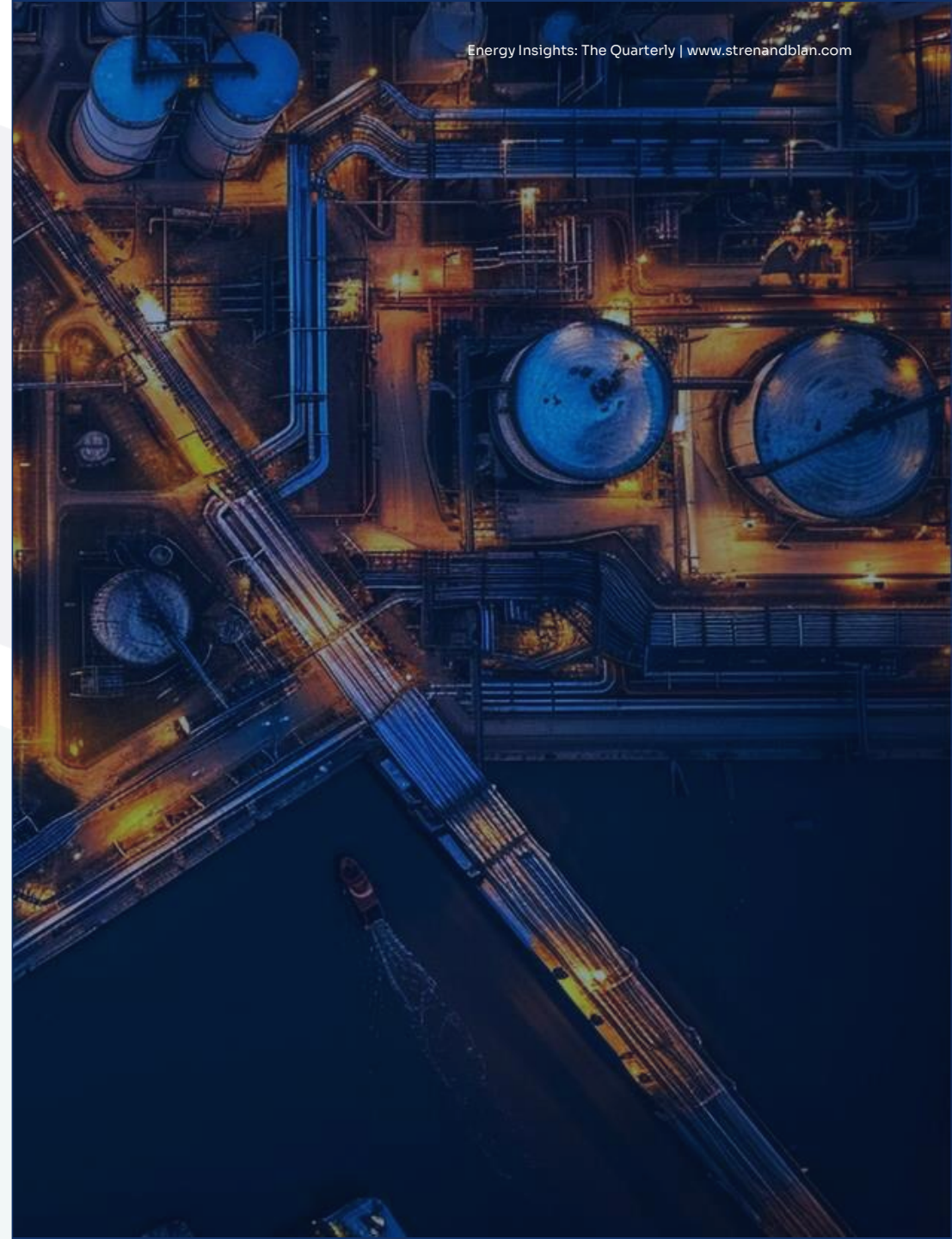
Oil Production

Nigeria's crude oil production rose to 1.351 million barrels/day in Q3 2024, up from 1.276 million barrels/day in Q2.



Gas Market

Nigeria's gas market expands, driven by "Decade of Gas" initiative, with growing domestic consumption and infrastructure development.



Notable developments in the Oil & Gas industry

During Q3 of 2024, there were several notable developments in the oil & gas industry which include:



Construction Begins at Midoil Refinery

In July 2024, Midoil Refining and Petrochemicals Company Limited commenced construction of its refinery in Lagos, marking a significant step towards expanding Nigeria's domestic refining capacity. After obtaining licenses to establish the refinery in 2017, the project faced delays due to financing challenges. However, with a consortium of three investors committing \$5 billion in funding, construction is now underway. The refinery's operational capacity is expected to contribute meaningfully to Nigeria's energy security by reducing dependence on imported refined products. The project will also stimulate job creation, benefiting local communities and contributing to regional economic growth. As ancillary industries and services spring up around the refinery, it will bolster local supply chains for crude oil products and attract further investments in the region.



FG Awards Contract for Metering 187 Crude Oil Flow Stations in Niger Delta

In July 2024, the Federal Government took a significant step toward improving transparency and curbing oil theft by approving the metering of 187 crude oil flow stations across the Niger Delta. The metering project, spearheaded by the NUPRC is a direct response to longstanding concerns about the lack of accurate data on Nigeria's oil production and exports. Therefore, proper metering at these flow stations is expected to allow the government to monitor crude oil production more effectively and provide a clear accounting trail, which is critical in curbing oil theft, a major issue undermining Nigeria's oil sector. As the metering project advances, it is expected to create a more stable and accountable framework for Nigeria's oil production, laying the groundwork for potential future growth and investment in the energy sector.



Edo Refinery Gets Operational License From NMDPRA

In August 2024, NMDPRA issued an operational licence to Edo Refinery and Petrochemical Company Limited, Ologbo, in the Ikpoba-Okha Local Government Area of Edo State. This license marks the final stage of approval, allowing the refinery located in Ologbo, Edo State, to begin full operations. This development is significant as it represents a crucial step in boosting local refining capacity and reducing Nigeria's dependency on imported refined petroleum products. This move is expected to enhance the refinery's contribution to the petroleum refinery and gas processing subsectors in Nigeria. This milestone for Edo Refinery is a positive indicator for the country's energy sector, potentially leading to more stable fuel supplies and contributing to the overall economic development of the region.



Dangote Refinery Begins Petrol Production

In September 2024, Dangote Refinery officially commenced the production of Euro-5 petrol. The facility is now set to alter the dynamics of Nigeria's fuel supply chain, which has historically relied heavily on imports. The commencement of local petrol production is a critical move towards addressing Nigeria's long-standing fuel shortages, a recurring issue. By leveraging local refining capacity, domestic demands will be met. The production of Euro-5 petrol, which has lower sulphur content means lesser toxic emissions are released into the air, therefore, making the fuel cleaner and better for the environment.

Beyond improving fuel supply, the implications for Nigeria's broader economy are substantial. With a reduction in petrol imports, the strain on Nigeria's foreign exchange reserves is likely to ease, fostering stability in the value of the naira. By enhancing Nigeria's energy self-sufficiency, this development supports the country's vision of becoming an energy hub in West Africa, driving both regional and global trade benefits.





NNPCL Begins Export of Gas to Japan and China



NMDPRA Grants Waltersmith Refining and Petrochemical Company Limited New Refinery

NNPCL commenced LNG exports to Japan and China in August 2024, strengthening Nigeria's presence in the global energy market and paving the way for future energy partnerships.

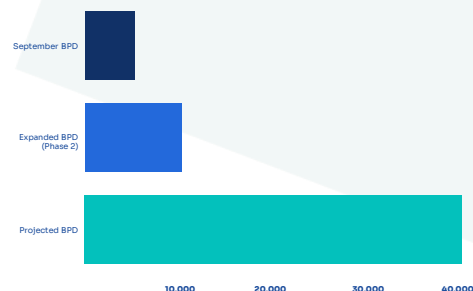
Waltersmith Refining and Petrochemical Company Limited received a new refinery license in September 2024, enabling expansion of its operations in Ibigwe, Imo State, from 5,000 to 10,000 barrels per day, with plans to reach 40,000 BPD by Q3 2025.

In August 2024, The Nigerian National Petroleum Company Limited (NNPCL) commenced the export of Liquefied Natural Gas (LNG) to Japan and China, marking a significant expansion into the Asian energy markets. This milestone was achieved through NNPCL's downstream subsidiaries, NNPC LNG Ltd. and NNPC Shipping Ltd., which facilitated the delivery of LNG cargo to both countries. This development positions NNPCL as a competitive player in the global LNG market, broadening its footprint in Asia.

In September 2024, NMDPRA granted Waltersmith Refining and Petrochemical Company Limited a new refinery license. This license allows Waltersmith to expand its operations in Ibigwe, Imo State, increasing its production capacity from 5,000 barrels per day (BPD) to 10,000 BPD. This expansion is part of the company's Phase 2 project, with plans to further increase capacity to 40,000 BPD soon. The Phase 2 expansion is expected to be completed by Q3 of 2025.

This initiative enhances Nigeria's presence in the global energy landscape, showcasing its ability to meet the stringent requirements of international markets. Furthermore, the commencement of LNG exports to the Asian market is likely to strengthen Nigeria's trade relations with Asia, paving the way for future energy partnerships and investment opportunities. This expansion into foreign markets also aligns with Nigeria's broader goal of becoming a leading global energy supplier, reinforcing its relevance in the rapidly evolving international LNG market.

The impact on the Nigerian energy sector is substantial. With the increased refining capacity, Nigeria can reduce its reliance on imported petroleum products, leading to improved energy security and stability. Expanding local refineries like Waltersmith will also help stabilize fuel prices and ensure a more consistent supply of petroleum products across the country. Additionally, the growth of the refining sector is likely to attract further investments and technological advancements, fostering a more robust and self-sufficient energy industry.



Waltersmith Refinery Expansion Timeline (Refinery Capacity BPD)

Key Challenges Faced in the Oil & Gas Sector in Q3 2024

The oil & gas sector remains a major revenue source for the nation and the development of the sector has significant impact on Nigeria's economy. While the government continues to take salient steps towards the progress of the sector, it remains fraught with a couple of challenges.



Environmental Degradation

The extraction, transportation, and refining of hydrocarbons can have severe consequences for the environment, hence the degradation of certain oil exploration regions, especially the Niger Delta, has devastated communities and affected the ecosystem.



Insufficient Financing

Nigeria has an abundance in gas reservoir yet very little technical expertise to utilise this resource, as a result the need for foreign technical investment. The industry is also a highly capital-intensive sector and as such require significant capital injected into the production process. However, with the insecurity and vandalism issues, investors are discouraged to invest in the sector.



Security Concerns and Vandalism

The persistent security threats of theft and vandalism has caused distrust and worry in the mind of investors, therefore deterring potential investors from injecting finances into the oil & gas sector in Nigeria. While for IOCs in operation in Nigeria, these threats disrupt production and damage infrastructure.

Renewable Energy

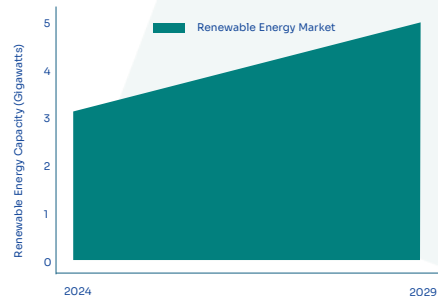
In Q3 of 2024, Nigeria's renewable energy market continued to make significant strides as the country pushes towards diversifying its energy mix and meeting global sustainability goals. The Nigerian government, through its Renewable Energy Master Plan (REMP), has remained committed to increasing the share of renewable energy in the country's electricity generation to 23% by 2025 and 36% by 2030.

A key driver of growth has been the government's favourable policies, which encourage private sector participation and foreign investments in renewable energy projects. These policies are supported by initiatives such as the Nigeria Electrification Project (NEP), which aims to provide off-grid renewable energy solutions to underserved communities, and various tax incentives aimed at boosting investments in the renewable energy sector.

Q3 of 2024 has also seen major technological advancements which continues to play a pivotal role in the growth of our renewable energy market. These technological improvements are expected to generate lucrative growth opportunities in Nigeria's renewable energy market from 2024 to 2029, especially in rural electrification and commercial renewable energy adoption.

Nigeria aims to increase its renewable energy share in electricity generation to 23% by 2025 and 36% by 2030

Q3 2024 saw significant technological improvements, driving growth in rural electrification and commercial renewable energy adoption.



Projected Growth: Nigerian Renewable Energy Market (2024 - 2029)

Companies like Engie SA, TotalEnergies SE, Starsight Energy, Enel SpA, and North South Power Co. Ltd are leading the charge in Nigeria's renewable energy market.

Notable developments in the Renewable Energy industry

In Q3 of 2024, there were several notable developments in the renewable energy industry which include:

African Development Bank approved \$500m loan to Nigeria for Economic Governance and Energy Transition Support Program (EGET-SP), enhancing electricity infrastructure and cleaner energy access.

Huawei Technologies partnered with Rural Electrification Agency (REA) to establish solar photovoltaic (PV) test facility, promoting reliability and efficiency of solar energy systems in Nigeria.



African Development Bank Group Approves \$500 Million Loan to Boost Electricity Access in Nigeria

In July 2024, the African Development Bank Group approved a loan sum of \$500 million to Nigeria to finance the first phase of the Economic Governance and Energy Transition Support Program (EGET-SP), a new program aimed at accelerating transformation of the country's electricity infrastructure and improving access to cleaner sources of energy.

The loan is aimed to close the financing gap of the federal budget of the 2024/25 fiscal year and support the implementation of the Electricity Act and Energy Transition Plan (ETP) of the nation. Eventually, the loan is expected to significantly contribute to the growth of the economy and the nation's Energy Transition Plan (ETP) by strengthening institutions, improving fiscal management, promoting renewable energy, and enhancing energy efficiency, ultimately leading to a more resilient and sustainable economy.



HUAWEI



Huawei Partners with REA to Establish Solar PV Test Facility in Nigeria

In September 2024, Huawei Technologies announced a partnership with the Rural Electrification Agency (REA) to establish a solar photovoltaic (PV) test facility in Nigeria. This facility will serve as a dedicated site for evaluating the performance, reliability, and efficiency of solar PV systems and components. By simulating various environmental conditions, the facility aims to enhance the durability and output of solar panels and related technologies. By improving the reliability and efficiency of solar PV systems, the facility is expected to encourage wider adoption of solar energy among Nigerians. As the cost of solar technology decreases and its reliability increases, more households and businesses may transition to solar energy, contributing to increased energy access in underserved areas.

This initiative supports Nigeria's commitment to diversify its energy sources and transition to cleaner energy options. The increased focus on solar energy aligns with global trends towards sustainability that could help Nigeria meet its renewable energy targets.

Notable developments in the Renewable Energy industry



British American Tobacco Unveils Solar Power Plant in Ibadan

In September 2024, British American Tobacco (BAT) unveiled a solar power plant at its Ibadan manufacturing facility. The 1MWp DC grid-tied solar panel system marks a significant milestone for the company in its efforts to reduce its environmental impact. The newly inaugurated solar power system is designed to generate an average of 2,800KWh of electricity per day, which will contribute significantly to the facility's energy needs. Furthermore, the system is expected to reduce carbon emissions by 450 tons annually as it was designed in line with the BAT Photovoltaic (PV) Standard, using Tier-1 Solar panels (Jinko) and Inverters (SMA) equipment. This marks a substantial step forward in the company's goal of reducing its carbon footprint.

The project could spur greater interest in renewable energy investments from other industries, particularly those looking to reduce costs, improve energy security, and fulfill sustainability commitments.

British American Tobacco (BAT) launched a 1MWp solar power plant at its Ibadan facility, reducing carbon emissions by 450 tons annually.

BAT's solar project sets a precedent for industries to adopt renewable energy, driving cost savings, energy security, and sustainability commitments.

Looking ahead to the fourth quarter of 2024 and beyond, the renewable energy sector in Nigeria is expected to continue its upward trajectory. As a country, our long-term goals, combined with ongoing technological advancements and international partnerships, create a favorable environment for sustained growth.

The focus in the coming quarters will be on advancing solar energy projects, expanding the deployment of mini grids in rural communities, and exploring the potential of wind and biomass energy. Furthermore, with the increasing focus on decarbonization and achieving net-zero emissions, Nigeria's renewable energy sector is poised to play a critical role in the nation's energy transition.

Legal & Regulatory Update



FG Orders Refiners and Oil Producers to Publish Monthly Crude Oil Supply Quotes

In July 2024, the Federal Government directed oil producers and refiners in Nigeria to provide monthly price quotes on crude oil supplies.

This initiative, announced by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC), aims to regulate the crude oil supply chain under a market-determined pricing system. The directive is part of a broader effort to maintain sustainable crude oil supply to domestic refineries without pricing models that could negatively affect the local refining industry. The Federal Government's directive to oil producers and refiners to submit monthly price quotes is a critical step toward enhancing transparency and accountability in Nigeria's oil and gas sector.

Additionally, the order is expected to help streamline crude oil supply chain, reduce operational inefficiencies, and allow the NUPRC to better regulate transactions between producers and refiners. The directive reinforces the government's commitment to supporting local refineries and encouraging investment in Nigeria's refining capabilities.

The introduction of monthly price quotes will enhance the accuracy of market information, providing a clearer view of the domestic crude oil supply chain. This could help stabilize fuel prices in Nigeria by reducing uncertainties related to crude oil availability and pricing. Furthermore, the move is expected to boost investor confidence in the sector, as the increased transparency and regulatory oversight may lead to more predictable market conditions.



Nigeria's Federal Government has directed oil producers and refiners to provide monthly price quotes on crude oil supplies, aiming to regulate the supply chain under a market-determined pricing system.



The order allow the NUPRC to better regulate transactions between producers and refiners, reinforcing the government's commitment to supporting local refineries and encouraging investment in the sector.

Lagos State Plans New Electricity Law

In July 2024, the Lagos State House of Assembly held a public hearing on the proposed State Electricity Bill 2024, which seeks to repeal the existing 2018 Power Sector Reform Law.

This new legislation is designed to align with the objectives of the 2023 Electricity Act and aims to tackle persistent electricity challenges while promoting energy sustainability and economic growth throughout the state. The primary goal of the law when passed is to establish and administer a well-structured electricity market within Lagos State. The proposed legislation outlines plans to create a comprehensive regulatory framework, both commercially and technically, for the electricity sector. Additionally, it includes the establishment of a state electrification fund, which aims to ensure reliable electricity supply to areas that are currently unserved or underserved.



Renewable Energy

In August 2024, The Federal Government unveiled the National Integrated Electricity Policy and Strategic Implementation Plan (NIEP-SIP), a comprehensive framework aimed at addressing long-standing issues in the Nigerian Electricity Supply Industry (NESI). The NIEP-SIP targets critical challenges across the entire electricity value chain, from generation to distribution, and emphasizes key areas such as improving sector liquidity, attracting investment, integrating renewable energy, and enhancing grid reliability. By focusing on these strategic interventions, the policy seeks to resolve the persistent inefficiencies in power delivery, which have hampered industrial and economic growth in Nigeria.

Once implemented, the NIEP-SIP is expected to drive transformative changes in NESI by improving electricity access for underserved regions and industries, reducing dependency on costly and polluting alternatives like diesel generators, and stabilizing power supply. With the plan scheduled to be presented to the Federal Executive Council (FEC) for approval, its implementation is likely to attract both local and

foreign investments, enhancing Nigeria's energy security, and making the sector more competitive and self-reliant in the long run.

The bill upon enactment, will transform Lagos State's electricity landscape by fostering a more competitive and transparent market. This initiative also aligns with broader national efforts to improve energy access and sustainability in Nigeria. The emphasis on establishing a structured electricity market may attract private sector participation, leading to innovative solutions and partnerships that enhance service delivery.

Deal Highlights



1. REA Signs MoU with Renewable Energy Companies to Scale Up Electricity Access in Nigeria

In July 2024, the Rural Electrification Agency (REA) signed five (5) Memoranda of Understanding (MoUs) with private developers to scale up electricity access in Nigeria. The MoUs were signed between the REA and A4&T Power Solutions, Eauxwell Nigeria Limited, Skipper Nigeria Limited, Havenhill Synergy Limited and Privida Power for the delivery of a combined 1,265 MW capacity of DRE projects, including inter-connected mini grids (IMGs), isolated mini grids, C&I, and PUE, with the purpose of electrifying peri-urban and rural communities (including markets, businesses, households, public institutions, health clinics and schools) in both weak grid and off-grid areas. These projects fall under the Distributed Access through Renewable Energy Scale-up (DARES) project, which is administered by the REA.

This partnership by the REA aligns

with the nation's Energy Transition Plan and supports Nigeria's commitment to diversify its energy sources and transition to cleaner energy options. It aims at increasing access to cleaner and constant energy supply and could spur greater interest in renewable energy investments in Nigeria.

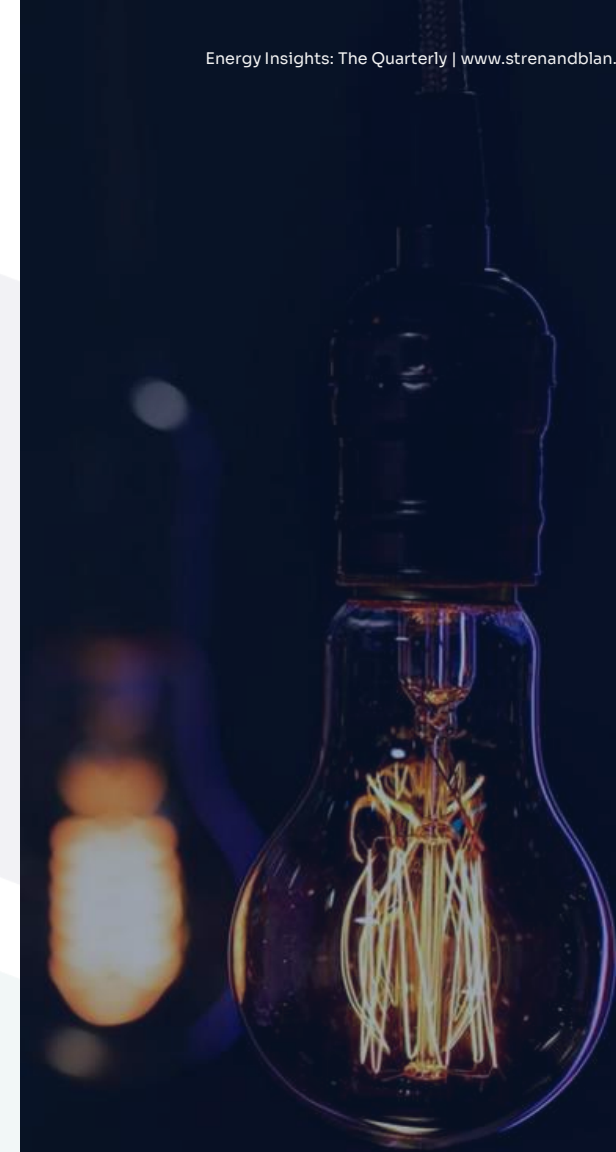
This agreement marks a significant shift in Nigeria's petroleum sector, aligning with the government's broader objectives of strengthening the domestic oil market and promoting local production. By facilitating crude oil sales in Naira, the initiative aims to reduce the financial strain on foreign exchange reserves, thereby lessening the impact of global oil price volatility on the Nigerian economy.

2. TotalEnergies EP Agrees to Sell 10% Stake in Oil and Gas Assets to Chappal for \$860M.

In July 2024, Chappal Energies announced the acquisition of a 10% stake in key onshore and shallow water oil and gas assets from

TotalEnergies EP Nigeria Limited. The acquisition, valued at \$860 million, is subject to regulatory and contractual approvals and represents a strategic move to bolster Chappal Energies' portfolio in Nigeria.

The acquisition by Chappal Energies underscores the growing interest of local and regional players in taking up a more significant role in Nigeria's oil and gas sector. By acquiring TotalEnergies' stake, Chappal Energies is positioning itself as a key participant in Nigeria's energy future, further diversifying its portfolio across both oil and gas assets. This deal strengthens Chappal's standing in the energy market, allowing it to capitalize on the growing demand for energy in the country and beyond. As a country, this transaction is significant as it signals increased local participation in its oil and gas industry.



3. Axxela Partners with NNPC-GML on Eko Atlantic City Gas Supply

In August 2024, Axxela Limited, in partnership with Nigerian National Petroleum Company Gas Marketing Limited (NNPC-GML), successfully completed the construction of a 5-kilometer natural gas pipeline network in Victoria Island, Lagos. The gas pipeline is a critical step in ensuring Eko Atlantic City has reliable access to clean and efficient energy, supporting its vision of becoming a world-class business hub. Natural gas, known for its lower carbon footprint compared to other fossil fuels, will provide Eko Atlantic City with a sustainable energy source, enhancing the city's attractiveness for investment and development while supporting Nigeria's drive towards cleaner energy alternatives.

This partnership not only reinforces Axxela's leadership in gas distribution but also marks a

significant advancement in NNPC's strategy to optimize domestic gas utilization. This project also supports Nigeria's broader goals of gas commercialization and energy diversification, leveraging the country's vast natural gas reserves to drive local economic development

4. President Tinubu Signs Deal on Gulf Stream Pipeline Project With Equatorial Guinea's President

In August 2024, President Bola Ahmed Tinubu and President Teodoro Mbasogo of Equatorial Guinea signed an agreement to develop a gas pipeline across the Gulf of Guinea. This agreement encompasses key areas such as legislative and regulatory frameworks, the pipeline's establishment and operation, as well as the ownership and transit of natural gas. The agreement is a critical move towards enhancing energy cooperation between

Nigeria and Equatorial Guinea, reinforcing the shared goal of fostering mutual development and energy security. The pipeline, once completed, is expected to enhance the supply of natural gas, a crucial resource in Nigeria's shift from oil dependency to a more diversified energy mix.

The project underscores Nigeria's commitment to fully capitalizing on its vast natural gas reserves as part of its long-term energy transition strategy. With the global energy landscape shifting towards cleaner energy sources, the pipeline positions Nigeria to meet domestic and regional energy needs more sustainably while tapping into the growing international gas market.



5. Ogun State Secures \$500 Million Investments from Japan to Boost Power Supply

In August 2024, Ogun State secured a significant \$500 million investment from Japan, through the Japan International Cooperation Agency (JICA), to enhance power supply across the Ogun and Lagos regions. The funding is targeted at strengthening the power transmission infrastructure along the Lagos-Ogun Industrial Corridor, a vital hub for manufacturing and industrial activities in Nigeria.

This investment aligns with Nigeria's Presidential Power Initiative (PPI), which aims to revamp the country's power infrastructure to meet growing industrial and domestic demands. Furthermore, this initiative will enhance Nigeria's energy security and support the federal government's broader energy transition goals, ensuring that industrial zones have access to a stable and efficient power supply.

objective while positioning itself as a key player in national and regional energy security.

6. Oando Plc Completes Acquisition of Nigerian AGIP Oil Company for \$783 Million

In August 2024, Oando PLC finalized the acquisition of Nigerian AGIP Oil Company (NAOC) from Italian energy conglomerate Eni, in a landmark transaction valued at \$783 million. This acquisition marks a significant milestone in Oando's growth strategy within Nigeria's oil and gas sector. The completion of this transaction gives Oando a 40% participating interest in four major oil mining leases (OMLs 60, 61, 62, and 63), effectively doubling its previous stake of 20%. This acquisition represents a major leap forward in Oando's upstream operations and reinforces its ambition to become a dominant player in Nigeria's energy landscape.

The acquisition is also a boost to Nigeria's local content policy, which encourages greater Indigenous participation and control within the energy sector. By acquiring a significant stake from a global energy firm, Oando is advancing this government

7. Aradel Holdings Acquires NNPC and TotalEnergies Oil Field for \$19.5 million

In August 2024, Aradel Holdings Plc, through its subsidiary Aradel Energy Limited, successfully secured a 100% interest in the Olo and Olo West marginal fields. The acquisition, made from TotalEnergies EP Nigeria and the Nigerian National Petroleum Company Limited (NNPC), was completed for a total consideration of \$16 million, with an additional \$3.5 million in deferred and conditional payments. Following this acquisition, Aradel will receive the Petroleum Mining Lease (PML) for Olo and the Petroleum Prospecting License (PPL) for Olo West upon payment of ministerial consent fees and fulfillment of field development plans.

By acquiring these marginal fields, Aradel is expanding its oil and gas portfolio, contributing to Nigeria's overall crude production. The deal also reflects the increasing role of indigenous companies in the development of the country's oil fields, which has been a key focus of the Nigerian government's local content policies. Furthermore, the successful development of these fields will boost Aradel's production capacity and help diversify Nigeria's crude supply sources.

8. NNPC signs MoU with Chinese Company for 350 Megawatts Gwagwalada Independent Power Plant

In September 2024, the Nigerian National Petroleum Company Limited (NNPCL) signed a Memorandum of Understanding (MoU) with China Engineering and Machinery Corporation (CEMC) to jointly develop the Gwagwalada Independent Power Plant (GIPP) Phase 1 Project. The 350MW power plant, also referred to as the Abuja Independent Power Plant (IPP), is a

key component of Nigeria's strategic energy infrastructure under the Ajaokuta-Kaduna-Kano (AKK) Gas Pipeline Project. This project aligns with Nigeria's Gas Master Plan, focusing on expanding domestic gas utilization and enhancing power generation capacity. The Abuja IPP is poised to significantly enhance Nigeria's power generation capabilities, addressing electricity shortages, especially in Northern Nigeria. By leveraging the AKK pipeline's gas supply, the project will also support the government's broader initiative to reduce gas flaring and minimize environmental degradation.

The NNPC targets project completion in Q1 2025, marking a major milestone in the government's ambition to unlock the full potential of Nigeria's vast natural gas reserves, promote industrialization, and drive socio-economic development.

9. NMDPRA, NNPC Signs Agreement to Sell Crude Oil to Dangote Refinery in Naira

In September 2024, the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) signed an agreement with NNPC to supply crude oil to the Dangote Refinery in local currency (Naira). This agreement follows the recent approval by the Federal Executive Council (FEC), allowing crude oil sales and petrol purchases from the Dangote Refinery to be transacted in Naira.

This agreement marks a significant shift in Nigeria's petroleum sector, aligning with the PIA's free currency market objectives of strengthening the domestic oil market and easing the pressure on the Nigerian Naira with respect to the demand for foreign exchange. By facilitating crude oil sales in Naira, the initiative aims to reduce the financial strain on foreign exchange reserves, thereby lessening the impact of global oil price volatility on the Nigerian economy.

Conclusion

Although Q3 of 2024 presented several challenges for Nigeria's energy sector, there have been notable developments that signal positive progress.

Significant advancements in oil production, the commencement of local petrol refining, and increased natural gas exports demonstrates the sector's capacity for growth and resilience. The renewable energy sector also continues to expand, with investments and technological innovations driving progress in solar and other clean energy projects.

Looking ahead, the outlook for the energy sector remains promising. With ongoing reforms, infrastructure improvements, and greater private sector participation, the foundation is being laid for sustained growth and enhanced energy security in the fourth quarter and beyond.

About Stren & Blan Partners

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We are focused on providing solutions to our client's business problems and adding value to their businesses and commercial endeavours. This underpins our ethos as everything we do flows from these underlying principles.

Stren & Blan Partners is a full-service commercial Law Firm that provides legal services to diverse local and multinational corporations. We have developed a clear vision for anticipating our client's business needs and surpassing their expectations, and we do this with an uncompromising commitment to Client service and legal excellence.

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