

NIGERIA'S NEW POWER FRONTIER

Private companies step up to meet the country's growing energy demand



BY EZE ODIGBO, ANIVS

Nigeria has recently completed the first phase of what is arguably the largest, most ambitious and successful privatization of state-owned utilities ever carried out in Africa. The separation of the generating, transmitting and distribution segments of the electricity business and their sale to private companies has opened up what is a veritable new frontier for business in Africa.

Nigeria, and indeed Africa, is "power hungry," and with an exploding population comprised predominantly of young people who make up a ready workforce and growing middle class, everyone smells opportunity in the air. For the recently proclaimed largest economy in Africa, the narrative is certainly changing. There are now ten companies that generate power to the national grid and eleven distribution companies that sell power to consumers. A state-owned transmission company is now under management by a foreign private company.

However, that is not where the good news ends. In a sharp departure from a culture of neglect the power sector suffered during decades of military rule, in 2004, the

civilian administration conceived a fast-track government funded initiative. The National Integrated Power Project (NIPP), operated by the Niger Delta Power Holding Company Limited, was created to stabilize, rehabilitate and expand Nigeria's electricity power infrastructure.

The NIPP has completed ten natural gas fired power plants with installed capacity of 4770 megawatts, 2194 kilometres of 330 KV transmission lines and 809 kilometres of 132 KV transmission lines, in addition to 291 distribution projects, gas pipeline and metering station projects nationwide. The majority shareholdings in the ten power plants have recently been sold by the government to private investors. Proceeds from the sale have been earmarked for the construction of several new power plants under the second phase of the projects. In addition to the NIPP, several independent power plant projects with potential capacity of 20,000 MW have been licensed since 2005.

However, as in all cases of privatization worldwide, serious challenges remain to be tackled. Of critical importance is the issue of financing needed to carry out massive

modernization of the existing infrastructure while reducing technical commercial and collection losses. In 2012, the Nigerian Electricity Regulatory Commission announced a cost reflective tariff structure and rates are due for increase in 2014. This has bolstered confidence in the sector and foreign finance companies are now showing serious interest in doing business.

Yes, Nigeria is battling with outages, but the people do not close shop because of it. Imagine where the economy will be in three years time as current projects are commissioned. And, indeed, the dozens of flights bringing investors do land at the international airports mostly after sunset, and the lights are always on! It's a new frontier. ✪



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