



Energy Insights: The Quarterly

Reviews and key highlights of the
Nigerian energy sector in Q1

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EXECUTIVE SUMMARY

The first quarter of 2024 has been pivotal for Nigeria's energy sector, marked by significant developments and trends. Despite ongoing challenges, the sector has shown resilience and potential for growth. This review highlights key activities and insights from the past three months, offering a comprehensive overview for stakeholders and policymakers.

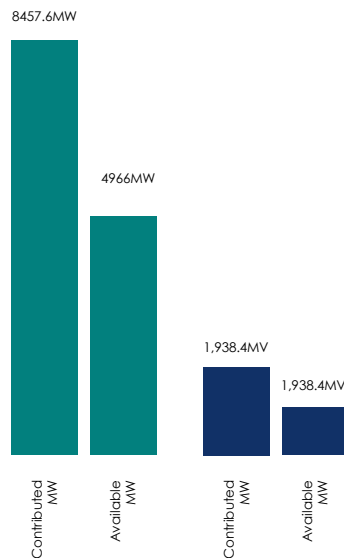


MARKET OVERVIEW

POWER SECTOR

1. GENERATION

The first quarter of 2024 has been pivotal for Nigeria's energy sector, marked by significant developments and trends. Despite ongoing challenges, the sector has shown resilience and potential for growth. This review highlights key activities and insights from the past three months, offering a comprehensive overview for stakeholders and policymakers.



Gas-fired plants contributed approximately 8,457.6 MW, with an available capacity of 4,966 MW.

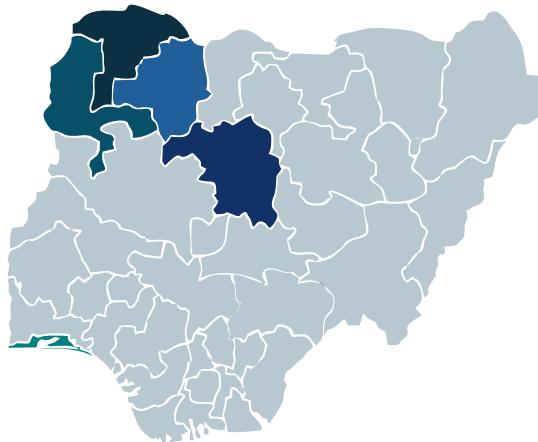


Hydropower plants had an installed capacity of 1,938.4 MW, with an available capacity of 1,060 MW.

POWER SECTOR

A. Grid Collapse Incident

However, the sector also experienced a significant grid collapse on February 4, 2024, which resulted in a nationwide blackout. The collapse occurred at approximately 11:51 AM when the Transmission Company of Nigeria (TCN) operated grid went down. The system's capacity plummeted from 2,407 MW to just 31 MW by midday and eventually dropped to zero by 1 PM.



This loss of bulk power supply left several states in darkness, including Lagos, Kaduna, Sokoto, Zamfara, and Kebbi. Possible causes of this grid collapse are likely attributed to factors such as inadequate infrastructure, gas supply issues, and transmission system constraints.

POWER SECTOR

2. TRANSMISSION AND DISTRIBUTION

Transmission Segment

The transmission network in Nigeria faced several challenges in Q1 2024, including:



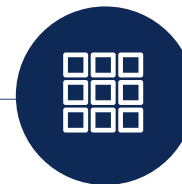
Outdated Infrastructure:

The transmission network lacks modern lines and equipment, hindering efficient power transfer.



Maintenance Issues:

Poor maintenance practices contributed to the system failures experienced in Q1.



Inefficient Grid Design:

The grid design doesn't optimize power flow, leading to bottlenecks.

POWER SECTOR

2. TRANSMISSION AND DISTRIBUTION

Distribution Companies (DisCos)

DisCos in Nigeria faced several challenges in Q1 2024, including:



Insufficient Energy Supply: DisCos faced difficulties due to inadequate energy supply from the national grid. This scarcity affected their ability to meet consumer demand effectively.



Low Meter Penetration: Many consumers lacked proper metering, leading to challenges in accurate billing and revenue collection.



Obsolete Network Infrastructure: The ageing and outdated distribution network posed a significant challenge. Improving infrastructure to remain competitive was estimated to cost over 1.5 trillion Naira over the next five years.



Aggregate Technical, Commercial, and Collection (ATCandC) Losses: These losses, including technical losses during transmission and commercial losses due to theft or inefficiencies, impacted DisCos' financial health.

POWER SECTOR

NOTABLE DEVELOPMENTS IN THE POWER INDUSTRY

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

FG ordered NERC to revoke licenses of non-performing DisCos:

The Federal Government directed the Nigerian Electricity Regulatory Commission (NERC) to revoke licenses of electricity distribution companies (DisCos) that have failed to meet performance benchmarks.

Nigerian Government Plans to Unbundle Transmission Company:

The Federal Government is looking to unbundle the Transmission Company of Nigeria (TCN) by separating the transmission services from system and market operations to enhance efficiency and streamline operations. In the medium- to long-term, the transmission grid is planned to be further divided into regional grids for more effective management.

TCN Boosted PH Substation Capacity By 80MWs, installed 100MVA Transformer:

TCN commissioned a 100MVA 132/33kV power transformer at the Port Harcourt Main Substation, increasing its capacity by 80 MW. They are also undertaking the complete rehabilitation and expansion of the 132/33kV transmission substation, including adding three feeders and associated accessories. Before this upgrade, the substation's installed capacity stood at 180MVA. With the new transformer, it has now increased to 280MVA.

President Tinubu Appointed New TCN Executive Directors:

President Bola Ahmed Tinubu appointed four new Executive Directors to the Transmission Company of Nigeria (TCN) to enhance the quality and quantity of electric power transmitted across the nation's grid.

POWER SECTOR

NOTABLE DEVELOPMENTS IN THE POWER INDUSTRY

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

GenCos Faced Stranded Power and Financial Losses:

GenCos faced significant challenges due to stranded power. Electricity Distribution Companies (DisCos) were unwilling to offtake available power, resulting in a loss of N27.14 billion for GenCos in January and February 2024. Specifically, 4,724.76 MW of capacity remained unused, leading to financial losses. In January, 2,150.37 MW of power was stranded, resulting in a loss of N13.04 billion. In February, 2,574.39 MW of capacity remained unutilized, costing N14.10 billion.

Nigerian Govt permits DisCos to purchase electricity directly from producers:

In a major reform to Nigeria's electricity sector, the Federal Government has authorized DisCos to procure electricity directly from GenCos, bypassing the previous middleman system. This change aims to streamline the energy supply chain and improve efficiency. DisCos must now establish bilateral contracts with GenCos and meet a minimum energy offtake requirement, reducing reliance on NBET's vesting contracts and mitigating risks. This reform marks the end of NBET's role as the sole bulk electricity trader and is seen as a step towards a more decentralized and competitive market, empowering DisCos and aiming to improve the Nigerian electricity sector overall.

State Government to start generating electricity independently:

State governments in Nigeria can now independently generate power, a significant shift as the Federal Government acknowledges the need to end electricity subsidies. This move aims to transition to a more cost-effective tariff model. With Nigeria's substantial debts to GenCos and gas companies, this change is crucial, as it offers diverse energy options for Nigerians, potentially improving energy distribution to underserved areas, boosting the power sector's growth, and reducing value chain losses. In a bid to achieve this, states like Enugu and Ondo are taking the lead row in establishing an independent electricity market, with NERC having transferred its regulatory oversight of the electricity market to the state government.

POWER SECTOR

NOTABLE DEVELOPMENTS IN THE POWER INDUSTRY

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

SPDC And Partners Take FID to Develop Iseni Gas Field in Nigeria:

Shell Petroleum Development Company of Nigeria (SPDC) and its joint venture (JV) partners have partnered to develop the Iseni gas field in Nigeria to supply a fertiliser plant. The company's JV partners include Nigerian National Petroleum (NNPC), TotalEnergies EP Nigeria, and Nigerian Agip Oil (NAOC). SPDC is the operator of the JV. The initiative will involve the construction of an upstream gas facility by the JV to supply 100 million standard cubic feet of gas per day to the Dangote Fertiliser and Petrochemical Plant, located in Lekki, Lagos State. The plant will be supplied with gas for 10 years. Additionally, the gas sourced from the project will be converted into feedstock capable of generating 400 MW of electricity, contributing to the resilience of the Nigerian grid.

FG Sells Kaduna DISCOS Over N110 Billion Debt:

The Federal Government is selling Kaduna DISCO due to its crippling N110 billion debt and failed lender takeover. Consequently, NERC has also deemed the company a 'failing licensee' and has dissolved its board. The previous board is being replaced by an interim management committee appointed by NERC after the license revocation. This aligns with the FG 2024 privatization plan targeting the remaining 40% government stake in Discos. The sale which is spearheaded by NERC aims to generate N298.4 billion overall. This action is also in line with the Government's plan to generate income, alleviate fiscal pressures, and encourage greater investor engagement in the economy.

Tinubu Overhauls NELMCO Board to Revamp Power Sector:

President Bola Tinubu has reconstituted the board of the Nigeria Electricity Liability Management Company (NELMCO), signaling a significant governance shift to enhance efficiency and operational standards in Nigeria's electricity sector. The Office of the Minister of Power now leads the board, replacing the Office of the Minister of Finance. This change highlights NELMCO's importance within the Nigeria Electricity Supply Industry (NESI) and demonstrates the government's commitment to sector improvement. The restructured board is expected to drive essential reforms to manage post-privatization liabilities and promote sustainable development in NESI.

A dark, low-key photograph of an industrial oil and gas facility, featuring a complex network of pipes, metal scaffolding, and large storage tanks. The image is dimly lit, with the primary light source highlighting the structural elements of the plant against a dark sky.

OIL & GAS SECTOR

MARKET OVERVIEW

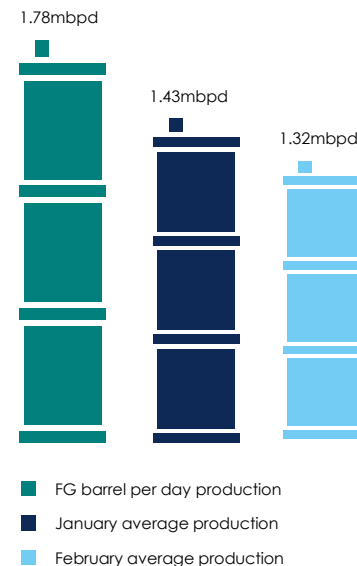
OIL & GAS SECTOR

In the first quarter of 2024, Nigeria's oil and gas industry faced challenges and opportunities. Crude oil production in January averaged 1.427 million barrels per day, below the government's target of 1.78 million barrels per day. For February, Nigeria's crude oil production dropped to 1.32 million barrels per day from the 1.42-million-barrel oil daily production- a drop of 104,000 barrels per day.

Drilling rigs rose from 15 to 16 in February, suggesting ongoing exploration. The market is projected to grow modestly, with production volume expected to reach 4.93 billion

cubic feet per day by 2029, reflecting a CAGR of 1.39%¹. Gas volume is projected to reach 1.85 million metric tons (MMT) by 2032, growing at a CAGR of 5.30% between 2024 and 2032². Technological advancements are unlocking new reserves, but challenges like vandalism and price fluctuations persist. Despite this, opportunities exist in foreign investment and downstream development.

The oil and gas industry continues to evolve notwithstanding, with ambitious objectives outlined in the Petroleum Industry Act Nigeria Energy Transition Plan (ETP).



¹Modor Intelligence. Oil and Gas Industry in Nigeria - Size, Share & Companies (mordorintelligence.com)

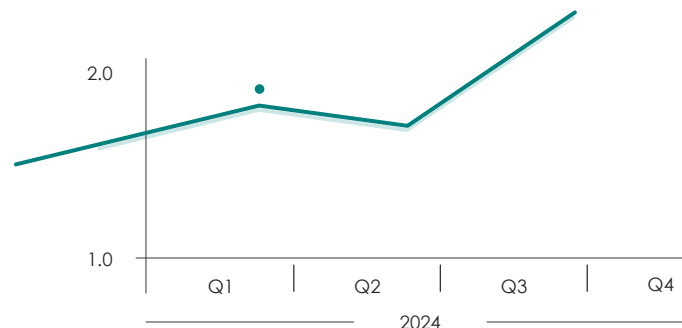
²Expert Market Research. Nigeria Oil and Gas Market Size, Share, Analysis, Forecast 2024-2032 (expertmarketresearch.com)

OIL & GAS SECTOR

GLOBAL OIL PRICE TRENDS AND THEIR IMPACT ON THE NIGERIAN ECONOMY

a. Global Oil Demand and Supply:

Global oil demand is projected to rise by a higher-than-expected 1.7 million barrels per day (mbpd) in Q1 2024³. World oil production is expected to decline by 870 kbpd in Q1 2024 compared to Q4 2023⁴. This reduction is attributed to heavy weather-related shut-ins and new curbs from the OPEC+ bloc. However, from the second quarter onward, non-OPEC+ countries are set to dominate gains as some OPEC+ members extend extra voluntary cuts to support market stability. The overall global supply for 2024 is forecast to increase by 800 kbpd to reach 102.9 mbpd⁵.



Projected oil demand to rise by a higher-than-expected 1.7 mbpd

³ <https://www.iea.org/reports/oil-market-report-march-2024>

⁴ <https://www.iea.org/reports/oil-market-report-march-2024>

⁵ IEA Raises Global Oil Demand Forecast, Lowers Supply Outlook (businessinsider.com)

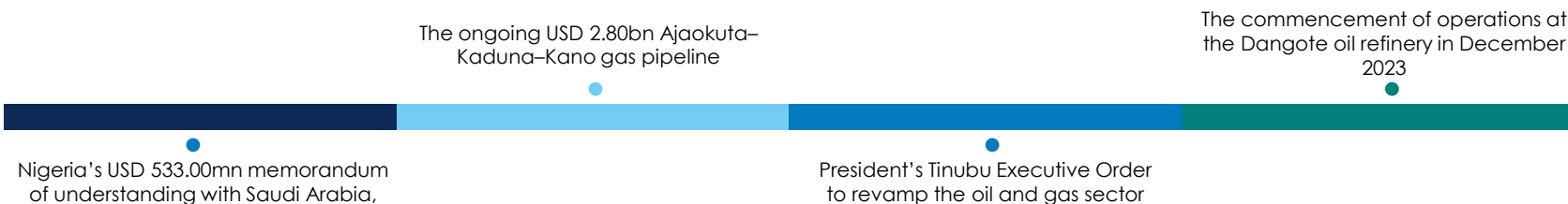
OIL & GAS SECTOR

GLOBAL OIL PRICE TRENDS AND THEIR IMPACT ON THE NIGERIAN ECONOMY

b. Impact on Nigeria:

Despite rising oil prices, Nigeria's economy has not significantly benefited. Oil revenue and foreign reserves have continued to decline. Nigeria faces challenges in meeting its oil production targets. However, looking ahead, despite the challenges faced in the first quarter, Nigeria is expected to witness an increase in oil production. The projection for the remaining months of 2024 is that oil production will be higher at 1.55 million barrels per day (mbpd), compared to 1.32 mbpd seen in the first quarter of 2024⁶.

Additionally, noteworthy advancements in the oil and gas sector, such as:



are anticipated to serve as critical drivers of progress in the country's oil and gas sector in the medium to long term. The Nigeria Upstream Petroleum Regulatory Commission (NUPRC) has also set an ambitious plan of 2.6 mbpd by 2026.

⁶ <https://proshare.co/articles/nigerias-crude-oil-production-rises-to-1.64-mbpd-in-january-2024?menu=Economy&classification=Read&category=Oil%20%26%20Gas>

OIL & GAS SECTOR

NOTABLE DEVELOPMENTS IN THE OIL AND GAS INDUSTRY

During the first quarter of 2024, there were several notable developments in the Oil and Gas Industry which Include:

Dangote Refinery Commenced Operation:

Nigeria's Dangote Petroleum Refinery, which is the largest single-train refinery has begun operations, marking a milestone for the country. It has a capacity of 650,000 barrels per day and will process Nigerian crude oil and other types. This project is seen as pivotal for Nigeria's economy, aiming to reduce its dependence on imported fuel.

Initially focusing on diesel and aviation fuel, the refinery plans to produce gasoline next. By meeting up to 650,000 barrels per day of Nigeria's refined petroleum needs, including gasoline, diesel, kerosene, and aviation jet fuel, the refinery will not only reduce import reliance but also potentially save billions in import costs. Nigeria currently imports over 80% of its refined petroleum products, with projected annual costs of up to US\$30 billion by 2027.

NNPC pledged 335,000bpd to acquire 20% stakes in Dangote refinery:

The Nigerian National Petroleum Company (NNPC) acquired a 20% stake in the Dangote Refinery for \$2.76 billion, strengthening its presence in the oil and gas sector and fostering collaboration with a major domestic player. To finance this acquisition, NNPC received a \$1.036 billion investment from Lekki Refinery Funding Limited, with \$1 billion going directly to Dangote Refinery and the rest covering transaction costs. The remaining \$1.76 billion will be paid upon the refinery's completion in the second quarter of 2024, structured as discounted crude sales and profit sharing. This deal represents a significant milestone for Nigeria's oil and gas industry, expanding NNPC's stake in the domestic refining sector and indicating potential future collaboration between the two companies.

OIL & GAS SECTOR

NOTABLE DEVELOPMENTS IN THE OIL AND GAS INDUSTRY

During the first quarter of 2024, there were several notable developments in the Oil and Gas Industry which Include:

**FG Inaugurated the Midstream
Downstream Investment Gas
Fund:**

The Federal Government of Nigeria has launched the Midstream and Downstream Gas Infrastructure Fund (MDGIF) to attract \$575 billion in investments for the country's gas sector. The fund, chaired by the Minister of State for Petroleum Resources (Gas), aims to enhance both midstream and downstream aspects of natural gas infrastructure. It symbolizes Nigeria's commitment to economic diversification and sustainable development, fostering an environment for private-sector participation and international collaboration. The MDGIF's goals include expanding gas infrastructure, driving innovation, creating employment, and ensuring energy security. It is expected to reduce prices of LPG and CNG, benefiting low-income earners. Collaboration between stakeholders, along with executive orders on petroleum sector reform, aims to boost investment and unlock Nigeria's gas sector potential for economic prosperity.

The background of the slide is a dark blue, high-contrast image of solar panels. The panels are arranged in a grid pattern, with the lines between them creating a strong geometric pattern that recedes into the distance, giving a sense of depth and perspective. The lighting is soft, highlighting the texture of the panels.

RENEWABLE ENERGY

MARKET OVERVIEW

RENEWABLE ENERGY

Nigeria has historically relied heavily on fossil fuels, particularly oil and gas, to meet its energy needs. Despite being a major oil producer, a large segment of the population still lacks reliable access to electricity. This deficit, compounded by frequent power outages and an inadequate grid, has significantly hindered economic activities, especially in commercial and industrial sectors.

Recognizing the importance of a sustainable energy future, Nigeria has been actively exploring

alternative energy sources. There has been a notable shift towards renewables, such as solar and hydropower, as the country seeks to diversify its energy mix and reduce its carbon footprint.

In 2023, particularly in the fourth quarter, we observed a significant increase in investments in renewable energy sources. Additionally, the COP28 conference held in the same quarter of 2023 positively influenced investor sentiment towards renewable energy in the first quarter of 2024.

Looking ahead into the remaining quarter of 2024, we anticipate substantial growth in the renewable energy sector. This growth will be driven by state-led legislative frameworks, increased private sector engagement, heightened competition, expanded investments, and a supportive stance on subsidies and bilateral trading within the sector. Nigeria's commitment to renewable energy is vital for sustainable development and addressing its energy challenges.

OIL & GAS SECTOR

NOTABLE DEVELOPMENTS IN THE RENEWABLE INDUSTRY

During the first quarter of 2024, there were several notable developments in the renewable energy industry which include:

NSIA and North South Power signed JV agreement for Nigeria's first 20MW solar-hydro project:

The Nigeria Sovereign Investment Authority (NSIA), through its renewable energy subsidiary RIPLE, partnered with North South Power (NSP) to establish the Shiroro Generating Company. This joint venture will create a 20MW solar-hydro hybrid project in Shiroro, Niger State, integrating with NSP's existing 600MW Shiroro Hydroelectric Power Plant. The project's innovative hybrid approach allows for electricity generation during daylight hours and dry seasons, reducing reliance on hydropower and enhancing overall grid efficiency and reliability. This project aligns with NSIA's commitment to sustainable infrastructure and promotes cleaner energy solutions in Nigeria, marking a transformative step towards a more secure and sustainable energy landscape.

Governor Makinde signed Oyo State Electricity Bill into Law:

In a move poised to significantly impact Oyo State's energy landscape, Governor Seyi Makinde signed the Oyo State Electricity Regulatory Commission Bill 2024 into law on February 10, 2024. This landmark legislation, spurred by the 2023 enactment of the National Electricity Act, empowers states to take greater control of their energy resources. The new law establishes a commission to oversee electricity generation, transmission, and distribution within Oyo State. This shift towards decentralization empowers Oyo State to chart its course for achieving sustainable electricity. This initiative marks a historic first for Oyo State, paving the way for an independent electricity project and a significant step towards self-sufficiency in managing its energy resources. The signing of this bill signifies a strong commitment by the Oyo State government to improve the lives of its residents through a more secure and sustainable energy future.

OIL & GAS SECTOR

NOTABLE DEVELOPMENTS IN THE RENEWABLE INDUSTRY

During the first quarter of 2024, there were several notable developments in the renewable energy industry which include:

President Tinubu sets up a 2.5-million-dollar carbon market committee:

President Bola Ahmed Tinubu's establishment of the Intergovernmental Committee on Carbon Market Activation Plan is a significant step for Nigeria's environmental and economic future. The committee's goal is to create a national carbon market strategy, which will attract investments, reduce greenhouse gas emissions, and promote sustainable economic growth. This initiative follows President Tinubu's commitment at COP28 and is supported by the Africa Carbon Market Initiative, aiming to integrate Nigeria into the global carbon market. The strategy focuses on natural gas and renewable energy investments to meet current and future energy needs while ensuring environmental sustainability. This initiative calls for collaboration, innovation, and collective action towards a more sustainable future for Nigeria.

Daystar, RMI unveiled solar model to attract \$6.5bn for Nigerian businesses:

Daystar Power and the Rocky Mountain Institute (RMI) are transforming Nigeria's energy sector with a new business model aimed at tapping into the country's abundant solar resources. A joint study, funded by the U.S. Trade and Development Agency (USTDA), focuses on integrating grid-connected hybrid solar power systems for Commercial & Industrial (C&I) customers. This approach could unlock 3.3 gigawatts (GW) of solar capacity and attract \$6.5 billion in investments.

The model targets over 170,000 businesses, helping them transition from diesel generators to solar systems with battery storage. This shift not only reduces energy costs but also promotes environmental sustainability. The pilot program in 2023 with 20 C&I customers in Abuja and Lagos demonstrated significant success, with businesses saving an average of 26% on energy costs and DisCos' profitability increasing by up to 1,000%. The initiative has already secured its first commitment from the Wood Factory, a furniture manufacturer in Abuja. This agreement with Daystar and the Abuja Electricity Distribution Company (AEDC) signifies a major step towards a future powered by sustainable energy, economic growth, and investment opportunities for Nigeria.

OIL & GAS SECTOR

NOTABLE DEVELOPMENTS IN THE RENEWABLE INDUSTRY

During the first quarter of 2024, there were several notable developments in the renewable energy industry which include:

Netherlands Launched Advisory Board for Solar Market Place Initiative:

The Dutch government is playing a key role in propelling Nigeria's shift towards cleaner energy sources by establishing an advisory board for the nation's developing solar marketplace. This initiative aligns with the Netherlands' commitment to supporting sustainable trade, development, and renewable energy adoption in Nigeria.

Launched in November 2023 by the Netherlands alongside its partners, the Nigeria Solar Marketplace functions as a trusted platform. It fosters connections between various stakeholders within the Nigerian solar sector, including sellers, buyers, project managers, investors, and knowledge partners. This marketplace acts as a hub for facilitating trade, investment, and resource sharing within the solar industry. The recently inaugurated advisory board comprises nine esteemed experts and industry leaders with diverse backgrounds and extensive experience in the Nigerian renewable energy sector. Their role is critical, as they will guide the strategic direction and implementation of the solar marketplace initiative. The advisory board's primary focus is to accelerate the adoption of solar technologies in Nigeria. By fostering collaboration, innovation, and tangible impact, they aim to contribute positively to the country's energy landscape. The solar marketplace initiative itself strives to break down existing silos and galvanize widespread support across the entire energy sector.

Overall, these advancements in the renewable energy segment of the energy industry symbolize a potential turning point for Nigeria. With a supportive government framework, increased private sector participation, and a focus on economic and environmental benefits, Nigeria is poised for significant growth in renewable energy use by the end of 2024. This could lead to a more secure and sustainable energy future for the nation, with positive implications for public health, economic development, and its global image.

LEGAL AND REGULATORY UPDATE FOR Q1 2024

LEGAL AND REGULATORY UPDATE FOR Q1 2024

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a. NERC's New Tariff Rules to Regulate Mini-Grid Operations in Nigeria:

In January 2024, The National Electricity Regulatory Commission (NERC) revised its Mini-Grid Regulations, originally introduced in 2016, to enhance the regulatory framework governing mini-grid operations in Nigeria. These amendments include several significant changes aimed at enhancing the operational environment for mini-grid operators.

One key amendment is the requirement for a dedicated power generation facility for mini-grid operations, ensuring reliability and sustainability in electricity supply. Additionally, the registration and permit granting process has been updated to include the submission of verifiable coordinates for mini-grid installations and network coverage, facilitating accurate planning and implementation.

Another notable change is the introduction of a 15-day time frame for DisCos to confirm or consent before the Commission grants any mini-grid permit. This change addresses delays in the permitting process, streamlining operations and improving efficiency. Furthermore, the reporting frequency for mini-grid permit holders has been increased to once a year, aligning with industry best practices, and enhancing regulatory oversight. Overall, these amendments represent a significant step towards attracting investment capital to Nigeria's mini-grid sector by improving operational clarity, accountability, and efficiency.



b. NERC's Multi-Year Tariff Order 2024 For Electricity Distribution Companies (DISCOS):

On January 17, 2024, NERC issued the Multi-Year Tariff Order (MYTO) 2024 for electricity distribution companies (DisCos) in Nigeria. This order is designed to ensure fair and quality reflective tariffs for customers while enabling DisCos to recover their operational costs and achieve a reasonable rate of return on investments. One of the key changes introduced by the MYTO 2024 is the provision that allows DisCos to directly procure electricity from power generation companies (GenCos). This significant shift marks a departure from the previous system and signifies a move towards a more decentralized approach in the nation's electricity distribution sector.

LEGAL AND REGULATORY UPDATE FOR Q1 2024

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Also, the partially contracted capacity (PCC) for DisCos has been revised to ensure a minimum energy offtake, with the requirement set at 4,063MWh/h for the year 2024. DisCos are now mandated to secure sufficient bilateral contracts to facilitate a smooth transition away from the Nigerian Bulk Electricity Trading Plc (NBET)'s vesting contract regime. NBET traditionally acted as the intermediary between GenCos and DisCos by purchasing electricity in bulk and distributing it through vesting contracts.

In terms of tariffs, the MYTO 2024 freezes rates for customers at 2023 levels, with the Federal Government of Nigeria (FGN) providing subsidies. However, starting from 2025, customers are expected to pay cost-reflective tariffs, subject to FGN policy. Additionally, the MYTO 2024 includes provisions for contributing to the Meter Acquisition Fund (MAF) to address the metering gap in the Nigerian Electricity Supply Industry (NESI).



c. President Signed Amended Electricity Bill into Law:

President Bola Tinubu has signed the Electricity Act (Amendment) Bill, 2024, into law. This amendment addresses the development and environmental concerns of host communities by setting aside five per cent of the actual annual operating expenditures of power generating companies (GENCOs) from the preceding year for the development of their respective host communities. The funds will be managed and administered for infrastructure development in host communities by a reputable Trustee/Manager jointly appointed by the GENCOs and their host communities.

These developments mark significant progress in Nigeria's energy sector, emphasizing sustainable practices, community development, and investment opportunities in clean energy infrastructure.

LEGAL AND REGULATORY UPDATE FOR Q1 2024

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d. NUPRC's Regulatory Framework for Asset Divestment In Oil And Gas Sector:

The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) has released the terms and conditions necessary for asset divestment, outlining the commission's role and the due diligence processes that exiting International Oil Companies (IOCs) must adhere to for approval by the commission. To gain approval, the acquiring company, also known as the "successor entity" must undergo stringent due diligence on technical and financial capabilities. Legal compliance, along with plans for decommissioning, community engagement, labour relations, and data repatriation, are also essential. The NUPRC will assess the application based on reputation, national alignment, and commitment to environmental, social, and governance (ESG) principles. This framework ensures a smooth and responsible transition in Nigeria's oil and gas industry.



e. Central Bank of Nigeria (CBN) Directives On Foreign Currency Cash Pooling For IOCs:

On February 14, 2024, the Central Bank of Nigeria (CBN) issued a circular following its concerns on how the current cash pooling practices of IOCs were negatively impacting the liquidity of foreign exchange (FX) in the domestic Nigerian market. Under the new circular, authorized dealer banks are now limited to pooling a maximum of 50% of an IOC's repatriated export proceeds initially. The remaining 50% of the proceeds can only be repatriated after a mandatory waiting period of 90 days from the date the export proceeds were received. Prior approval from the CBN is required before any funds can be repatriated under a cash pooling agreement. Additionally, banks must submit specific documents, including a copy of the valid cash pooling agreement with the Nigerian subsidiary of the IOC, a statement of the IOC's recent expenditures in Nigeria, evidence of the source of the foreign exchange inflows, and completed relevant Forex Forms as mandated by existing regulations.

This new directive aims to ensure a portion of FX generated by IOCs remains in the domestic market for a period, potentially improving overall FX liquidity. While the CBN acknowledges the need for IOCs to access their export earnings, this regulation seeks to achieve a balance between that need and the stability of the Nigerian FX market.

LEGAL AND REGULATORY UPDATE FOR Q1 2024

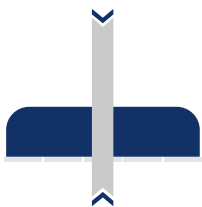
STREN & BLAN PARTNERS | PAGE 26



f. President Bola Tinubu Signed Executive Orders to Revamp the Oil and Gas Sector:


In an effort to revitalise Nigeria's oil and gas sector, President Bola Tinubu signed executive orders aimed at attracting investments, optimising resources, and diversifying the nation's economy.

There were (3) directives signed by the president:

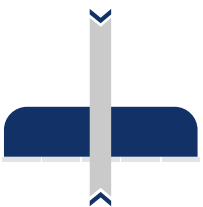
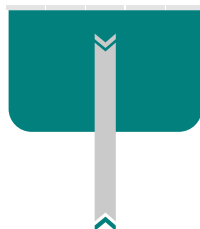


Oil and Gas Companies (Tax Incentives, Exemption, and Remission, Etc.) Order, 2024: This directive introduces fiscal incentives for non-associated gas, midstream, and deepwater developments.

1



Presidential Directive on Reduction of Petroleum Sector Contracting Costs and Timelines, 2024: This directive is to streamline the contracting process in the petroleum sector, aiming to reduce the contracting cycle to six months.



Presidential Directive on Local Content Compliance Requirements, 2024: This directive emphasizes the application of local content requirements without impeding investments or cost competitiveness.

3

The various reforms provided by the Directives aim to address the challenges that have hindered the oil and gas sector over the years by offering tax breaks for developing gas fields, especially those with lower liquid content.

These directives will incentivize companies to focus on gas production, which is crucial for domestic power generation and potentially as an export earner. Also, streamlining the contracting process will expedite project development. Additionally, a recalibration of local content requirements seeks a balance between promoting domestic participation and keeping investment costs competitive.

A dark blue, blurred background image showing a close-up of two hands shaking in a firm grip, symbolizing a deal or agreement.

DEAL HIGHLIGHTS FOR Q1 2024.

DEAL HIGHLIGHTS FOR Q1 2024.



a. The operation of the \$1.3 billion Zungeru power plant:

The Zungeru hydropower plant, a \$1.3 billion project financed by China, has begun operations, managed by Mainstream Energy Solution Ltd. The plant, Nigeria's largest hydropower project, will generate 2.64 billion kWh annually, meeting nearly 10% of the country's energy needs. It also serves flood protection and irrigation, benefiting agriculture. Mainstream Energy, already managing Kainji and Jebba plants, will contribute an additional 1,202 megawatts to the National Grid. This project promotes economic growth, industrial development, and environmental sustainability, positioning Nigeria as a regional leader in hydropower.



b. Chevron \$1.4 billion financing for drilling project around Escravos:

Chevron Nigeria Limited (CNL) has secured a \$1.4 billion investment for a drilling project in Escravos, in partnership with NNPC. Scheduled from 2022 to 2026, the project will drill 37 wells, boosting employment and enhancing energy security. Chevron's past tax and royalty remittances to Nigeria have averaged \$3.4 billion annually over the past three years. President Bola Tinubu has welcomed Chevron's commitment to expanding its operations in the country. This project showcases a strong partnership between Chevron and Nigeria, promoting economic growth and stability.



c. Chapel-Hill Denham \$7.4 million securitised financing for off-grid solar projects in Nigeria:

Chapel Hill Denham, a leading Nigerian investment firm, has secured a \$7.4 million securitized financing agreement with d.light to drive off-grid solar projects in Nigeria. This initiative targets expanding d.light's Pay-Go service, providing affordable solar solutions and addressing the challenge of energy access for over half of Nigeria's population. The deal facilitates the country's energy transition, creates job opportunities, reduces greenhouse gas emissions, and improves education and healthcare access. It is the first large-scale local currency securitization financing for solar home systems in Nigeria, attracting broader investor participation and aligning with the government's commitment to sustainable development. This collaboration sets the stage for a brighter, more sustainable future for Nigeria.

DEAL HIGHLIGHTS FOR Q1 2024.



d. Konexa £14 million agreement to provide Nigerian Breweries with renewable energy:

Konexa, a UK-based company, signed a £14 million energy agreement with North South Power (NSP), a Nigerian firm, on February 13, 2024. This marks a significant step towards a more sustainable energy future for Nigeria, focusing on providing Nigerian Breweries Plc with 100% renewable energy. The agreement entails over £120 million in investments by Konexa in renewable energy generation, transmission, distribution, and battery storage solutions, expected to create job opportunities and foster economic growth. It also promotes sustainable development, aligning with Nigeria's commitment to the United Nations Sustainable Development Goals (SDGs) and enhancing the country's reputation as a destination for clean energy investments.



e. E.U investment of €37 million in solar and hydropower projects in Nigeria

The European Union (EU) has pledged €37 million to boost Nigeria's renewable energy sector, focusing on solar and hydro power projects. This investment aims to improve electricity access in underserved areas, particularly healthcare facilities and rural communities, enhancing quality of life and economic productivity. It is expected to create job opportunities and catalyze the growth of Nigeria's renewable energy sector, aligning with the country's goal of transitioning to a more sustainable energy mix. This investment builds upon the EU's previous grants to Nigeria's power sector, demonstrating ongoing support for Nigeria's sustainable energy future.



f. Nigeria 60% of \$30bn Afreximbank oil & gas fund:

The African Export-Import Bank (Afreximbank) has emerged as a major player in supporting oil and gas projects across Africa, with Nigeria being the primary beneficiary. Out of a \$30 billion fund dedicated to this sector, a staggering 60%, or \$18 billion, has been directed towards Nigeria. This significant investment comes at a time when many international banks are withdrawing funding from African oil and gas ventures. Afreximbank's intervention aims to address the funding gap and potentially reinvigorate exploration and production activities within Nigeria's oil and gas industry. While this financial boost has the potential to bolster Nigeria's oil and gas production, it's crucial to acknowledge the environmental concerns associated with continued reliance on fossil fuels. As the world transitions towards cleaner energy sources, Nigeria may need to devise a long-term strategy to diversify its energy mix and ensure a sustainable future.

DEAL HIGHLIGHTS FOR Q1 2024.



g. FG payment of \$120 million of \$1.3 billion debt to gas suppliers to boost production:

At the Nigeria International Energy Summit (NIES 2024), there was a positive development regarding electricity generation in Nigeria. Ed Ubong, Director of the Decade of Gas Secretariat, announced a partial payment of \$120 million by the Nigerian government to gas suppliers, as part of a \$1.3 billion outstanding debt. This payment aims to encourage gas suppliers to increase deliveries to power plants, potentially boosting electricity production and reducing blackouts. However, the remaining \$1.18 billion debt and its long-term impact on gas supplies and electricity generation remain uncertain. Details about the government's plan for the remaining debt have not been disclosed. Despite these uncertainties, this development offers hope for a more stable electricity grid in Nigeria.



h. Nigerian DisCos N273.34bn Credit Facility from CBN to Boost:

The Central Bank of Nigeria (CBN) has granted a substantial credit facility of N273.34 billion to eleven Electricity Distribution Companies (DisCos) to boost Nigeria's electricity sector. The funding, disbursed between 2015 and 2022, focuses on meter acquisition and distribution capacity enhancement. The goal is to bridge the gap between the current generation capacity of 3,400MW and an aspirational target of 4,900MW. This initiative aims to improve metering infrastructure, benefiting DisCos nationwide.



i. Chinese And Nigerian Energy Firms \$1 Billion Gas Flaring Deal:

NIGUS International, a Nigerian energy company, entered a \$1 billion (one billion dollars) agreement with Beijing Zhogmin Xinjunlong New Energy Technology Company Ltd., a prominent Chinese firm, with the goal of financing and advancing solutions for gas flaring in Nigeria.

The collaborative effort between NIGUS International and the Chinese company is primarily centered on integrating cutting-edge technology aimed at converting flared gas into viable commercial products. This innovative technology is positioned to facilitate the production of Gas-to-Liquid (GTL) commodities such as synthetic diesel, thereby enriching the energy spectrum. Additionally, it will enable the production of Liquefied Natural Gas (LNG) for export purposes and Liquefied Petroleum Gas (cooking gas), among other significant advancements.

DEAL HIGHLIGHTS FOR Q1 2024.



j. Shell's \$1.3bn Divestment to Renaissance:

British oil and gas company, Shell reached an agreement to sell its Nigerian onshore subsidiary Shell Petroleum Development Company of Nigeria (SPDC) to Renaissance for \$1.3bn. Renaissance is a consortium of four Nigeria-based oil and gas companies, including ND Western, Aradel Energy, First E&P, Waltersmith and an international energy company, Petrolin. Under the terms of the sale agreement, Renaissance will make additional cash payments of up to \$1.1bn, primarily relating to prior receivables and cash balances. SPDC owns a 30% stake and is the operator of the JV, Nigerian National Petroleum Corporation owns a 55% stake, Total Exploration and Production Nigeria a 10% stake, and Nigeria Agip Oil owns the remaining 5% stake. SPDC JV holds 15 oil mining leases for petroleum operations onshore and three leases for petroleum operations in shallow water in Nigeria. This deal is a pivotal moment for Nigeria's oil and gas sector. It signifies a trend towards increased indigenous participation and potentially a more sustainable approach to onshore exploration.



k. Konexa USD 18 Million Investment for Renewable Energy Trading Platform in Nigeria:

UK-based energy firm Konexa received an \$18 million investment from Climate Fund Managers (CFM) and Microsoft's Climate Innovation Fund. This funding will help Konexa establish a private renewable electricity trading platform and supply 100% green energy to Nigeria Breweries PLC. Konexa, with a private energy trading license in Nigeria, aims to revolutionize the energy market by sourcing renewable power from Independent Power Producers (IPPs) and distributing it through the national grid at competitive rates. This initiative will enhance energy reliability and sustainability for consumers and improve the resilience and efficiency of the national grid. The flagship project involves transmitting renewable energy from the 30MW Gurara Hydro Power Plant in Kaduna State, Northern Nigeria, to two breweries owned by Nigerian Breweries PLC in Kaduna. This transition is expected to mitigate approximately 8,104 tons of CO2 emissions annually, equivalent to removing 1,800 cars from the road each year. CFM's investment, through its Climate Investor One (CIO) fund supported by the European Commission, demonstrates its commitment to renewable energy infrastructure in emerging markets. CFM's expertise played a crucial role in enabling the project to achieve financial close within a short timeframe.



CONCLUSION

In conclusion, the first quarter of 2024 has been a period of transformation and progress for Nigeria's energy sector. While challenges persist, the sector has demonstrated resilience and adaptability, setting the stage for a promising future. Continued collaboration between stakeholders, proactive regulatory reforms, and strategic investments will be key to sustaining this positive momentum and unlocking the sector's full potential.

ABOUT STREN & BLAN PARTNERS

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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 clients' business needs and surpassing their expectations, and we do this with an uncompromising commitment to Client service and legal excellence.

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