

# Enlight — Series —

**Nextier**

The Enlight publication is a series of weekly articles on the Nigeria Electricity Supply Industry (NESI) that focuses on capacity building and increased access to sector information

Volume 3, Issue 51 | August 2023

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## Derisking Renewable Energy Investment in Nigeria

### Introduction

One of Nigeria's energy transition cores is the influx of investment. The global electrification goal has also motivated both government and private institutions to embrace the Nigerian energy deficiency challenge and tackle them to achieve the energy goal. These goals cannot be achieved without technical expertise, smooth operations, capacity building, economic analysis, and many more, which are tied to funding and investment. It is safe to say that Nigeria has diverse resources to drive a 100% clean energy state, opening an enticing market for local and foreign investment. Still, certain blockades hinder investors from taking advantage of the market. This article is centered on proffering measures to derisk renewable energy investment in Nigeria. For a nation endowed with abundant gas, solar, wind, hydrogen, and diverse mineral resources that can be used to generate energy conveniently, it is quite appalling that about 92 million people need access to partial energy access. Examining the IRENA Nigerian Renewable Energy Roadmap, Nigeria is the most populous African country with the most significant economic market for renewable energy investments. This asserts the available market for diverse investments, especially foreign ones. Nigeria's energy market is dominated by fossil fuels and a certain percentage of gas, which regresses the influence of renewable energy domination. Although the decarbonization gospel rings across nations, the bells aren't sound enough to drive deliberate energy-transitioning actions.

### Background

At the Electricity Hub's 81<sup>st</sup> Power Dialogue themed Vision 30:30:30 – Accessing Finance for the Next Phase, Engr. Abubakar Ali-Dapshima, Director of Renewable Energy and Rural Access- at the Federal Ministry of Power, highlighted the need to finance Nigeria's renewable energy sector. He said, "There is a problem, and there are solvers, but what keeps the problem persistent is the lack of essential resources to solve the problem, which is funding." It is established that one of the major hindrances to renewable energy expansion in Nigeria is the lack of funding. Various reasons can be accrued as to why the Nigerian renewable energy sector is short of funding, unlike East African countries. Some of these factors are:

- **Political Instability**

Security is an essential need for international trade and investments. Unfortunately, Nigeria has had extreme security concerns, especially in specific areas needing these investments. The lack of security does not guarantee the sustainability of investing in these projects because there is a high possibility of property destruction or even abandoning the projects to flee for safety.

- **Economic Instability**

Nigeria's macroeconomy has attracted certain discrepancies like currency devaluation, cost of importation tariffs, and other economic factors, making the Nigerian business ecosystem unpredictable. Statista states Nigeria's GDP declined by 61.8% within a decade (2010-2020), and using the World Bank's prediction that Nigeria's GDP might decline by \$139bn, it might be challenging to attract investors. Other factors around economic instability are unfavourable policies, corruption, and compounding energy deficiency problems.

- **Poor Monitoring and Evaluation**

The Nigerian energy sector has several half-baked projects. Experts have tagged the significant factors as lack of accountability, financial constraints, and multiple units of the energy sector having distinctive bureaucracies leading to conflict. Therefore, these factors lead to the NESI's deteriorating economic ecosystem, and if not curtailed, this could worsen the state of the Nigerian energy sector.



- **Lack of skilled expertise and technology**

Nigeria's energy generation source is gas, thermal, and hydropower, and most of the technical skills and technology revolve around these sources. Therefore, there is limited skilled expertise in the Nigerian renewable energy space. The technology needed is rarely produced locally, increasing the expenses of projects that do not guarantee bankability and discouraging investors from taking advantage of the renewable energy market. Although solar energy technicians and technology are becoming popular in Nigeria, skilled expertise in other areas like wind, hydrogen, and biomass is insufficient.

### Analysis

Energy security is a vital component of the basic needs of everyday living. Energy also plays a crucial role in economic development. World Scientific states that energy insecurity can affect economic growth through two channels: first, a direct impact exists as a country has to pay higher prices to acquire sufficient energy; secondly, an indirect effect stems from the dependencies of other sectors on energy. Without energy resources to thrive, these sectors are highly likely to be degrading. Therefore, to see these industries excel, driving renewable energy investment in the Nigerian energy sector is crucial. To ensure a conducive environment for renewable energy investment in Nigeria, we need to:

- **Ensure Maximum National Security**

National security can't be undermined. Security is an essential tool of diplomacy and foreign policy for developing nations. Investors are particular about their lives and properties, and to invest in Nigeria, they need the assurance of maximum security. Therefore, technocrats and government officials must develop feasible strategies and invest in technologies, ammunition, and other mechanisms to ensure Nigeria is ultimately secure for internal and external development.

- **Capacity Building and Sensitization**

The energy industry is an umbrella huge enough to accommodate diverse skills. As mentioned earlier, more renewable energy experts in Nigeria must be skilled. With the massive workforce in Nigeria, there is room to train as many youths in the diverse aspects of renewable energy. Also, the place of sensitization must be supported. Sensitizing Nigerians about renewable energy and providing measures to adapt to energy resource changes is essential.

- **Economic Re-evaluation**

Nigeria has an impressive profile for renewable energy investment. To see renewable energy thrive in Nigeria, the economic environment has to be accommodating enough to attract investment. This could be through ensuring a stable FX rate and friendly fiscal policies to support local and international investment.

- **Effective Project Management**

Effective project coordination, accountability, and transparency are needed to reduce the number of half-baked projects and progress to new projects. There should be strict checks and balance mechanisms to ensure that all targets are met, no books are cooked and the parties in charge are responsible. Setting realistic goals and timelines is needed, and failure to meet these goals with justifiable reasons should be penalized.

### Conclusion

For Nigeria to live up to its name, "The Giant of Africa", meeting essential requirements is necessary. Lessons can be drawn from our African neighbours like Ghana, Senegal, Egypt, Tunisia, etc. With justifiable utilization of the abundant natural resources in copulation with practical and viable strategies, Nigeria's energy crises will be history.

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