

# WHAT POWER AFRICA MEANS FOR NIGERIA

## Nigeria Energy Sector Overview

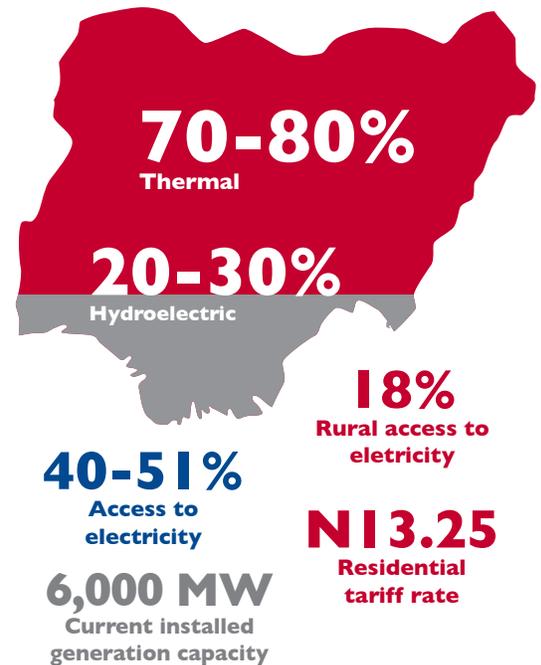
Nigeria's energy sector has been undergoing a massive transformation in recent years as the government actively privatizes new generation and transmission projects. Although Nigeria has a growing population of more than 179 million, it generates less than 4,000 megawatts (MW) annually. As a result, scarcity of sufficient and reliable electricity is severely constraining economic growth and development. In order to combat and correct this issue, the Government of Nigeria (GON) is implementing a three phase liberalization process. In the first phase, five generation and ten distribution companies (linked to the country's main power holding company) have been privatized since 2013. In addition, the Niger Delta Power Holding Company (NDPHC) is privatizing ten newly built generation plants.

These newly privatized generation companies are contractually obligated to increase generation for each plant over the next five years, achieving a sum total of 6,000 MW of installed capacity. The government estimates the privatized NDPHC plants will generate an additional 5,445 MW. Finally, an additional 2,000 MW increase will stem from investments by new independent power producers. To help achieve these ambitious goals, the GON is focused on sustaining a stable investment climate for private sector participation in the sector, expanding transmission and distribution networks to deliver power to customers, maintaining a creditworthy off-taker of electricity, establishing cost-reflective tariffs, and reducing inefficiency in support of affordable end-user tariffs.

## Power Africa Support

In Nigeria, Power Africa supports the development of the energy sector through credit enhancement, grants, technical assistance, and investment promotion efforts. Through these measures, Power Africa is working to mobilize affordable and long term financing to support capital and operational expenditure requirements for successor generation and distribution companies to accelerate electricity market development. Furthermore, Power Africa is helping to advance major infrastructure investments, promote U.S. technological solutions, and strengthen national systems through targeted technical assistance of national organizations dedicated to improving electricity procurement and regulatory functions. Following the Partnership, Ecobank has awarded over \$500,000 in loans to clean energy companies. For example, in 2013, Power Africa partnered with EcoBank to increase lending to the renewable energy sector. Lending through Power Africa is delivered across a variety of recipients, including agro-processors, healthcare facilities and households willing to retrofit facilities, and companies willing to establish and maintain plants to generate clean energy.

## Current Generation Input Mix



Sources: US Energy Information Administration, International Energy Statistics, 2010; NERC, Multi-Year Tariff Order (MYTO) II, 2012-2017

## Highlighted Transactions

Name	MW	Type of Transaction	Value (USD Million)	Timeline	Power Africa Support	GON Actions
Power Holding Company of Nigeria Successor Companies, 10 Distribution and 5 Generation	2121 MW	Short term Capital Expenditure Facility for contractors to the distribution companies  Long term Capital Expenditure facility for the distribution companies	\$20 million  \$1 billion	• Calendar Year End of 2014	<ul style="list-style-type: none"> <li>• USAID participated in the evaluation of technical bids</li> <li>• Reviewed the Industry Agreements signed by the investors</li> <li>• Credit Enhancement facility to Commercial Banks for Short term Capital Expenditure</li> <li>• Credit Enhancement to unlock Long term capital through Pension and Insurance for Distribution Companies.</li> <li>• Trade Mission for equipment sourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Political will in support of the liberalization programme</li> <li>• Created an enabling environment to encourage private sector participation</li> <li>• Mechanism in place for Biannual review of the Multi Year Tariff Order</li> <li>• Developing strategy to increase rural access to modern energy</li> <li>• Diversification of primary energy sources</li> </ul>
Azura — Edo Energy	450 MW	Green Field Open Cycle Gas to Power Project	\$700 million	<ul style="list-style-type: none"> <li>• Expected Financial Close Q1 –Q2 2014</li> <li>• Construction 2014-2017</li> <li>• Operational 2017</li> </ul>	<ul style="list-style-type: none"> <li>• USAID provided technical support to the Nigeria Bulk Electricity Trading Company (NBET), which led to the successful negotiation of the Power Purchase Agreement (PPA) and the Put Call Options Agreement (PCOA) for Azura Energy</li> <li>• The capitalization of NBET, a well- structured PPA, the availability of the PCOA and other risk mitigation measures from the World Bank, unlocked lenders investment for the project</li> </ul>	<ul style="list-style-type: none"> <li>• Capitalization of the Bulk Trader</li> <li>• Approval of the Put Call Options Agreement</li> <li>• Approval of the Power Purchase Agreement</li> </ul>
JBS Wind Power	100MW	Green field Wind Power Project	\$300 million	<ul style="list-style-type: none"> <li>• Finalize negotiation of PPA Q2 2014</li> <li>• Commence negotiation of PCOA Q2 2014</li> <li>• Financial Close Q2 2014</li> <li>• Construction starts Q3 2014 for completion in 2016</li> </ul>	<ul style="list-style-type: none"> <li>• USAID drafted form PPA and PCOA for Wind Project</li> <li>• USAID providing Technical Assistance to negotiate the PPA and PCOA</li> </ul>	<ul style="list-style-type: none"> <li>• Nominated project to Ministry of Finance for the African Development Bank Partial Risk Guarantee</li> <li>• Approval of PPA when due</li> <li>• Approval of PCOA when due</li> </ul>

The U.S. Government's Power Africa agencies also are providing support for trade missions and engaging in outreach efforts for American companies interested in investment opportunities in Nigeria. Since the Power Africa launch, the Initiative has also provided political risk insurance for project loans and engaged in risk mitigation efforts in coordination with the GON. In partnership with General Electric, the U.S. African Development Foundation and others, Power Africa has awarded three \$100,000 grants to entrepreneurs for innovative, off-grid energy projects in Nigeria.

Power Africa partners in Nigeria include Heirs Holding, UBA Capital, General Electric, Africa Finance Corporation, Africa Development Bank, Standard Chartered Bank, Standard Chartered Bank, Symbion, Africa Infrastructure Investment Managers, Nigeria Solar Capital Partners, America Capital Energy and Infrastructure, and the World Bank.

## Power Africa Initiative: Mobilizing Investments in Energy

Power Africa is a U.S. Presidential Initiative announced in June 2013 and is designed to increase access to electricity in sub-Saharan Africa over the next five years. Power Africa begins in six focus countries with ambitious strategies for energy sector development — Ethiopia, Kenya, Tanzania, Liberia, Ghana, and Nigeria. Additionally, in Uganda and Mozambique, Power Africa promotes responsible and transparent resource management.

Power Africa accelerates investments to develop resources responsibly, build out efficient power generation, distribution and transmission, and expand the reach of mini-grid and off-grid solutions. A key goal is to add cleaner, more efficient electric generation capacity.

## A New Way of Doing Business for Development

Power Africa directly addresses constraints to investment by taking a transaction-centered approach to galvanize collaboration, producing near-term results while driving forward reforms that pave the way for future investment. This two-pronged approach focusing on transactions and on energy sector management enables public sector partners, such as ministries and power companies, to more effectively and efficiently govern energy resources and leverage private sector investment and technology to meet vital energy needs for economic growth, health, and education.

Power Africa brings the trade, regulatory, finance and other expertise of 12 specialized U.S. Government agencies to advance transactions between public and private investors, with Power Africa Transaction Advisors based in the focus countries. Trade delegations, and other Power Africa outreach efforts, invite U.S. companies to invest in the region and bring their cutting-edge technologies and solutions to expand access to affordable and sustainable electric power.

**For more information on Power Africa visit: [www.usaid.gov/powerafrica](http://www.usaid.gov/powerafrica)**

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