

THE NIGERIAN POWER AND MINING SECTORS: 2024 IN REVIEW AND AN OUTLOOK FOR 2025

1. For instance, as reported by the Nigerian Electricity Regulatory Commission (“NERC” or the “Commission”) in their Q3 2024 and Q3 2023 Reports, the average available generation capacity for grid-connected plants for the third quarter of 2024 stood at 5,100.90MW, which is a significant increase from 4,211.44MW available generation capacity recorded for grid-connected plants in the same quarter in 2023. In terms of billing efficiency, the billing efficiency recorded in Q3 of 2024 was 82.15%. This was slightly higher than the 79.09% overall billing efficiency recorded during the same period in 2023. See the NERC Quarterly Reports for Q3 2023 and Q3 2024 respectively through these links: <https://nerc.gov.ng/wp-content/uploads/2024/02/NERCThirdQuarter2023Report.pdf> ; https://nerc.gov.ng/wp-content/uploads/2024/12/2024_Q3-Report.pdf

2. Some of these challenges include poor funding, inadequate infrastructure, poor metering, operational inadequacies, inadequate generation capacity, etc.

3. The Federal Government’s priority is, however, on seven (7) of these minerals, including coal, lead/zinc, iron ore, gold, bitumen, barites, and limestone. See the Roadmap for the Growth and Development of the Nigerian Mining Industry (the “Roadmap”) issued by the erstwhile Ministry of Mines and Steel Development (now split into two ministries: the Ministry of Solid Minerals Development and the Ministry of Steel Development) in 2016. The Roadmap can be downloaded through this link: <https://nigeriareposit.nln.gov.ng/bitstreams/f57007f1-3929-43e9-8dac-33a5755ba45b/download>

4. (Order No: NERC/2024/058)

PROEM

Nigeria’s power and mining sectors continue to unfold with pivotal transformations, and in 2024, we monitored developments in these sectors to be able to keep our clients updated and provide relevant and timely advice as and when required.

In the electric power space, the Nigerian Electricity Supply Industry (“NESI”) witnessed several changes occasioned or influenced by macroeconomic dynamics, governmental policies, and regulatory reforms, including the implementation of the Electricity Act 2023 (the “**Electricity Act**”). Thus, amongst other events, there were developments regarding tariff adjustments/reviews, the establishment of electricity markets by a number of states in line with the Electricity Act, and noticeable improvements in the sector’s performance as compared to 2023.¹ But again, the year was not without the resurfacing negative episodes of national grid collapses, and other realities of the numerous challenges facing the sector² – a reminder that more is needed to be done to take the sector to where it is meant to be.

Regarding the mining sector, Nigeria is undoubtedly endowed with several minerals. According to the Ministry of Solid Minerals Development (the “**MSMD**”), there are at least forty-four (44) minerals located in over five hundred (500) locations across Nigeria’s thirty-six (36) states and the Federal Capital Territory (“**FACT**”) Abuja.³

Additionally, in 2024, the mining sector witnessed significant investments, including foreign direct investments and also policy reforms, signaling a renewal of the Federal Government of Nigeria (“**FGN**”)’s commitment to revamp existing strategic national assets and ensure local value addition in the sector.

The year 2024, in a nutshell, was a busy year for both the power and mining sectors. Accordingly, we have highlighted below some of the significant events that occurred in Nigeria’s power and mining sectors in 2024 and looked into our energy crystal ball to gain some insights for 2025.

THE POWER SECTOR

HIGHLIGHTS OF EVENTS THAT OCCURRED IN THE NIGERIAN POWER SECTOR IN 2024

a. Introduction of Bilateral Contracts between Generation and Distribution Companies

On July 25, 2024, NERC issued the “*Order on the Transition to Bilateral Trading in the Nigerian Electricity Supply Industry*”⁴ (the “**Bilateral Trading Order**”) as one of the steps towards phasing out the Nigerian Bulk Electricity Trader (“**NBET**”) to further establish the NESI as a competitive market.

Amongst other objectives, the Bilateral Trading Order seeks to enhance bilateral contracting for energy between Generation Companies (“**GenCos**”) and Distribution Companies (“**DisCos**”), thereby reducing FGN’s exposure to revenue shortfalls/market risks, fostering a competitive market whilst providing an avenue for GenCos, with existing contracts with NBET, to reduce their contracted capacity by trading directly with DisCos on a bilateral basis, and transitioning the contractual framework for bulk energy trading in the NESI to ‘take-or-pay’ contracts in order to foster increased certainty and market discipline among market participants.



5. The five (5) listed GenCos include Azura Power West Africa Ltd., Omotosho Power Plc, Olorunsogo Power Plc, Nigerian Agip Oil Company Ltd., and The Shell Petroleum Development Company of Nigeria Ltd. ("Table 1 GenCos").

6. The existing DisCo is to incorporate a subsidiary electricity distribution company (the "subsidiary DisCo") and transfer its assets, liabilities, employees, and relevant contractual rights and obligations of in that State to the subsidiary Disco. This should be done within two (2) months of receiving a formal notification from the Commission.

7. Where a State does not establish its electricity market, the Commission will retain regulatory oversight over the electricity operations in such State.

8. These states include Enugu, Imo, Edo, Oyo, Lagos, Kogi, and Ekiti, amongst others. See Yinka Adeniran, Ibadan "2023 Electricity Act: Ten states join electricity market to address power challenges – Adelabu", (Ibadan, November 17, 2024) <https://thenationonline.ng/2023-electricity-act-ten-states-join-electricity-market-to-address-power-challenges-adelabu/> accessed December 27, 2024.

9. Oshionameh Ajayi, "Enugu and Ondo States Assume Total Control of Electricity Markets", (Nigeria, October 24, 2024), The Electricity Hub <https://theelectricityhub.com/enugu-and-ondo-states-take-control-of-electricity-markets/> accessed December 26, 2024.

10. Section 15 of the Electricity Act provides that the TCN shall, per the terms of its existing license and within such stage or period of the market as the Commission may in a written directive specify, take such steps as are necessary under the Companies and Allied Matters Act, 2020 to incorporate an entity as the ISO.

11. E. Addeh and P. Uzoho, "Nigeria's Subsidy On Electricity Returns, Now N135bn In Q2 2023", Arise News, <https://www.arise.tv/nigerias-subsidy-on-electricity-returns-now-n135bn-in-q2-2023/> accessed December 25, 2024.

12. O. Nnodim, "Power minister laments as electricity subsidy rises to N3tn", Punch, (Nigeria, 15 February 2024) <https://punchng.com/power-minister-laments-as-electricity-subsidy-rises-to-n3tn/> accessed on December 27, 2024.

Hence, going forward, DisCos are expected to explore opportunities for increased optimisation/firming up of their wholesale energy by entering into 'take-or-pay' Power Purchase Agreements ("PPAs") with GenCos, thus ensuring market stability and improvement in energy supply to the final consumers.

The Bilateral Trading Order further provides that NBET, on the other hand, will continue to administer (albeit in the interim) its fully effective PPAs with five (5) GenCos listed in Table 1⁵ of the Bilateral Trading Order based on the minimum 'take-or-pay' capacities contained in their respective PPAs or the average available capacity of the plants in 2023.

b. De-centralisation of the Electricity Regulation within the NESI

In line with the Fifth Alteration to the Constitution of the Federal Republic of Nigeria 1999 (as amended) (the "Constitution"), the Electricity Act empowers each State in Nigeria to regulate the generation, transmission, *and distribution of electricity* within such State, towards establishing and regulating their respective electricity market.

Section 230(2) of the Electricity Act outlines the steps required to be taken by any State that seeks to establish its electricity market as follows:

(i) First, the State is to enact a law that provides for the establishment of the State electricity market and the establishment of the State electricity regulatory authority with powers to regulate such market.

(ii) Following the above, the State will deliver a formal notification of an enactment of an electricity law to NERC and request a transfer of regulatory authority over electricity operations in the State to the State regulator.

(iii) NERC is then expected to draw up and deliver to the State regulator a draft order setting out a plan and timeline for the transition of regulatory responsibilities from NERC to the State regulator, within forty-five (45) days of receiving formal notification of the enactment of the law in the relevant State. (The transition should be completed within six (6) months from the date the State makes the formal notification).

(iv) Finally, the State is to deliver a formal notification to the successor electricity distribution licensee operating within the State, with a copy to the National Council on Privatisation, through the Bureau of Public Enterprises, requesting them both to ensure that the successor company (the existing DisCo in the State) takes necessary steps.⁶

Whilst it is not compulsory for a State to establish its electricity market, particularly where it considers that it lacks sufficient resources to do so⁷, however, if it decides to set up its own electricity market and follows the above steps, regulatory oversight is to be transferred from NERC to the State regulator.

In light of the foregoing, in 2024, at least ten (10) states⁸ activated the process of establishing their electricity markets with the enactment of their respective state electricity laws in line with the Electricity Act. Some states, like Enugu and Ondo, have already completed the process and assumed total control of their electricity markets, while others are still transitioning to state electricity regulation.⁹

c. Incorporation of the Nigerian Independent System Operator Limited

The Transmission Company of Nigeria ("TCN"), at the initiation of the unbundling and privatization phase of the NESI, was granted a transmission licence and a system operation licence by NERC in 2006. Its functions were carried out through the Transmission Service Provider ("TSP"), the Market Operator ("MO"), and the System Operator ("SO"), all of which are departments within the TCN.

However, the incessant collapse of the national grid and the need for improved technology amongst other considerations, prompted the need for the establishment of an independent but effective and well-equipped SO to ensure the significant improvement in the performance of the national grid. This likewise received legislative backing in the Electricity Act.¹⁰

In light of the above, NERC issued an order (the "ISO Order") on April 30, 2024, on the "Establishment of the Independent System Operator" which took effect from May 1, 2024. In line with the ISO Order, the Nigerian Independent System Operator Limited ("NISO") was incorporated on May 29, 2024.

The NISO is expected to inherit the system and market operation functions (as well as the system and market operation-related assets and liabilities) of the TCN, while the TCN, on the other hand, will retain its TSP license and shall be responsible for transmission assets and liabilities and perform such functions as are relevant to the development and maintenance of the power transmission infrastructure per the terms of its license.

It is envisaged that when fully operational, the NISO will implement such measures as are necessary and expedient to ensure the full optimisation, improvement, and functionality of the national grid, which will further ensure increased, efficient, and adequate power supply in the country.

d. Removal of Electricity Subsidy for Class 'A' Customers

By October 2023, NERC recorded that the FGN had incurred over One Hundred and Thirty-Five Billion Naira (N135,000,000,000) as its subsidy obligation for only the second quarter of the year, as the FGN had undertaken to pay the difference between cost-reflective tariff and the allowed tariff in the form of tariff shortfall funding thus re-introducing electricity subsidy in 2023.¹¹ The significant amount incurred by the FGN as its subsidy obligations raised concerns as to the continuity of electricity subsidy in the country. This prompted the Minister of Power, Chief Adebayo Adelabu (the "Minister of Power"), to declare publicly that Nigeria could no longer sustain electricity subsidy as the country must gear towards a cost-reflective tariff regime. Moreso, the country had incurred huge debts in the past. Hence, drastic measures had to be taken to avoid incurring more debt.¹²

Subsequently, the Multi-Year Tariff Order was introduced on January 17, 2024 ("MYTO 2024") to reflect cost-reflective tariffs. Customers were required to continue paying the old tariffs.



13. Initially the tariff for Band A customers was increased from N68/kWh to N225/kWh. This was subsequently reviewed to N206.80/kWh in May 2024. The Band A tariff is currently N209.5/kWh, and it became effective in July 2024. The tariffs for Bands B-E remain unchanged with the following maximum tariffs: Band B: 70.41/kWh; Band C: 56.40/kWh; Band D: 50.13/kWh, and Band E: 50.13/kWh.

14. Band A customers are entitled to 20 to 24 hours of power supply daily. For Band B customers, their supply ranges between sixteen (16) to twenty (20) hours daily, Band C's daily supply is twelve (12) to sixteen (16) hours, Band D customers are entitled to eight (8) to twelve (12) hours of supply daily, while Band E customers are supplied four (4) to eight (8) hours each day.

15. Mary Izuaka, "Nigerian govt unveils integrated electricity policy", The Premium Times (Nigeria, August 29, 2024), <<https://www.premium-timesng.com/news/top-news/729033-nigerian-govt-unveils-integrated-electricity-policy.html?tc=1>> accessed December 27, 2024.

16. We note that the NIEPSIP is required to be reviewed and revised, not later than five (5) years from publication.

17. Under the new Regulations, minimum Eligible Customers' Connections are limited to 33kV. This is a departure from the old Regulations which allowed connection to a supplier at a threshold as low as an 11kV delivery point. Also, under the new Regulations, the load consumption requirement of prospective EC applicants has changed from the minimum 2MWh/h (measured over a one (1) month period) allowed under the old Regulations to a new minimum load consumption of 6MWh/h for point-to-point connection to a GenCo, while the minimum average consumption required of an Eligible Customer to be connected to a distribution network must not be less than 10MWh/h over the course of ninety (90) days (three (3) months). On the other hand, if an Eligible Customer intends to connect to a transmission network directly, a minimum of 20MWh/h average load consumption measured over a ninety (90) day (three (3) months) period is required. See generally Section 6 of the new Regulations.

18. Stage 1 is the eligibility review stage, Stage 2 is the status approval stage, while Stage 3 (the final stage) involves the issuance of the eligibility status to the eligible customer. See Section 12 of the new Regulations.

19. Also, in 2024, the Commission issued an Order on the Operationalisation of "Tranche A" of the Meter Acquisition Fund ("MAF Operationalisation Order") to provide a transparent and functional framework for the operationalisation of the first tranche of metering under the MAF; stipulate the eligibility conditions for access to the first tranche of the funding under the MAP; and stipulate the payment terms, monitoring and evaluation and other conditions for manufacturers and MAPs participating under the scheme. Essentially, the MAF Operationalisation Order provides a framework for the disbursement of the Twenty-One Billion Naira (N21,000,000,000) first tranche of funds under the MAF to DisCos for the acquisition of metres for distribution to Band A customers to accelerate the closure of the existing metering gap.

20. Ifreke Inyang, "Nigeria's National Grid collapses for 12th time in 2024", Daily Post, (Nigeria, December 11, 2024), <<https://dailypost.ng/2024/12/11/nigerias-national-grid-collapses-for-12th-time-in-2024/>> accessed December 27, 2024.

21. The order was captured in the MYTO 2024 and subsequent monthly supplementary MYTOs for the year.

At the commencement of the MYTO 2024, the FGN still undertook to subsidize the new tariffs (i.e., paying the difference between the cost-reflective tariff and the allowed tariff) to the tune of One Trillion, Six Hundred Billion Naira (N1,600,000,000,000) for the year. However, in April 2024, the FGN announced the removal of electricity subsidies for Band A customers, thus applying subsidies only to the customers in Bands B to E.¹³ The FGN emphasized that the removal of subsidies on Band A was needed in order to reduce the subsidy burden on the FGN, also ensuring a more efficient supply of electricity, particularly to the Band A customers.¹⁴

e. Unveiling of the Draft NIEPSIP

On August 28, 2024, the FGN, through the Ministry of Power ("MOP"), unveiled the draft National Integrated Electricity Policy and Strategic Implementation Plan ("NIEPSIP") as required by the Electricity Act following wide consultations with relevant government authorities, industry experts, key stakeholders, and development partners.¹⁵

According to the Minister of Power, the NIEPSIP, as a comprehensive policy document, outlines policy interventions across the entire value chain, from generation and transmission to distribution and off-grid segments of the sector required for the transformation of Nigeria's electricity sector to a resilient and efficient sector that is capable of driving the national development agenda.

The Minister of Power further declared, at the unveiling event, that NIEPSIP places a strong emphasis on the improvement of sector liquidity, the creation of an investment-friendly environment for investment to thrive, renewable energy integration into the sector, enhancement of grid reliability, ensuring equitable access to electricity for all Nigerians, particularly those in underserved communities, improvement of local content and capacity building across the value chain, as well as gender mainstreaming within the sector.

Based on the foregoing, it is projected that with proper implementation, the NIEPSIP will play a defining role in the overall development of the electricity value chain.¹⁶

f. Additional Regulations and Orders Issued by NERC

There were new regulations and orders issued by NERC in 2024. In addition to the ones already discussed, we highlight below some of the key additional regulations and orders issued by NERC in 2024.

i. Eligible Customer Regulations, 2024

In 2024, NERC issued the Eligible Customer Regulations, 2024 (the "new Regulations"), replacing the Eligible Customer Regulations, 2017 (the "old Regulations"). Understandably, the new Regulations were issued in response to current market dynamics and operational realities.

Amongst other changes introduced, the new Regulations (a) increase the eligibility thresholds for eligible customers¹⁷, and (b) introduces a three (3)-staged application process¹⁸ for NERC's grant of an eligible customer status on a customer.

ii. Order on the Deregulation of Meter Prices for Meters Deployed Under the Meter Asset Provider Scheme, 2024

The Order on the Deregulation of Meter Prices for Meters Deployed Under the Meter Asset Provider Scheme, 2024 ("MAP Pricing Order") is another order NERC issued in 2024. As the name implies, the objective of the Map Pricing Order is to deregulate the meter prices for meters deployed to customers under the Meter Provider Scheme ("MAP").

In essence, by virtue of the MAP Pricing Order, meter prices for meters deployed under the MAP are no longer regulated, as was the case under prior arrangements. End-user customers can now acquire meters from MAPs of their choice based on competitive open market prices determined from transparent bidding frameworks.¹⁹

g. National Grid Collapse:

Between January 1 and December 11, 2024, the national grid collapsed on twelve (12) occasions.²⁰ It is hoped that there will be more efforts to reduce the incidence of grid collapse in subsequent years as these reoccurring episodes of national grid breakdown pose negative consequences to businesses and the economy at large, and it also serves as reminders that whilst commendable steps have been taken so far by market participants to improve the sector, a lot still needs to be done across board in order to build the sector to the level of reliability that it ought to be at.

Renewable Energy-Related Developments in the Power Sector in 2024

h. DisCos Ordered to Adhere to Five Percent (5%) Clean Energy Requirements

As part of the plan to deliver Nigeria's targeted thirty (30) gigawatts (30GW) of power supply capacity by 2030, of which thirty percent (30%) is from renewable energy, NERC issued an order for DisCos to procure a minimum of five percent (5%) of their respective current energy off-take volume as embedded/distributed generation from renewable energy sources.²¹

According to the Minister of Power, the FGN has made strategic interventions in the electricity value chain to unlock standard capacity and improve the liquidity of the industry. Some of these initiatives, according to the Minister of Power, are centred around facilitating investments in the renewable segment of the industry through the launching of a Five Hundred Million United States Dollar (US\$500,000,000) initiative by the Nigeria Sovereign Investment Authority's Renewables Investment Platform for Limitless Energy (RIPLE), a programme dedicated to the development, investment, and operation of renewable energy projects across the entire value chain.



22. Damilola Aina, "FG, EU sign £17.9m power development agreement", Punch (Nigeria, 1st November 2024), <<https://punchng.com/fg-eu-sign-17-9m-power-development-agreement/>> accessed December 27, 2024.

23. The NESP began in 2013. It is a collaborative project undertaken by the EU, the German Federal Ministry for Economic Cooperation and Development, and the MOP in Nigeria.

24. The projects include inter-connected mini-grids (IMGs), isolated mini-grids, commercial and industrial installations (C&I), and Productive Use Equipment (PUE) technologies, with the purpose of electrifying peri-urban and rural communities (including markets, businesses, households, public institutions, health clinics and schools).

25. REA HQ, "REA Signs MoU with Five Renewable Energy Companies to Scale Up Electricity Access In Nigeria", (July 4, 2024), <<https://rea.gov.ng/rea-signs-mou-five-renewable-energy-companies-scale-electricity-access-nigeria/>> accessed December 27, 2024.

26. Additionally, on October 25, 2024, REA entered into a multi-stakeholder Memorandum of Understanding (MoU) with strategic partners (comprising four (4) government agencies and nineteen (19) Renewable Energy Service Companies (RESCOs)) to collaboratively work together to accelerate access to clean, reliable, and sustainable energy for unserved, underserved, and peri-urban communities across Nigeria.

27. NBET was set up by the FGN on September 23, 2010, to purchase bulk power from the GenCos and Independent Power Producers ("IPPs") through PPA and sell to the purchased power to DisCos and other consumers via Vesting Contracts ("VCs"), until the DisCos achieve self-sufficiency. This establishment was intended to stabilise the electricity market by providing a creditworthy entity to mitigate the risks associated with payments and ensure a steady flow of electricity across the value chain.

28. We note that NBET has already begun the process of seeking the renewal of its trading licence for a fresh five (5)-year term following the expiration of its previous licence in November 2024. Emmanuel Addeh, "NBET Seeks 5-year Operating Licence Renewal from NERC, Reports over \$2bn Annual Trading Volume", Thisday (Abuja, 13 September 2024) <<https://www.thisdaylive.com/index.php/2023/11/14/ndphc-intensifies-measures-to-evacuate-over-2000mw-strand-ed-electricity-amid-n180bn-debt-by-nbet-cbn-otrs/>> accessed December 30, 2024.

29. As of August 2024, it is reported that three (3) new trading licences were issued by the NERC within the year 2024. Femi Akinyemi, "NERC issues MTN, others permits to generate electricity" Nigerian Tribune (Nigeria, August 19, 2024) <<https://tribuneonline.com/nerc-issues-mtn-others-permits-to-generate-electricity/>> accessed December 26, 2024.

i. World Bank Support for Nigeria's Renewable Energy Development

Further to The World Bank's approval of a Seven Hundred and Fifty Million United States Dollars (US\$750,000,000) credit to support Nigeria's energy sector through the Nigeria Distributed Access through Renewable Energy Scale-up ("**DARES**") project in 2023, Nigeria's Minister of Finance, Mr. Wale Edun, on March 31, 2024, signed the financing agreement after receiving prior endorsement on February 19, 2024 from Mr. Shubham Chaudhuri, The World Bank's Country Director for Nigeria.

While a portion of the above-stated facility is aimed at strengthening Nigeria's electricity infrastructure, such as upgrading the national grid to handle renewable energy sources more efficiently and reducing energy losses during transmission, another portion of the facility is focused on expanding access to electricity in areas that are underserved or not connected to the national grid, especially in rural regions, through the development of solar mini-grids and solar home systems, thereby offering cleaner and more affordable energy solutions.

j. FGN entered into a €17.9m Agreement with the European Union and German Government for Power Development

In 2024, as part of the move to implement Nigeria's energy transition goals, the FGN entered a Seventeen Million, Nine Hundred Thousand Euro (€17,900,000) agreement with the European Union ("**EU**") and German Government to fund off-grid electricity usage in Nigeria.²² This initiative is categorised under the third phase of the Nigerian Energy Support Programme ("**NESP**")²³ and its purpose is to encourage investments in renewable energy, energy efficiency, and rural electrification.

As disclosed by Ms. Inga Stefanowicz, Head of Section Green and Digital Economy, at the EU Delegation to Nigeria and Economic Community of West African States (ECOWAS) at the signing event, the new funding will help to provide electricity access to one hundred and fifty-four (154,000) people and further connect thirty thousand (30,000) households to clean cooking gas. Additionally, part of the project is the generation of eight (8) megawatts of electricity from renewable energy sources.

In Stefanowicz's words, "*The project aligns with the EU's commitment to supporting Nigeria's goals for energy security and sustainability.*"

k. REA's MoUs with Five Renewable Energy Companies to Scale Up Electricity Access and other Sundry Interventions

On July 4, 2024, pursuant to the need to scale up electricity access in Nigeria, the Rural Electrification Agency ("**REA**") signed memoranda of understanding ("**MoUs**") with five (5) private developers, namely 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 Distributed Renewable Energy (DRE) projects, in both weak grid and off-grid areas,²⁴ and which the projects will be implemented under the DARES, administered by REA.

According to REA, the partnerships formed through the MoUs are expected to birth new energy service models, such as Virtual Power Plants (VPPs), and foster the mass adoption of PUE appliances and devices that are energy efficient through sales, distribution, and credit financing. The partnerships will also incentivise the introduction of a range of value-added services, covering e-mobility, agricultural processing, cold storage, and e-cooking.²⁵

Aside from the above, we note that in August 2024, REA commissioned two (2) solar hybrid mini-grids of 100kWp each at Oloyan community in Ovia South Local Government Area and Sule Camp community in Ovia North East Local Government Area of Edo State – a project carried out under REA's Rural Electrification Fund – Call 2 programme.²⁶

3. AN OUTLOOK OF THE EVENTS EXPECTED IN THE POWER SECTOR IN 2025

Below are certain highlights of events envisaged to occur in the Nigerian Power sector in 2025:

a. Implementation of the NBET Order and Bilateral Contracts

Prior to the issuance of the Bilateral Trading Order, NERC had issued the MYTO 2024 which granted DisCos approval to procure electricity from GenCos directly, hence, providing the opportunity for a more direct commercial arrangement for the sale and purchase of electricity without the involvement of the NBET as a middleman.

Correspondingly, as a consequence of the recently issued Bilateral Trading Order, it is envisaged that the year 2025 will witness a number of bilateral contracts between GenCos and DisCos in the NESI. The expectation is that this initiative will increase efficiency in the supply of electricity across the NESI value chain.

Regarding NBET, it is unlikely that it will be phased out in 2025.²⁷ This is because based on the stringent terms of its PPAs with some GenCos, such as its PPA with Azura Power West Africa Limited for offtake of power from the Azura Power Plant ("**Azura PPA**"), novating the PPAs to replace NBET with another offtaker will involve a complex process and which will last through a substantial length of time. Hence, in our view, whereas NBET's role will diminish considerably as DisCos explore opportunities to transact bilaterally going forward, it is, however, expected that NBET's licence will be renewed in 2025 in order to enable NBET to continue to administer, at the minimum, its existing PPAs with the five (5) Table 1 GenCos, including the Azura PPA.²⁸

b. Issuance of Trading Licences

NERC issued a number of trading licences in 2024.²⁹ This is in alignment with the provisions of the Electricity Act. It is however envisaged that NERC will issue an implementation plan to address such transitional issues that may arise from the transition into the bilateral contracting regime. Correspondingly, it is anticipated that the introduction of new electricity traders into the market will improve the competitiveness of the NESI, ensuring an efficient supply of electricity.



30. Such challenges could be technical, regulatory, administrative/institutional, political or otherwise. See Ayodele Oni, "Transition to State Electricity Markets in Nigeria - A Number of Noteworthy Issues", *The Gaze* (Lagos, 12 September 2024), <https://www.bloomfield-law.com/sites/default/files/2024-09/transition_to_state_electricity_market_s_in_nigeria.pdf> accessed December 27, 2024.

31. Michael Johnson, "Nigeria has Made Impressive Strides in Increasing its Renewable Energy Capacity Over the Past Decade", *Climate Scorecard* (Nigeria, September 22, 2024) <<https://www.climate-scorecard.org/2024/09/nigeria-has-made-impressive-strides-in-increasing-its-renewable-energy-capacity-over-the-past-decade/>> accessed December 24, 2024.

32. The outfit is an inter-agency security outfit comprised of special operatives from security agencies like the Nigeria Security and Civil Defence Corps (NSCDC), the Nigeria Police, army, amongst others. Their command and control will be domiciled in the MSMD, with 60 operatives initially deployed in each state and the FCT Abuja. We note that 360 additional operatives were added to the squad subsequently in June 2024. See Samuel Anyanwu, "FG Unveils Additional 350 Operatives To Boost Mining Marshals", *Federal Ministry of Information and National Orientation*, Federal Republic of Nigeria, (Abuja, June 14, 2024), <<https://fmino.gov.ng/fg-unveils-additional-350-operatives-to-boost-mining-marshals/>> accessed December 27, 2024.

c. More State Electricity Markets to be Established

As earlier highlighted, some States already set the process in motion in 2024 to establish their electricity market in line with the Electricity Act. Thus, it is envisaged that even amid conversations on the viability of self-regulation, more States are likely to commence the process of setting up their electricity market in 2025. Whilst it is not anticipated that the transitioning process will be completed by the end of 2025, it is envisaged that significant progress will have been made in that regard by the applicable States by the end of the year.

Additionally, it is to be noted that the transitioning phase will present its challenges.³⁰ Hence, interested States should take these challenges into consideration and ensure that they have the capacity to withstand same before embarking on the self-regulation journey.

Renewable Energy-Related Expectations in the Power Sector in 2025

d. More Local and International Investments for the Development of Renewable Energy

Nigeria's renewable energy projections for 2034 indicate a compound annual growth rate of 9.88%, potentially reaching approximately 5.01 gigawatts by 2029. By 2025, renewables could account for 23% of Nigeria's energy mix, rising to 36% by 2030.³¹ Also, the Nigeria Energy Transition Programme gives a price tag of One Trillion, Nine Hundred Billion United States Dollars (US\$1,900,000,000,000) for Nigeria to reach net zero by 2060.

This clearly shows that funding would play a pivotal role in accelerating renewable energy deployment across Nigeria.

As witnessed in 2024, we expect to see more funding programmes and financing initiatives put in place by the government to accelerate the growth of the renewable energy market in Nigeria.

e. Increased Dependence on Renewable Energy Sources due to Government's Support, Improvement in Technology and Grid Unreliability

In 2025, we expect to see a significant shift towards renewable energy dependence in Nigeria as more people will embrace solar energy and battery technology because of the ongoing government support, favourable policies, and increasing consumer awareness of solar energy's advantages in addition to advancements in renewable energy technology, such as innovations in energy storage and smart grid integration.

Also, considering the instability national grid supply, it is expected that demand for alternative energy sources by Nigerians will increase during the year as an escape from grid supply.

f. Other Expectations for 2025

Added to the above list of expectations, we anticipate the following additional occurrences in Nigeria's power sector in 2025:

- Commencement of the Implementation of the NIEPSIP. Considering its importance to the sector, we expect that the FGN through the Minister of Power will commence implementation of the NIEPSIP in earnest in 2025 in collaboration with relevant stakeholders and market players.

- Commencement of the Implementation of the Energy Transition Plan, 2022 ("ETP"): Since its release in 2022, not much has been said or done regarding the implementation of the ETP. We are of the view that 2025 presents an opportunity for the FGN to commence or put the needed modalities in place for the implementation of the ETP. The early implementation of the ETP is crucial if Nigeria must meet its energy transition targets outlined in the Plan.

- Possible Tariff Review(s): A key attribute of a cost-reflective tariff pricing model which the NESI is based on, is the avenue for periodic price reviews to accommodate changes in the commercial indices that determine electricity pricing. Hence, considering the liquidity challenges faced by the GenCos and DisCos, and the fluctuating economic indices, there may be reviews of electricity tariffs across the different Bands in 2025, more so if the Federal Government decides to discontinue the subsidy regime or reduce the subsidy threshold.

THE MINING SECTOR

4. HIGHLIGHTS OF EVENTS THAT OCCURRED IN THE NIGERIAN MINING SECTOR IN 2024

a. Inauguration of Multi-Million Naira Lithium Plant

Following the initiation of a Two Hundred and Fifty Million United States Dollars (US\$250,000,000) lithium plant in Nasarawa State in 2023, one of the outlooks for 2024 was the construction and inauguration of the said lithium plant. Given this, the Nasarawa State Government signed an agreement with a Chinese mining firm for the establishment of the second phase of the mining processing plant in Nasarawa Local Government Area of the State. Accordingly, on May 10, 2024, the Governor of the State inaugurated a multi-million Naira lithium processing factory that has the capacity to produce four thousand (4,000) metric tonnes of lithium per day in the State.

It is important to state that Nasarawa State was among the seven (7) states of the federation that meet the requirements for the state action on business enabling reforms saver, and according to the Chief Executive Officer of the Chinese mining firm, Mr. Changjiang YU, the firm hopes to make huge investments on lithium processing plant in the State.

b. Mines Marshal Unveiled to Strengthen Security in Mining Sites

In March 2024, the FGN unveiled the 'mines marshal', a newly created security apparatus comprising a two thousand, two hundred and twenty (2,220)-man squad to curb insecurity in the mining sector. As such, the squad is saddled with the responsibility of fishing out illegal miners from the sector and likewise protecting legitimate miners. At the launch of the outfit, the Minister of Solid Minerals Development, Dr. Oladele Alake (the "**Minister of Solid Minerals Development**"), indicated that the operations of the marshals will be largely technology-driven, and their command structure will be extended across the thirty-six (36) states and the FCT Abuja.³²



33. Samuel Anyanwu, "FG Launches Mineral Resources Decision Support System", Federal Ministry of Information and National Orientation, Federal Republic of Nigeria (Abuja, May 14, 2024), <<https://fmino.gov.ng/fg-launches-mineral-resources-decision-support-system/>> accessed December 27, 2024.

34. These include licence applications, fees for services rendered by the Mining Cadastral Office and the Nigeria Geological Survey Agency, royalty rates applicable to different mineral types, as well as registration fees for various activities including the operation of a waste management facility.

35. Under the 2011 Mining Regulations, the service fees were as follows: N10,000 was charged on Small Scale Mining License, N20,000 for a Quarry Lease, and N25,000 for a Mining Lease.

36. Messrs Tyazhpromexport (TPE), Novostal M, and Proforce Manufacturing Limited

37. Capstone Integrated Limited of Nigeria

38. Sinomach-He of China

39. Jide Orintunsin, "Nigerian, Chinese firms sign \$1b iron ore-to-steel project pact", The Nation (Abuja, September 9, 2024) <<https://thenationonline.net/nigerian-chinese-firms-sign-1b-iron-ore-to-steel-project-pact/>> accessed December 27, 2024.

c. Launch of the Nigeria Mineral Resources Decision Support System

In a bid to woo investors to the Nigerian mining sector, which has remained a largely underutilised sector, the FGN, through the MSMD, on May 14, 2024, launched the Nigeria Mineral Resources Decision Support System ("NMDSS"). The NMDSS is an information portal where investors can access details of the country's mineral resources, facilities as well as infrastructure. According to the Minister of Solid Minerals Development, the portal is thus a marketing strategy put in place by the Government to ease the conduct of business in the mining/solid minerals sector.³³

d. Review of Mining Rates

On July 4, 2024, the Minister of Solid Minerals Development announced a new regime of rates and charges for various services of the Departments and Agencies of the Ministry of Solid Minerals Development.³⁴ The new rates replace the old rates contained in the First Schedule to the Nigerian Minerals and Mining Regulations, 2011 ("2011 Mining Regulations").

For application fees, for instance, the reviewed fees under the new regime are as follows: an applicant for a Mining Lease license will pay N3 million, while an application for a Small Scale Mining Lease will cost N300,000 for the first two (2) cadastral units. The application fee for an Exploration Licence (EL) is now Six Hundred Thousand Naira (N600,000) for the first one (100) cadastral units, while a Quarry lease application costs Three Hundred Thousand Naira (N300,000), and the application fee for Reconnaissance Permit is Three Hundred Thousand Naira (N300,000) and the same applies to a Water User Permit. Compared to the old rates under the 2011 Mining Regulations, the application fees were as follows: Mining Lease – Fifty Thousand Naira (N50,000); Small Scale Mining Lease – Ten Thousand Naira (N10,000); Reconnaissance Permit – N10,000; Exploration License – Twenty Thousand Naira (N20,000); Quarry Lease – Twenty Thousand Naira (N20,000); and Water User Permit – Ten Thousand Naira (N10,000).

Regarding the annual service fee, Two Hundred and Sixty Thousand Naira (N260,000) is now charged on Small Scale Mining License, Five Hundred Thousand Naira (N500,000) for a Quarry Lease, and One Million Two Hundred and Fifty Thousand Naira (N1,250,000) for a Mining Lease.³⁵

e. Other Developments

In addition to the above events, other notable events that occurred in the Nigerian mining space include the following:

- Marking a major milestone in her effort to revamp the steel industry, the FGN, through the Ministry of Steel Development, signed a Memorandum of Understanding ("**MoU**") with a Russian consortium comprised of three (3) entities³⁶ for the rehabilitation, completion, and operation of moribund Ajaokuta Steel Company Limited and the National Iron Ore Mining Company (NIOMCO). The MoU was formalized during a visit (from September 14 to 21, 2025) by the Nigerian Team led by the Minister of Steel Development, Prince Shuaibu Abubakar Audu, to Moscow, Russia.

- The FGN recorded a major investment breakthrough in the mining sector in September 2024 as a Nigerian company³⁷ and a Chinese firm³⁸ signed an MoU for the establishment of a US\$1 billion iron ore-to-steel project in Kogi State. The Minister of Solid Minerals Development welcomed the development as a channel to promote local value addition and declared the FGN's readiness and commitment to give the needed support to the promoters of the project to ensure its quick delivery.³⁹

The above events indicate that the year 2024 was full of activities for the Nigerian mining sector (considering the lack of meaningful and formal activities in the preceding years), and there are opportunities for investment in the sector.

OUTLOOK OF EVENTS EXPECTED TO OCCUR IN NIGERIA'S MINING SECTOR IN 2025

With the developments recorded in the mining sector in 2024, even though Nigeria's minerals and mining sector is still largely underdeveloped, it is safe to say that the mining sector is in a positive state of flux – constantly changing for the better.

Hence, more policy and regulatory reforms should be expected in the new year. Beyond that, investors should seize the opportunities that these reforms offer and invest in the sector.

Furthermore, there is a need for the adoption of the following measures, amongst other measures, to ensure efficiency in the sector:

- Increased utilisation of technology and digitization of operations in the sector for more efficiency;
- Adoption of novel/new financing models to finance mining projects; and
- Implementation/application of the Revised Guidelines for the Development of Community Development Agreement, 2023 to ensure the protection of the welfare of host communities and further foster cordial relationships between mining companies and host communities.

Our Team

Bloomfield LP understands the energy sector and has been very involved in the development of the sector, and electric power in particular.

With a combined experience spanning several decades, members of our energy and natural resources practice group are equipped with the capacity to provide advisory services on the regulation of wholesale power sales, distribution, and ancillary services. We have substantial capabilities in assisting clients with regulatory issues related to hydroelectric and other alternative renewable energy sources, including solar, wind, waste and geothermal. Also, our experience extends to the financing of power and mining transactions and projects.

The Firm continues to be ranked in the **Energy and Natural Resources** practice areas (including power and mining) by leading international legal directories such as **The Legal 500**, **Chambers Global**, **IFLR1000**, and **Who's Who Legal**.



Members of our teams, such as **Dr. Ayodele Oni**, the chair of the Firm's Energy and Natural Resources Group, and **Adedoyin Afun**, continue to be ranked in **The Legal 500**, **Chambers Global**, **IFLR1000**, and **Who's Who Legal** as standout and leading lawyers in the Nigerian energy sector.

Dr. Ayodele Oni is also the author of leading texts in the Nigerian Electric Power Sector, including '**The Nigerian Electric Power Sector: Policy. Law. Negotiation. Strategy. Business**' (published in 2013), '**The Nigerian Electricity Market; Understanding the Transactional, Legal & Policy Issues**' (published in 2021), and '**Renewables, Electric Power Transactions, and The Electricity Act 2023**' (published in 2024).

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