

Nigeria Power Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

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Report description:

The Nigerian power market is expected to register a CAGR of approximately 13% during the forecast period (2022-2027). The COVID-19 pandemic has positively impacted the distribution of electricity in Nigeria. For instance, in Lagos, Nigeria's largest city, 43% of total electricity demand comes from the residential sector. Under the lockdown scenario, there was a sharp increase in residential electricity demand by up to 49%, resulting in power distribution companies facing a shift in electricity demand and changes in energy load allocation. This factor called for more EPC or modification projects in the power infrastructure. The Nigerian power market is largely driven by favorable government policies and a growing inclination toward privatization of the power sector, which can draw more investment in the sector. However, the absence of proper infrastructure in the power sector, with a lack of skilled local labor, is expected to hinder the power market in the country.

Key Highlights

Thermal power is expected to dominate the power generation market during the forecast period, as more than half of the country's total power generation is based on natural gas.

The country has required natural resources like oil and gas reserves, which assure continuous fuel supply for the power generation sector. In the current scenario, the Nigerian government highly promotes foreign direct investments (FDI), which may create tremendous opportunities for the market. There is a great demand for electricity from many communities dwelling off-grid. The Nigerian government is promoting renewable energy-based power generation in the country. As part of this, the Nigerian Electricity Regulatory Commission (NERC) is offering various grants to local companies for setting up renewable energy generation plants, which is expected to boost the power sector.

Nigeria Power Market Trends

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Thermal Power Is Expected to Dominate the Market

The country's thermal power generation share was 80% in 2021. It is also expected to have a significant share during the forecast period due to Nigeria's continuous and reliable gas supply to power the gas-fired power plants.

In January 2021, the federal government planned to add six coal-based power generating plants to the existing ones by 2037. It also fabricated plans to add nine gas-fired power plants, making it a total of 15 power plants, expected to be operational by 2037. In February 2020, the Nigerian National Petroleum Corporation and the United States Trade and Development Agency signed a USD 1.1 million deal to construct gas-based NNPC Abuja Independent Power Project. The 1350 MW plant is expected to be constructed by the EPC companies General Electric and CMEC (China Machinery Engineering Corporation). The gas supply will be provided by the proposed pipeline, Ajaokuta-Kaduna-Kano (AKK).

Due to such factors, the thermal power market is expected to boost the power generation sector during the forecast period.

Government Support for Renewables-Based Power Generation Is Expected to Drive the Market

□ Nigeria's renewable power generation capacity was around 2,153 MW in 2020. The government is currently planning to introduce more programs to promote cleaner power generation sources to power the urban and rural areas of the country.

□ The Renewable Energy Master Plan (REMP) promotes the deployment of renewable-based power generation systems in the country. As a part of this, in 2020, the Nigerian government launched the Naija Solar Power Project, which targeted around 5 million solar-based connections for off-grid communities.

□ In April 2021, the same project was launched in the Jangefe Roni Local Government Area of Jigawa State. According to the government, these projects will likely be implemented in other areas like Edo, Lagos, Adamawa, Anambra, Kebbi, and Plateau in the first phase. The entire country will be covered in the next phase.

□ The country aims to increase the supply of renewable electricity to meet the electricity demands of rural areas. The Renewable Energy Association of Nigeria (REAN) is encouraging investments in this sector.

□ At the end of 2020, hydropower accounted for about 12.5% of its on-grid energy in Nigeria. Following the current trend, this sector will witness huge investments, which may boost the growth of the country's renewable power generation.

□ Due to such developments, renewable-based electricity generation is expected to become a major driver of the power sector in the country in the future.

Nigeria Power Market Competitor Analysis

The Nigerian power market is moderately consolidated. Some of the major power-generating companies include Afam Power PLC, Egbin Power PLC, and Toshiba Corporation. Some of the major transmission and distribution companies include Transmission Company of Nigeria and Abuja Electricity Distribution Company PLC.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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