



Nigeria

Population ¹	190,873,311
Area (km ²) ¹	923,770
GDP per capita (USD) ¹	1,968.56
TPES (Mtoe) ²	149.96
Energy intensity (toe/10 ³ 2010 USD) ²	0.33
CO ₂ emissions - energy (MtCO ₂) ²	86.00

Sources:

1. The World Bank 2017

2. ©IEA 2018, www.iea.org/statistics

Nigeria's overall risk level against the assessed areas is **moderate**.

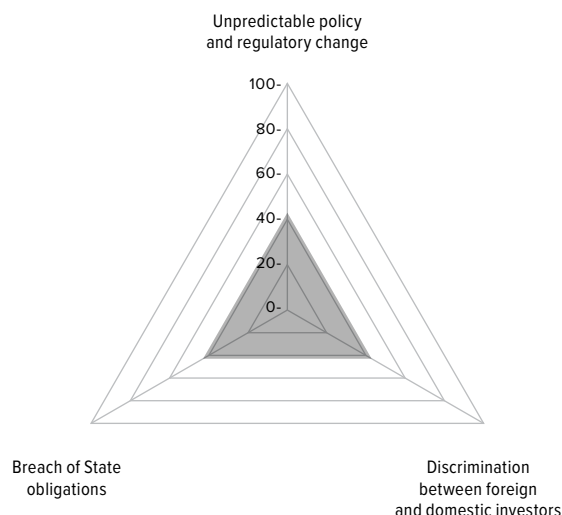
The risk areas *unpredictable policy and regulatory change* and *breach of State obligations* are on the same level as last year, while *discrimination between foreign and domestic investors* has reduced by a point.

Nigeria's performance against EIRA's four indicators is moderate. It has received a score of 59 on the indicator *management of decision-making processes* and 58 on *rule of law*. On *foresight of policy and regulatory change* its performance has improved by 1 point and now stands at 55. The score for *regulatory environment and investment condition* has also moved up from 51 to 53 points.

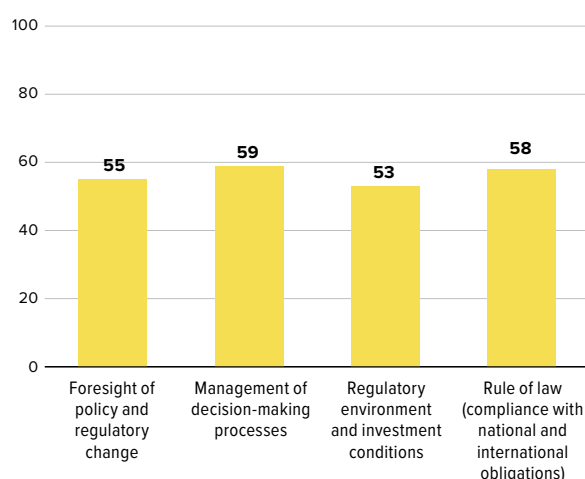
On a more detailed level, Nigeria's overall sub-indicator performance is moderate. The highest-scoring sub-indicator is once again *management and settlement of investor-State disputes* with 73 points. The performance on *communication of vision and policies* has improved by 4 points and it now stands at 65. The score for *transparency* has also gone up from 61 to 63. The next sub-indicator is *regulatory effectiveness*, which has moved from 56 to 57 points. On *institutional governance* it has the same score as last year (56), while *restrictions on FDI* is now at 50 instead of 47. The score on *robustness of policy goals and commitments* remains 46. The lowest performance was again observed on the sub-indicator *respect for property rights*, which has 42 points.

While there are some improvements in Nigeria's performance compared to 2018, further steps must be taken to build on the work done. Particular attention should be given to strengthening the respect for property rights in the country.

RISK LEVEL



INDICATOR PERFORMANCE

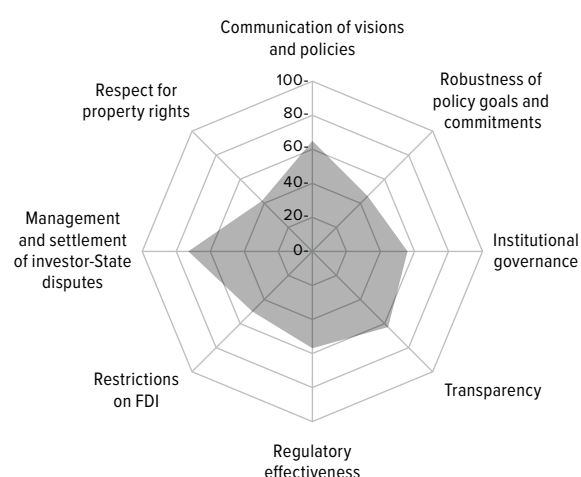


YEAR-ON-YEAR COMPARISON

RISK AREAS	2018	2019
Unpredictable policy and regulatory change	43	43
Discrimination between foreign and domestic investors	44	43
Breach of State obligations	43	43

INDICATORS	2018	2019
Foresight of policy and regulatory change	54	55
Management of decision-making processes	59	59
Regulatory environment and investment conditions	51	53
Rule of law	58	58

SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The main strategic documents for Nigeria's energy sector are the National Energy Policy 2003 and the Nigeria Vision 2020.

The principal action plans for implementing the energy policies are the Economic Recovery and Growth Plan 2017-2020 and the National Integrated Infrastructure Master Plan 2015.

STRENGTHS

Nigeria made progress on some of its energy goals during the EIRA assessment year. To meet its ultimate target of eliminating flared gas by 2020, the Flare Gas (Prevention of Waste and Pollution) Regulation was introduced in 2018. The Regulation now allows licencees to take flared gas from sites. The Federal Government also signed a regional pipeline agreement with the Kingdom of Morocco. Through this, it intends to provide gas in West Africa, create job opportunities and encourage the diversification of energy resources in the country.

Lead ministries have been appointed for implementing the energy priorities. In 2018, the Government established an inter-ministerial Committee for harmonising data collection and evaluation for the country. The Committee is chaired by the Statistician-General of the Federal Republic of Nigeria. It acts as a focal point for collecting, authenticating and publishing information. Representatives on the Committee, from the energy sector, include the Nigerian National Petroleum Corporation and the Department of Petroleum Resources.

AREAS FOR IMPROVEMENT

In line with the improvement suggested last year, initial steps have been taken to set the key performance indicators for the energy sector. The Government is encouraged to work further in this direction and develop ultimate outcomes consistent with the existing short- and medium-term targets. It is also suggested that priorities and targets should be incorporated into binding documents.

A rigorous evaluation of the existing policies should be undertaken to examine whether they are continually and systematically executed. This will better position decision makers to assess the real impact of the policies measures and restructure them if needed. New strategies should be drafted only after examining the implementation status of the instruments already in force, and after conducting a thorough cost-benefit analysis.

More periodic reporting of the monitoring and evaluation findings is encouraged. The final reports should be made widely available. They should give a balanced account and contain relevant recommendations. It must be ensured that these recommendations are duly considered and followed up.

Management of decision-making processes

QUICK FACTS

Nigeria has a bicameral legislature.

The Nigerian Investment Promotion Commission encourages and coordinates all the investment activities.

Nigeria enacted the Freedom of Information Act in 2011 to make public records and information available, subject to certain conditions stipulated in the Act.

STRENGTHS

The Energy Commission of Nigeria continues to play an active role in bringing together different Government and non-government agencies on critical issues. Progress was made on some significant legislative bills after vigorous discussions in Parliament. For instance, the Companies and Allied Matters Bill, which intends to restructure Nigerian business practices to match global standards, was passed by the Senate and House of Representatives during the EIRA assessment year. Moreover, in 2019 the President of the Federal Republic of Nigeria signed into law the Federal Competition and Consumer Protection Act.

Information from public authorities is available and accessible. In 2018, Executive Order 6 was signed by the President of the Federal Republic of Nigeria to adopt higher transparency standards for public authorities. It prescribes, among other things, disciplinary actions and penalties for public authorities and officials found misappropriating Government assets. Ministries, Departments and Agencies of the Federal Government, in consultation with the Attorney General of the Federation, are required to identify and adopt best practices for implementing the Order.

AREAS FOR IMPROVEMENT

Coordination between Ministries, Departments and Agencies of the Federal Government should be ensured on cross-sectoral issues. Presently, there are multiple bodies engaged in framing and implementing the energy policies. This can create a significant risk of contradicting strategies and overlapping actions. It can also stall legislation, such as the Petroleum Industry Governance Bill, that are critical for attracting investment in the sector. Active dialogue on all levels should be undertaken to ensure swift and consistent decisions, and to streamline their implementation.

Proactive efforts are needed to ensure greater public participation in policy development. Instead of ad hoc discussions, the procedure and timelines for commenting and providing feedback should be decided at an early stage and made publicly known. This will increase confidence and promote cooperation.

Regulatory environment and investment conditions

QUICK FACTS

The Nigerian Electricity Regulatory Commission (NERC) regulates the generation, transmission, distribution and trading of electricity. The Department of Petroleum Resources is the oil and gas regulator.

The substantive provisions granting protection to foreign investors are enshrined in the Nigerian Investment Promotion Commission Act 1995.

STRENGTHS

The NERC has made attempts to improve its operations and ensure affordable access to electricity consumers. For this purpose, it adopted the Meter Asset Provider Regulations in 2018. These seek to permit companies, other than the distribution companies that already have exclusive distribution licences, to supply and install smart meters for customers. Additionally, the Federal Competition and Consumer Protection Act 2018 was enacted to enhance the monitoring of competition issues. It envisages the establishment of the Federal Competition and Consumer Protection Commission as well as the Consumer Protection Tribunal to penalise restrictive trade and business practices.

The legislative framework remains supportive of foreign investment. Steps have been taken to incentivise private investors in different activities, including refinery projects. Full repatriation of capital invested through foreign sources is permitted. The Central Bank of Nigeria released a revised edition of its Foreign Exchange Manual, effective from 1 August 2018. The Manual introduces the latest policy developments into the Nigerian foreign exchange regime. It also aims at harmonising the documentation requirements and ensuring compliance by stakeholders in the foreign exchange market. The Nigerian Code of Corporate Governance was released by the Financial Reporting Council of Nigeria in January 2019 to institutionalise corporate governance best practices in Nigerian companies on an apply-and-explain basis.

AREAS FOR IMPROVEMENT

As mentioned last year, it is essential that the roles and responsibilities of the different regulatory authorities are streamlined. The need for regulators that perform similar functions or obsolete functions should be periodically evaluated. Moreover, in line with the commitment made last year, the establishment of an independent mining commission should be realised as soon as possible.

As stated in EIRA 2018, the success of policy interventions, such as those related to local content, depends on the progress made in other areas such as developing infrastructure and improving the quality of education. A rigorous and periodic review should be undertaken to evaluate if the content targets are realistic. It should be noted that over-ambitious targets may (1) lead to a mismatch between supply and final demand, and (2) detrimentally affect competition in the market.

Rule of law

QUICK FACTS

Access to arbitration is provided in the Arbitration and Conciliation Act 2004.

Nigeria ratified the Convention on the Settlement of Investment Disputes between States and Nationals of Other States in 1965.

Nigeria acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards in 1970.

STRENGTHS

Local courts recognise contractual provisions that allow direct access to international arbitration. National courts enforce foreign judgments on a reciprocal basis. Nigerian law recognises the right of parties to choose the dispute resolution forum. There were no retroactive legislative changes introduced in the last year. Reciprocal arrangements continue to govern the recognition and enforcement of foreign judgments. The Foreign Judgements (Reciprocal Enforcement) Act 2004 applies to court judgments obtained from any part of the Commonwealth other than Nigeria.

The Nigerian Investment Promotion Commission Act provides guarantees against the expropriation of foreign investments. In recent years, the Government has entered into Put-Call Option Agreements (PCOA) for certain energy projects. BITs signed by Nigeria, such as with China, Finland, Germany, Spain, Singapore and Turkey consider intellectual property as "investment". Protection is granted to all investment against any form of expropriation and through the unqualified operation of *most-favoured-nation* and *national treatment* obligations.

AREAS FOR IMPROVEMENT

The Government may consider establishing an investment ombudsman for resolving conflicts between foreign investors and public authorities. This is particularly relevant to Nigeria because a significant number of public bodies are responsible for different aspects of energy projects. Lengthy administrative procedures can lead to time and cost difficulties for investors, which can precipitate into disputes. An ombudsman dedicated to resolving such obstacles can help to de-escalate conflicts.

Under domestic law, expropriation refers to physical property and acquisition of enterprises. National legislation may contain provisions for granting protection against the expropriation of intangible property such as equity/shares.