



Nigeria

Population ¹	195,874,740
Area (km ²) ¹	923,770
GDP per capita (USD) ¹	2,027.77
TES (Mtoe) ²	159.88
Energy intensity (toe/10 ³ 2015 USD) ²	0.32
CO ₂ emissions - energy (MtCO ₂) ³	104.3

Data by Orbis Crossborder Investment on completed energy projects and deals from 2015-2021⁴

Target industry	Number of projects and deals	Project CapEx and deal value (million EUR) by source country
Electric power generation, transmission and distribution	1 new project 1 joint venture deal	United Arab Emirates: 1 RE project of 90.9 mEUR Value of 1 RE deal (Germany) is N/A
Extraction of natural gas and crude petroleum	2 new projects 1 minority stake deal	United States of America: 1 project of 1,000 mEUR United Kingdom: 1 deal of 127mEUR The Netherlands: 1 project of 4 mEUR
Manufacture of refined petroleum products	2 acquisition deals	Singapore: 1 deal of 3.8 mEUR Value of 1 deal (United Arab Emirates) is N/A
Transport by pipeline	1 minority stake deal	South Africa: 1 deal of 49 mEUR
Support activities for petroleum and natural gas extraction	1 joint venture deal	Value of 1 deal (United Arab Emirates) is N/A

Sources:

1. The World Bank 2018
2. ©IEA (2021), World Energy Balances (<https://www.iea.org/data-and-statistics>). All rights reserved.
3. ©IEA (2021), CO₂ Emissions from Fuel Combustion (<https://www.iea.org/data-and-statistics>). All rights reserved.
4. Orbis Crossborder Investment (2021), Bureau Van Dijk. Nigeria is the destination country of the investment. Data represents the period 1 April 2015 - 1 April 2021 (accessed on 1 July 2021). For more information see Annex II of this report.

RE: Electricity generation from renewable resources

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

Of the three risks assessed in EIRA, *discrimination between domestic and foreign investors* and *breach of State obligations* are lower compared to *unpredictable policy and regulatory change*.

Nigeria’s performance is good on one indicator, and it is moderate on three indicators. Its score on *management of decision-making processes* has improved by two points, from 59 to 61. On the *rule of law* indicator, it has received a score of 58. Compared to EIRA 2020, its score on *regulatory environment and investment conditions* has increased by a point, from 53 to 54. At the same time, its score on *foresight of policy and regulatory change* has decreased by three points and stands at 53.

On a more detailed level, Nigeria’s overall sub-indicator performance is moderate. The highest-scoring sub-indicator is *management and settlement of investor-State disputes* at 75. Following this is the *transparency* sub-indicator, where its score has gone up from 63 to 65. Its score on *communication of vision and policies* has gone down by five points and now stands at 61. On *regulatory effectiveness* (57), *institutional governance* (56), *restrictions on FDI* (50) and *robustness of policy goals and commitments* (46) it has maintained the scores from EIRA 2020. Its lowest-scoring sub-indicator is *respect for property rights* with a score of 42.

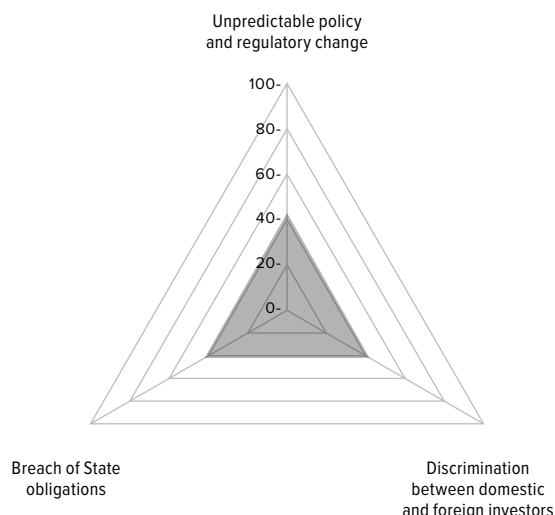
While there are some improvements in Nigeria’s performance compared to EIRA 2020, further steps must be taken to build on the work done. Particular attention should be given to strengthening the respect for property rights in the country.

YEAR-ON-YEAR COMPARISON

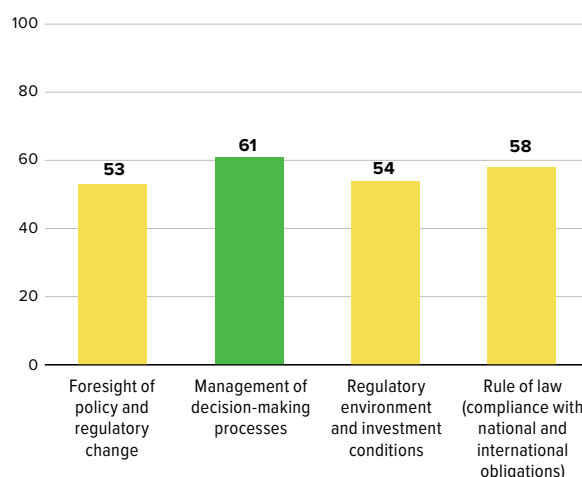
RISK AREAS	2018	2019	2020	2021
Unpredictable policy and regulatory change	43	43	42	43
Discrimination between domestic and foreign investors	44	44	43	42
Breach of State obligations	43	43	42	42

INDICATORS	2018	2019	2020	2021
Foresight of policy and regulatory change	54	55	56	53
Management of decision-making processes	59	59	59	61
Regulatory environment and investment conditions	51	52	53	54
Rule of law	58	58	58	58

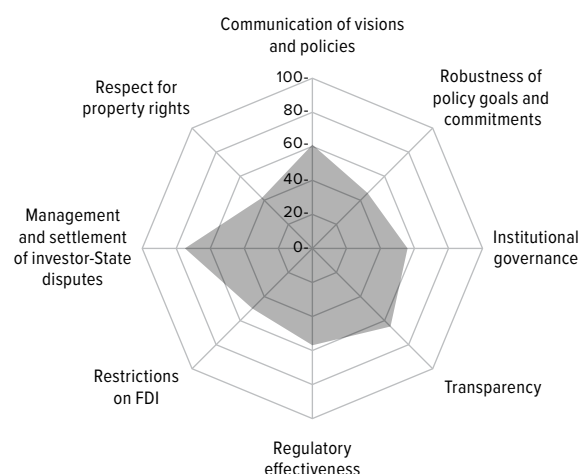
RISK LEVEL



INDICATOR PERFORMANCE



SUB-INDICATOR PERFORMANCE



Foresight of policy and regulatory change

QUICK FACTS

The Federal Government is currently developing the long-term perspective plan, Nigeria Agenda 2050, and the Medium-Term National Development Plan (MTNDP) 2021-2025 to replace the Nigeria Vision 20:2020 and the Economic Recovery and Growth Plan that expired in December 2020.

The Federal Executive Council approved the Nigeria Economic Sustainability Plan (NESP) in response to challenges posed by the COVID-19 pandemic.

STRENGTHS

In the last year, the Federal Government focused on further expanding the country's crude oil production and developing its domestic clean energy resources. The Nigeria LNG Ltd (NLNG) awarded an engineering, procurement and construction contract to a Saipem-led consortium for the seventh LNG Train, which will boost NLNG's current plant capacity by 35%. The National Gas Transportation Network Code 2020 was recently published to pave the way for expanding gas-to-power, gas-to-industry and gas-to-manufacturing, and addressing gas flaring challenges. The Government also launched the National Gas Expansion Programme and the National Autogas Roll-out Initiative following the recent deregulation of downstream activities. The NESP's Solar Home Systems Project aims to ensure off-grid solar energy to at least 5 million households currently not connected to the national grid. It also intends to transition 30 million homes from kerosene, charcoal and diesel, to liquefied petroleum gas.

The Budget Office of the Federation published the Second Quarter and Half-Year Budget Implementation Report for 2020, which provides information on the Executive Budget's performance during the period. The Budget Office also made publicly available the Medium Term Expenditure Framework and the Fiscal Paper Strategy 2021-2023. Among other things, the Fiscal Strategy Paper reviews the 2019 Executive Budget performance and the 2020 budget implementation. The National Bureau of Statistics has published the Nigerian GDP Report (Expenditure and Income Approach) for the first and second quarter of 2020.

AREAS FOR IMPROVEMENT

The Federal Government must adopt the Nigeria Agenda 2050 and the MTNDP 2021-2025 in 2021. It should also revise the National Renewable Energy Action Plans 2015-2030 and the National Energy Efficiency Action Plans 2015-2030 that contained targets for 2020, such as increasing the share of renewable energy in the electricity mix by 38% and reducing electricity losses by 10% compared to the 2013 level.

The Federal Government should conduct a stock-taking exercise to identify the policy targets missed by 2020. It should undertake an ex-post cost-benefit analysis of the unachieved targets to set more realistic future targets.

Management of decision-making processes

QUICK FACTS

The Energy Commission of Nigeria sets the institutional framework for the planning and coordination of national energy policies.

Nigeria enacted the Freedom of Information Act in 2011 to make public records and information available.

STRENGTHS

In 2020, the Federal Government of Nigeria inaugurated a National Steering Committee (NSC) to develop the Nigeria Agenda 2050 and the MTNDP 2021-2025. The NSC will supervise the work through a governance structure comprising a central working group and 26 technical working groups. The Federal Government also established the Economic Sustainability Committee (ESC) to draft the NESP in 2020. The ESC comprised several Cabinet Ministers, the Group Managing Director of the Nigerian National Petroleum Corporation (NNPC) and the Governor of the Central Bank of Nigeria. In preparing the NESP, the ESC consulted the Presidential Economic Advisory Council members and discussed with them specific implementation-related matters.

MDAs made information on their activities publicly available in 2020 and 2021. The Nigerian Investment Promotion Commission (NIPC) uploaded its Freedom of Information Annual Report for 2020. It also published a summary of all the queries it received in 2020, under the Freedom of Information Act, and the responses it provided. In February 2021, the Department of Petroleum Resources launched the Downstream Remote Monitoring System (DRMS) to track petroleum product levels across retail outlets and depots. The DRMS aims to digitalise the Nigerian oil and gas industry by providing real-time data for investment purposes and business decisions. The Nigerian Energy Regulatory Commission's (NERC) performance on transparency and public accountability was particularly noteworthy. It held extensive public hearings before introducing the revised Multi-Year Tariff Order of 2020 and released for public comments a Consultation Paper setting out the rates proposed by the distribution licensees. It has democratised the newly implemented service-based tariff (SB Tariff) structure to ensure that distribution companies (DisCos) will only be able to review tariff rates after consultations with the affected customers.

AREAS FOR IMPROVEMENT

Currently, there are multiple bodies engaged in framing and implementing energy policies. This multi-layered system can give rise to contradictory strategies and overlapping actions. It can also stall legislation, such as the Petroleum Industry Governance Bill, that is critical for attracting investment in the energy sector.

The Federal Government should make efforts to intensify stakeholder consultation at different stages of the policy-making process. The methods and timelines of public participation should be decided at an early stage and made publicly known.

Regulatory environment and investment conditions

QUICK FACTS

NERC regulates the generation, transmission, distribution and trading of electricity.

Protection of foreign investment is provided for in the NIPC Act 1995.

STRENGTHS

The Federal Government took the progressive decision of eliminating fuel subsidies and fully deregulating the downstream oil sector. The Petroleum Products Pricing Regulatory Agency, which had previously set a monthly price band for gasoline, is now limited to a supervisory role. The Federal Government also made progress on its electricity sector reforms. In September 2020, NERC introduced an SB Tariff regime through which DisCos can review electricity tariffs of metered customers only after consulting them and assuring them of a guaranteed level of electricity service based on hours of supply. Unmetered customers and those on lifeline tariffs will remain unaffected by the change. Following this measure, in October 2020, the Federal Government approved the National Mass Metering Programme (NMMP) to bridge the country's metering gap and minimise the impact of the SB Tariff on electricity consumers. The Central Bank of Nigeria issued the framework for financing the NMMP, defining the operational guidelines for granting financial support to DisCos and local meter manufacturers.

On 7 August 2020, the Companies and Allied Matters Act (CAMA) 2020 was signed into law. The CAMA is supported by the Companies Regulations 2021, which lay down the procedures involved in registering a private limited company from January 2021 onwards. CAMA 2020 has over 15 new provisions to promote the ease of doing business and reduce regulatory barriers. It introduces, for the first time, the LLP and LP business structures so that investors can benefit from a limited liability structure with the tax status and flexibility of a partnership.

AREAS FOR IMPROVEMENT

The Federal Government is working in the right direction by introducing service-reflective tariffs. It is encouraged to continue with reforms that will help achieve fully cost-reflective tariffs and ensure the timely implementation of the NMMP. The Government should also create public awareness about energy-saving technologies that can reduce consumption.

The Federal Government may consider offering more lucrative conditions to foreign investors in the upstream oil and gas sector. For instance, introducing an additional price-based royalty and increasing water depth-based royalties on top of the other taxes, fees and levies may reduce the sector's competitiveness. This suggestion is particularly relevant now when the country's oil production and revenue have received a setback due to the COVID-19 pandemic.

Rule of law

QUICK FACTS

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

Nigeria is a party to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

STRENGTHS

The Federal Government of Nigeria continues to modernise and promote the use of alternative dispute resolution mechanisms. The Arbitration and Conciliation Act (Repeal and Enactment) Bill is currently undergoing discussion in the Nigerian National Assembly. Moreover, the Local Content Development and Enforcement Bill 2020 proposes a mandatory requirement that any dispute, arising from a contract governed by this Bill, should be resolved by an arbitral panel that comprises at least three judges of the Federal High Court. NERC is also encouraging the energy market players to utilise its 12-member Dispute Resolution Panel, which was reappointed on 7 May 2020, to resolve conflicts. The functions of the Panel include the arbitration and settlement of disputes between market participants such as the system operator, the market operator, and other licensees engaged in electricity trading.

The Federal Government of Nigeria did not make any legal or regulatory modifications that adversely affected the property rights of investors. The NIPC Act grants robust protection to foreign investors from the nationalisation or expropriation of private property. Any person that owns, either wholly or in part, capital of any enterprise cannot be compelled by law to surrender his interest to any other person. The law requires the payment of fair and adequate compensation in the case of any compulsory acquisition.

AREAS FOR IMPROVEMENT

The Federal Government of Nigeria is encouraged to continue with the reform of the Arbitration and Conciliation Act (Repeal and Re-Enactment) Bill. As mentioned last year, it needs to establish greater clarity on new practices that will apply after this Bill's enactment. For instance, the implicit reference to Third Party Funding (TPF) is dilute and unlikely to prevail over the conflicting common law rules against champerty and maintenance. TPF agreements must be given explicit legitimacy so that their scope and application is clear. There should be defined rules regulating the enforcement of such contracts, and a more flexible approach taken in the use of historical common law concepts.

In domestic laws, expropriation refers only to physical property. National legislation may contain provisions protecting intangible property, such as equity, shares, and IP rights, from expropriation or compulsory acquisition.

IMPLEMENTATION STATUS



Nigeria

PROPOSED IN	EIRA AREAS FOR IMPROVEMENT	IMPLEMENTATION STATUS AS OF 1 APRIL 2021
Indicator 1		
2018	Carry out a rigorous impact assessment of the existing laws and policies.	Pending
	Set key performance indicators for the energy sector.	Pending
2020	Regularly publish the policy monitoring and evaluation reports.	Work ongoing. In 2018, the Government established an inter-ministerial Committee to harmonise data collection and evaluation of the country's objectives.
	Revise the policy targets that expired in 2020, such as for increasing oil production, expanding the power sector infrastructure, boosting local refining, and becoming a net exporter of petroleum products.	Work ongoing. The Federal Government established a National Steering Committee to develop the long-term perspective plan, Nigeria Agenda 2050, and the Medium-Term National Development Plan (MTNDP) 2021-2025 to replace the Nigeria Vision 20:2020 and the Economic Recovery and Growth Plan that expired in December 2020. However, working on revising the expired energy sector action plans and targets is pending.
Indicator 2		
2018	Conduct regular public consultations and introduce legal provisions that require public consultation by MDAs on draft laws and regulations.	Work ongoing. The Nigerian Energy Regulatory Commission (NERC) held public hearings before introducing the revised Multi-Year Tariff Order of 2020 and released for public comments a Consultation Paper setting out the rates proposed by the distribution licensees. It has democratised the newly implemented service-based tariff structure to ensure that distribution companies will only be able to review tariff rates after consultations with the affected customers.
	Promote better coordination among MDAs on the implementation of the national energy policies and plans.	Work ongoing. The second National Energy Summit was held in April 2021 as a step towards bringing together the relevant stakeholders and fostering constructive discussions.
Indicator 3		
2018	Define the roles and responsibilities of the different regulatory authorities.	Work ongoing and partially implemented. The Federal Government has fully deregulated the downstream oil sector. The Petroleum Products Pricing Regulatory Agency, which had previously set a monthly price band for gasoline, is now limited to a supervisory role.
	Create a comprehensive legal framework on local content across sectors. Ensure that content targets are based on a realistic estimation of available domestic human resources and technical expertise.	Work ongoing. The Local Content Development and Enforcement Bill 2020 recently passed its second reading in the House of Representatives. The Bill seeks to broaden the existing local content requirements for the oil and gas sector and it implements a similar regime for the ICT, power, solid minerals and construction sectors.
2020	Apply cost-reflective electricity tariffs at the earliest. Take collaborative and proactive measures to ensure metering of all electricity customers.	Work ongoing and partially implemented. In September 2020, NERC introduced a service-based tariff regime. Now, distribution companies can review electricity tariffs of metered customers only after consulting them and assuring them of a guaranteed level of electricity service based on hours of supply.
	Reconsider the newly introduced additional price-based royalty and increased water depth-based royalties.	Pending
Indicator 4		
2018	Establish a foreign investment ombudsperson to settle conflicts arising in the course of energy projects.	Pending
	Grant broader protection against expropriation to intangible property such as equity, shares, and IP rights.	Pending
2020	Define clear rules to regulate the use and enforcement of Third Party Funding agreements.	Pending