

The Price of Darkness is Infinite

Being the text of a speech delivered by Dr. Goodluck Jonathan (GCFR),
the President and Commander-in-Chief of the Armed Forces
of the Federal Republic of Nigeria, during the Public Presentation
of the Roadmap for the Nigerian Power Sector Reform
held at the Zinnia Hall of Eko Hotel & Suites,
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President Jonathan: Launching the Nigerian Power Reform Roadmap

We are today gathered here in Lagos, the commercial capital of our nation, for a twin seminal event: to launch our Administration's electric power roadmap and to productively engage with key stakeholders of the economy in a focused discourse on our plans to effectively tackle the critical challenge of the enormous electric power deficit and transforming the sector into the major driver of Nigeria's economic development process.

I have brought along to this session cabinet members and other key functionaries of my government to underscore the seriousness with which our Administration views Nigeria's huge infrastructure deficit, with special focus on the power sector.

My appraisal of the sector over the past few years has revealed that the factors that impede reliable electricity service delivery in Nigeria include the absence of a sustained and deliberately deployed long term power development strategy; under-exploitation of our abundant energy endowment; and the absence of significant reform.

Fortunately, the Obasanjo Administration recognized these challenges and did initiate a power reform program that is enshrined in the Electricity Power Sector Reform (EPSR) Act of 2005, which we are implementing fully. In order to fast track the resolution of all critical issues pertaining to power, I constituted two committees soon after I assumed office as President. These are the Presidential Action Committee on Power, PACP, which I chair, with the Vice President as Alternate Chair and the Presidential Task Force on Power, PTFP, with my Special Adviser on Power as Chairman.

The primary objective was to eliminate bureaucratic red tape while maintaining the rigorous nature of decision making in Government. The PACP is charged with the responsibility of providing leadership and guidance, and to determine the general policy direction and strategic focus of power reform. The PTFP is the engine room for day-to-day planning, and is charged with the responsibility of developing and driving forward the Action Plan for the Nigerian power sector, with achievable targets; especially with reference to the areas of power generation, transmission, distribution as well as fuel-to-power. The Ministry of Power continues to handle the day to day running and supervision of the affairs of the Ministry's relevant agencies.

In drawing up this roadmap, we have identified a critical element in resolving the entire value chain of supply of electricity as the issue of tariff. The idea is to ensure that the relevant agencies achieve a tariff structure across the value chain from tariff for fuel, wholesale tariff for generation and retail tariff, all of which will incentivize investors. Another issue is the role that government has played so far in establishing investor confidence. The suspension of the commissioners of the Nigerian Electricity Regulation Commission Commissioners (NERC) last year and the subsequent unfortunate handling of the commission's issue appeared to imply a lack of determination to assure regulatory independence. For this reason, we have taken steps to resolve all outstanding issues with the suspended members and we will reconstitute the Commission in a way that will ensure the integrity and independence of the NERC within the next two weeks.

I have declared on a number of occasions, that from next year, Government will disengage from generation and distribution of electricity in the country and provide the enabling environment for the private sector to effectively take up this role.

Therefore, as articulated in the EPSR Act, the private sector will be responsible for generation and distribution while Government will still own the transmission grid but with private sector management.

Henceforth, Government will no longer build thermal power plants on its own. We are in the process of commissioning Independent Power Producers, International Oil Companies (IOCs) and companies that have captive production of electricity to produce at least 5000 MW of new capacity. These plants will begin production in 2012 and 2013. Government will provide the credit enhancement that will incentivize them to invest in the construction of the power plants. It means that government will neither directly [be] investing in, nor managing these plants.

In the interim, the Presidential Task Force has devised a plan to fast track the full reclamation of installed capacities at the various Federal Government Power Plants across the nation through rehabilitation over the next one year.

I will briefly outline our plans with respect to Fuel-to-Power, NIPP, Generation, Transmission, Distribution, Reform and PHCN Workers.

GENERATION: Nigeria will largely rely on hydro, coal and natural gas for generation of much of its power over the next decade, while the quantum of electricity generated through nuclear and renewable energy such as solar, wind and biomass will be gradually developed. The plan for exploitation of hydro sources is already quite advanced. Coal will also be fully exploited over the next few years to install power plants in such places as Gombe, Kogi, Enugu and Benue. However, the largest resource for fuel-to-power will come from natural gas. It is the intention of the Federal Government to exploit this asset to its fullest by converting flared gas assets to domestic application for power and harnessing non-associated gas for power application.

However, this would require investment far beyond what the Federal Government can muster and would require providing incentives to investors. In the case of hydro, we currently have generation from Kainji, Jebba and Shiroro.

However, all three plants are not producing to their installed capacity because of poor maintenance and equipment damage. These are currently earmarked for repairs so as to ensure recovery of non available capacities. In addition, Government is completing plans that will lead to commencement of construction of the Mambilla plant in Taraba State and Zungeru Plant in Niger State which will generate 2600 MW and 700 MW respectively. The Gurara Hydro power plant in Kaduna State which currently has 30 MW installed will expand to additional 300 MW. The Niger State government is also planning a 250 MW hydro power plant at the Gurara Falls.

Completed hydro plants will be concessioned to the private sector for effective management. As with hydro plants, the Federal Government will no longer develop and build coal and natural gas thermal power plants but, instead, we will encourage immediate private sector participation. More specifically, the Federal Government is engaging companies that have installed capacities either for manufacturing or as Independent Power Producers to expand their production capacities and sell electricity to the national grid. From the category of those that have requisite installed capacity, we expect to generate over 5000 MW within the next three years.

In line with the EPSR Act, the Power Bulk Trader which the Bureau of Public Enterprises (BPE) has now incorporated will have credit backing from Federal Government to purchase power from these private power providers and sell to the distribution companies. This bulk trader should be in full operation less than two months from today. The beauty of this approach is that in each case, the Federal Government will only provide credit enhancement to the Bulk Trader. This support is in form of contingent liability for the Federal Government and therefore not full liability for the full megawatt (MW) purchased. It is also important to mention that the bulk trader will play this “middle man” role until the distribution companies become credit worthy and subsequently buy electricity directly from the power producers on bilateral basis.

In summary, the Federal Government’s short term plan in generation is to improve all of its hydro and thermal power generating assets. Some of these will become available by the last quarter of this year while others will become available next year. The strategy from the beginning of next year will be to maintain for every part of the country, the current allocation of power, and then begin to allocate the additional power that will come from the NIPP and other IPP projects to key industrial cities in the country until such industrial cities reach adequacy. The intention is to immediately stimulate employment and economic growth across the nation.

A second component of Government’s strategy is to domicile as much power as possible from the Independent Power Producers (IPPs) within the local domain where the power is produced, thus reducing stress on the national grid. This also reduces technical losses and provides such power directly to the local community.

FUEL- TO-POWER: Nigeria is blessed with a number of fuel sources for power, including the possibility of developing nuclear-powered electricity. However, because of the high capital costs required to implement commercial power generation through these alternate fuel sources, the Federal Government is primarily focusing on electricity generation in the areas of Hydro, Natural Gas and Coal.

Under the National Gas Masterplan there is clear provision for private sector investment in gas infrastructure so that gas can be used throughout the nation for industrial processes and power generation.

Most of the power plants to be built in the southern part of Nigeria over the next few years will be gas fired. Although there is enough gas to support available generation capacity for now, generation capacity will outstrip available gas in the nation before the end of next year. The solution is to attract private sector investment as quickly as possible in the gas sector. Consequently, the Federal Government will begin to engage the IOCs and smaller companies to fast track bankable gas production and supply agreements, as well as gas transport to both Federal Government power plants and the Independent Power Producers’ plants.

NIPP: As you may recall, the Obasanjo administration initiated the National Integrated Power Projects (NIPP) initiative which covered areas of gas, generation power plants, some

transmission networks to make the national grid have a closed loop system at 330 KV level, and also some distribution projects. Whereas these are yet to contribute to the nation's power system, we expect that they will begin to come to fruition by the end of this year. Cumulatively, they should contribute a total of 4775 MW upon completion. Under the NIPP initiative, there are contracts in place to complete NIPP 330 KV line projects in the country in such a way that when they are combined with the PHCN on-going projects for 330 KV lines, the country will have a closed loop network at that high voltage level. This will significantly stabilize the existing wheeling capacity in the country in the short to medium term.

TRANSMISSION: The transmission infrastructure in the country can only address the generated power up to some part of next year, after which it will no longer be able to wheel the available generation.

Therefore, the Federal Government plans to embark on significant increase in transmission that will begin to fundamentally address anticipated capacity problems. We plan to build a super transmission network at the voltage level of 700 KV that will go from Afam in Rivers State, through Makurdi to Jos, Kaduna, Shiroro, Jebba, and then down to Lagos through Oshogbo; before going through Benin to Onitsha, to Alaoji and finally back to Afam. The procurement of designers of this network will commence soon. A line will also run from the 700 KV line in Kaduna to Kano and from Jos to Gombe.

Simultaneously, there will be significant work in providing reliability and stability in the network infrastructure by providing grid integrity and reliability systems, power quality and systems-stability systems, as well as institution of corporate governance of the Transmission Company of Nigeria.

DISTRIBUTION: The distribution infrastructure is very dilapidated and will require significant investment and high professional management to bring it to requisite acceptable standards.

Since distribution is always an easy source of leakage and corruption, the Federal Government has decided to follow through on the EPSR Act and privatize the distribution companies in order to induce effectiveness and efficient management. NERC will provide strict oversight on these distribution companies. In the plan of the BPE, the Federal and State Governments will maintain some equity positions in the new privatized companies until such a period that these companies are stable and the various Governments can divest themselves by selling their shares to the Nigerian public.

TARIFF: A key driver to realizing the goals of the Government in the power sector is appropriate tariff regime. Available records show that Nigerians pay more now individually for private generation of electricity or light whether we are using kerosene for light or diesel for electricity generation. The tariff on electric power in our country today is much lower than what is paid in countries across the West African sub region.

We have come to the conclusion that it is not so much that Nigerians cannot pay or do not want to pay for the electricity they consume, rather it is that they want the electricity to be available and reliable.

The price of darkness is infinite. NERC has taken cognizance of the concerns of all stakeholders ranging from consumers to power producers and will produce, in its major review, an end-user tariff regime that will incentivize the industry. This will be driven by delivering quality service to the end user, while the eventual end user tariff will be cushioned through a cross subsidy for the urban poor and rural dwellers.

PHCN WORKERS: This Administration has demonstrated sincere commitment to ensuring that we meet the Government's obligations to the PHCN workers, and has paid due attention to the concerns raised by the Workers' Unions.

In this regard, we have provided through a supplemental budget, the entire sum of over ₦57 billion required [for] addressing the arrears of monetized benefits of PHCN workers which have been outstanding for over 7 years.

Funds have also been provided in the same supplemental budget to address the workers' severance, pension and gratuity payments upon privatization of their various companies. It should be noted that the electricity industry can only expand just like the telecommunication industry grew after the introduction of liberalization. Existing PHCN staff will expectedly form the nucleus of the work force of the new private sector-driven electricity industry. It therefore will be to their benefit to see reform in the sector as a panacea for progress in their individual lives and the growth of the sector.

Your Excellencies, Distinguished Ladies and Gentlemen, I have taken you through an overview of our plans to ensure reliable and sustainable electricity service delivery in Nigeria. We are convinced that it is only by productively engaging the private sector as partners in this journey of national transformation that we can be assured of success. With the commitment and unwavering political will which we are willing to bring to bear on this challenge, Nigerians have cause to believe in the dawn of a new era.

Thank you for your kind attention.